



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011

City of Colton, California
650 North La Cadena Drive, Colton, California 92324

CITY OF COLTON, CALIFORNIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2011

Prepared by:
Management Services Department
Finance Division

CITY OF COLTON
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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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650 North La Cadena Drive, Colton California 92324

January 25, 2012

Honorable Mayor and Members of the City Council:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Colton 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. In our opinion, the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of 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 are prepared in accordance with the 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 Colton, 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 and 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 Lance, Soll & Lunghard LLP, a public accounting firm fully licensed and qualified to perform audits of the State and 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 Colton, California, for the fiscal year ended June 30, 2011, are free of material misstatements. 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 Colton, 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 representation 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 will be available in the City's separately issued Single Audit Report.

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

Profile of the City of Colton, California

Colton History

The City of Colton was formally founded in 1875 and incorporated on July 11, 1887. However, its history goes back to the 1770's when several explorers searched routes from Sonora, Mexico to Monterey, California bringing the first Europeans to the Colton area. Prior to this time, the Gua-chama, Serannos and San Gorgonio Indians inhabited the area.

By 1840 Colton was part of two privately owned ranchos, Jurupa and San Bernardino. The southwest section of Colton, the area settled by New Mexico pioneers in 1842, is referred to as Agua Mansa ("Gentle Waters").

The town of Colton was laid out when the Southern Pacific Railway was constructed through the valley on its way eastward from Los Angeles in 1875. Colton was named for Civil War General David Colton who was also Vice President of the Southern Railroad Company.

Nicholas P. Earp, father of Wyatt, Virgil and Morgan (among other children), was elected as Colton's first City Clerk/Recorder in 1887. After Morgan was killed at the famous gunfight in Tombstone, Arizona, Virgil brought his body to Colton where he was buried in Hermosa Cemetery. Virgil then lived for a time in the family home with his wife, Allie, which still stands at 528 H Street.

Slover Mountain was named for Isaac Slover who settled on the south slope of the mountain 500 feet above the floor of the valley close to the Santa Ana River in 1841 or 1842. In the late 1850's, lime kilns were operating on the north and west slopes of the mountain near the base. Later, Colton Marble and Lime Company opened to be succeeded by the California Marble Company. By 1881, California Portland Cement Company began manufacturing there and was one of the earliest cement plants in the United States.

Mt. Slover was one of only three places in the country granted the right to fly the United States Flag at night when Thomas J. Fleming, Secretary and Manager of the cement plant, requested and was granted permission. The other two places permitted to fly the American Flag from sunrise to sunrise are over the National Capital and in Frederick, Maryland over the grave of Francis Scott Key, composer of the National Anthem. Mr. Fleming arranged for the erection of a ninety-foot steel pole on the highest point of the mountain, 500 feet above the valley floor. Burro power was employed to carry the first flagpole and other materials up the mountainside and a flag approximately 20 feet by 30 feet was procured. It was reported the flag under floodlight could be seen from a distance of 40 miles.

Throughout Colton's history the California Portland Cement Company has played a formative role in the local economy. Another significant entity has been the railroad yard, one of the largest in the Western United States. Other aspects of the historical local economy included fruit orchards and vineyards, along with related enterprises such as packinghouses, wineries, canneries, and seeding companies.

The population of Colton gradually increased from 400 in 1887 to 21,310 by 1980. Since that time, fueled by new residential development, the population has more than doubled to just over 55,000 today.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Reflecting an uncertain economic environment, the pace of growth in the Inland Empire—like many other regions in California—has slowed dramatically. The days of low unemployment and a high rate of job growth, particularly in the building industry, are over for now. In addition, the Bureau of Labor Statistics shows unemployment easing very slightly between June, 2010 and June, 2011, from 14.4% to 14.2% for the Riverside/San Bernardino Metropolitan Statistical Area.

Long-Term Financial Planning

The next couple of fiscal years should be promising for the City of Colton. Although the future seems optimistic with economic opportunities and lifestyle enhancements for Colton residents, it will not be without its challenges. Examples of such opportunities and enhancements include the planned transformation of the underdeveloped west-end community in the vicinity of the Arrowhead Regional Medical Center, as well as the \$270 million Colton Crossing Project which includes an underpass at Laurel Street, realignment of railroad tracks that currently run down the middle of a residential area on Ninth Street and converting the entire City into quiet zone, so trains can safely pass through without blowing whistles. In addition, the City is excited about potential new retail development in the Cooley Ranch area in addition to moving forward on a long-awaited senior housing project in downtown Colton.

Notwithstanding the above, the City must remain focused on maintaining and enhancing revenues at the local level while at the same time continue navigating several major factors that will affect it long-term; examples include annually increasing PERS retirement contributions rates and the ongoing State budget impacts. Although this task may seem challenging, over the past two years, the City has shown its commitment to live within its means giving rise to the budget mantra, “balanced-in, balanced-out”, wherein expenditures will not exceed revenue levels.

Staff is committed to keeping the organization moving forward and to continue managing and improving the condition of our physical plant and infrastructure inventory while still maintaining levels of service for our residents within the constraints of a balanced budget. To our credit, Colton has been able to attract and retain talented, committed staff who are dedicated to moving the community forward.

Cash Management Policies and Practices

The City Treasurer, an elected official, manages the cash and investments for the City, the Redevelopment Agency, the utility enterprise funds and bond proceeds from the various bonds issues. Investments for the non-bond proceeds included obligations of the U.S. Treasury and the Local Agency Investment Fund. The average yield on investments for the fiscal year was approximately 0.50% for the general portfolio.

Risk Management

The City of Colton is self-insured for comprehensive liability claims for up to a maximum of \$250,000 for each workers’ compensation claim and \$500,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. All funds of the City participate in the self-insurance program and make payments to the internal service fund based on estimates of the amounts needed to pay the current year claims.

Pension and Other Post-employment Benefits

The City provides its full-time and certain part-time employees retirement and disability benefits through three defined benefit pension plans. The three plans are: Fire Safety, Police Safety and Miscellaneous employee groups. These plans are all part of the California Public Employees’ Retirement System (CalPERS). The City makes required employer contributions to the plans based on amounts determined by CalPERS actuaries. The employees also contribute required contributions to the plans; i.e., 9% for safety plans and 8% for the miscellaneous plan. In 2007, the City issued pension obligation bonds to prepay a portion of the unamortized unfunded accrued actuarial liability related to its pension plans. Absent the prepayment, current contribution rates would be higher.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colton for its comprehensive annual financial report CAFR for the fiscal year ended June 30, 2008. This was the eighth consecutive year that the City of Colton has received this prestigious award. The Certificate of Achievement from the GFOA and the Certificate of Award for Outstanding Financial Reporting from the CSMFO are valid for a period of one year. Although the City has not pursued the above awards for fiscal years 2009, 2010 and 2011, staff believes that our current comprehensive annual financial report continues to meet the Certificate of Achievement and Certificate of Award for Outstanding Financial Reporting requirement. Staff plans to pursue the reporting awards in the future.

The successful conclusion of the fiscal year 2010-11 audit would not have been possible without the efficient and dedicated services of the Management Services Department staff, as well as staff from various other City departments.

Finally, City staff truly appreciates the ongoing leadership and support of the City Council. Consistent leadership and support is the foundation for a successful and stable future.

Respectfully submitted,



Rod Foster, City Manager



Bonnie Johnson, Management Services Director

CITY OF COLTON, CALIFORNIA

MUNICIPAL OFFICIALS

June 30, 2011

CITY COUNCIL

Sarah S. Zamora, Mayor

David J. Toro, Council Member – District 1

Frank A. Gonzales, Council Member – District 2

Vincent Yzaguirre, Council Member – District 3

Susan M. Oliva, Council Member – District 4

Deirdre H. Bennett, Council Member – District 5

Alex G. Perez, Council Member – District 6

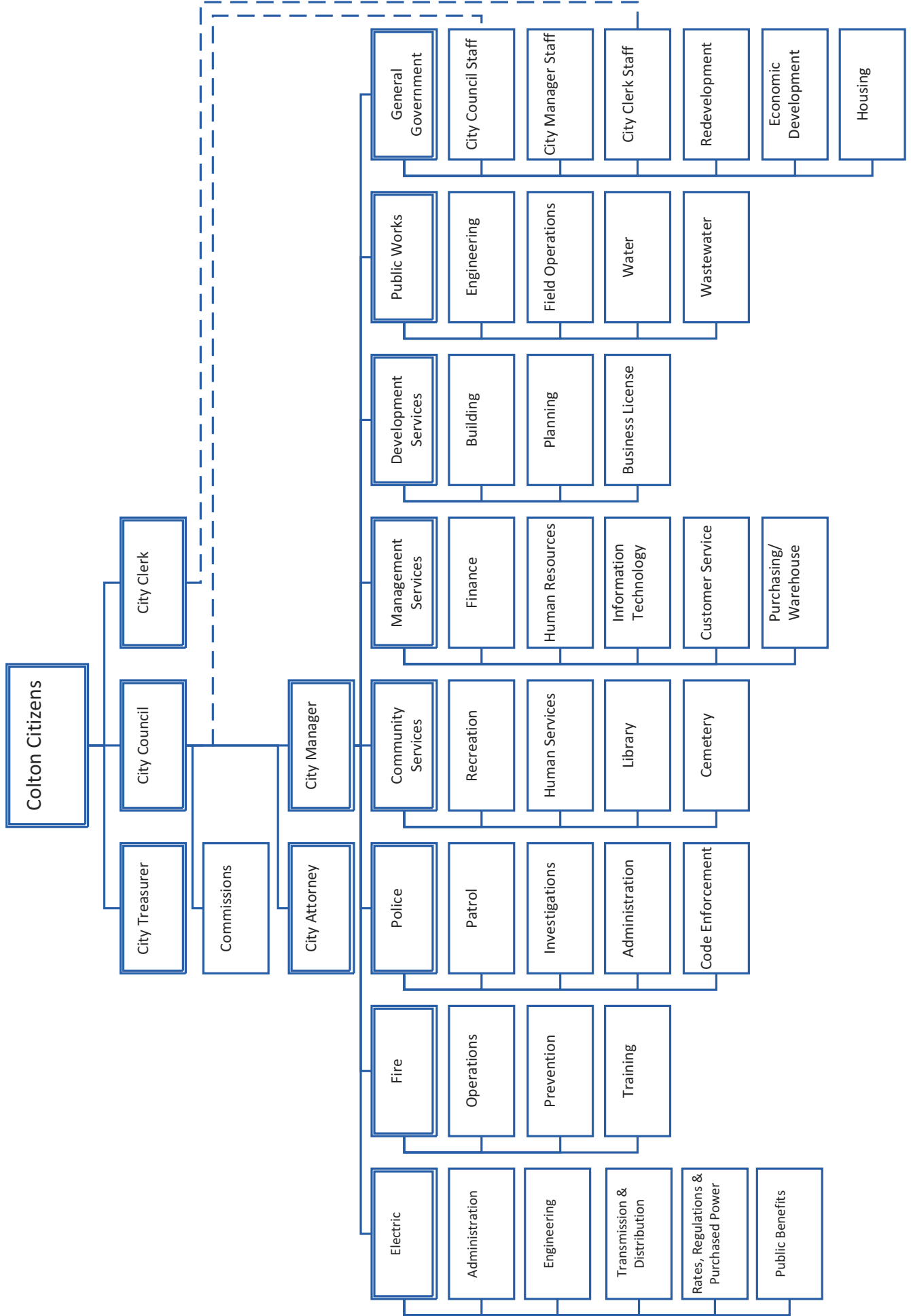
ADMINISTRATIVE PERSONNEL

Eileen C. Gomez, City Clerk

Aurelio De La Torre, City Treasurer

Citywide Organizational Chart

Fiscal Year 2011-2012



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CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORTS

To the Honorable Mayor and Members of City Council
City of Colton, 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 City of Colton, California, (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. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Colton, California, as of June 30, 2011, the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 14 – "California Redevelopment Agency Dissolution". The note provides information on two bills passed, AB1X26 and AB1X27 which dissolve redevelopment agencies and provide an option to avoid dissolution by making certain defined payments. The Note also provides further information on the California Supreme Court ruling dated December 29, 2011 in regards to these two bills.

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



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

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

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

Lance, Soll & Lughard, LLP

Brea, California
January 24, 2012

Management's Discussion and Analysis

As management of the City of Colton, California (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Colton for the fiscal year ended June 30, 2011. To obtain a complete picture of the City's financial condition, this document should be read in conjunction with the accompanying letter of transmittal and financial statements.

Financial Highlights

All changes in financial conditions in the following discussion are expressed relative to fiscal year 2010-11. Please note that each of these changes will be discussed in detail in the appropriate sections of this analysis.

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$107,194,808 (*net assets*). The two components of this total are: \$27,868,816 in governmental activities and \$79,325,992 in business-type activities.
- Overall, the City's total net assets increased by \$17,229,718.
- Total city long-term debt decreased by \$6,680,329.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$33,665,363, an increase of \$5,857,960 over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain three components: Government-wide financial statements; fund financial statements; and notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the *timing* of related cash flows. Thus, some of the revenues and expenses reported in this statement will have no effect on cash until some future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover some or all of their costs through user fees and charges (*business-type activities*).

Governmental activities. Most of the City's basic services are reported in this category, including general administration (city manager, city clerk, finance, etc.), police and fire protection, public works and community development. Property

taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities. The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Electric, Water and Wastewater utilities are reported in this category.

The government-wide financial statements can be found on pages 13 - 15 of this report.

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds and other funds—not the City as a whole. Some funds are required by state law and by bond covenants. However, management has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

In addition to the major funds reported separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, the City also maintains 15 special revenue funds, 4 capital project funds, and 2 debt service funds. Data from these funds are combined into a single, aggregated presentation referred to as *other governmental funds*. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental and proprietary funds, except for the DSF Fly Conservation fund and the Assessment District fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This comparison can be found on page 23 of this report.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in 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 its Electric, Water and Wastewater activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services and building maintenance activities, IT department and self-insurance. Because these services predominantly benefit governmental rather than business-type functions, this fund has been included within *governmental activities* in the government-wide financial statement.

Proprietary funds provide the same type of information as the government-wide financial statements except that more detail is presented. The proprietary fund financial statements provide separate information for the Electric, Water and

Wastewater operations, all of which are considered major funds of the City. The City's internal service fund is shown separately under the heading of *governmental activities*.

The basic proprietary fund financial statements can be found on pages 24-29 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. Individual fund data for each of these fiduciary funds is provided in the form of *combining statements* elsewhere in this report.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the financial statements can be found on pages 33 - 73 of this report.

Other information. In addition, the combining statements referred to earlier in connection with non-major governmental funds, internal service fund and fiduciary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 78 - 119 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As referenced earlier, net assets may serve over time as a useful indicator of a government's financial position. At the end of the current year, total City assets exceeded total liabilities by \$107,194,808, an increase of \$17,229,718 over the prior year. Of this net increase, governmental activities increased net assets by \$6,208,124 and business-type activities increased it by \$11,021,594. The underlying reasons for major changes in each of these components will be discussed in the following sections.

City of Colton's Net Assets As of June 30

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 72,729,228	\$ 65,285,124	\$ 45,862,122	\$ 41,512,502	\$ 118,591,350	\$ 106,797,626
Capital Assets	63,594,398	66,355,133	112,550,125	112,242,872	176,144,523	178,598,005
Total Assets	136,323,626	131,640,257	158,412,247	153,755,374	294,735,873	285,395,631
Long-term Debt Outstanding	97,015,436	100,113,393	74,384,221	77,966,593	171,399,657	178,079,986
Other Liabilities	11,439,374	9,866,172	4,701,943	7,484,383	16,141,317	17,350,555
Total Liabilities	108,454,810	109,979,565	79,086,164	85,450,976	187,540,974	195,430,541
Net Assets:						
Invested in Capital Assets, Net of Debt	8,938,118	9,463,993	39,098,859	34,947,388	48,036,977	44,411,381
Restricted	38,240,516	29,033,595	5,760,520	5,744,749	44,001,036	34,778,344
Unrestricted	(19,309,818)	(16,836,896)	34,466,613	27,612,261	15,156,795	10,775,365
Total Net Assets	\$ 27,868,816	\$ 21,660,692	\$ 79,325,992	\$ 68,304,398	\$ 107,194,808	\$ 89,965,090

Governmental Activities

Governmental activities increased the City of Colton's net assets by \$6,208,124, a 28.7% increase over the prior year. The increase is attributable mainly to an overall decrease in expenses. Expenses in the General Fund alone decreased by \$4,456,120 during fiscal year 2010-11.

City of Colton's Changes in Net Assets Fiscal Year Ended June 30

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services	\$ 5,334,511	\$ 5,198,365	\$ 75,730,443	\$ 74,191,777	\$ 81,064,954	\$ 79,390,142
Operating Contributions and Grants	824,501	2,034,476	69,676		894,177	2,034,476
Capital Contributions and Grants	3,831,950	2,766,401			3,831,950	2,766,401
General Revenues:						
Property Taxes	17,654,388	18,736,900			17,654,388	18,736,900
Sales Taxes	5,735,928	5,373,215			5,735,928	5,373,215
Other Taxes	6,347,669	6,559,013			6,347,669	6,559,013
Motor Vehicle In-Lieu	263,884	113,781			263,884	113,781
Use of Money and Property	3,569,991	3,291,843	274,186	221,722	3,844,177	3,513,565
Other	463,405	269,321	1,174,850		1,638,255	269,321
Total Revenues	44,026,227	44,343,315	77,249,155	74,413,499	121,275,382	118,756,814
Expenses						
General Government	9,415,958	8,184,814			9,415,958	8,184,814
Community Services	3,132,316	4,890,385			3,132,316	4,890,385
Public Works	5,126,915	6,229,888			5,126,915	6,229,888
Public Safety	20,436,034	24,540,340			20,436,034	24,540,340
Interest on long-term debt	5,819,212	5,976,908			5,819,212	5,976,908
Electric			46,052,494	48,650,685	46,052,494	48,650,685
Water			7,692,742	8,319,269	7,692,742	8,319,269
Wastewater			6,369,993	6,868,307	6,369,993	6,868,307
Total Expenses	43,930,435	49,822,335	60,115,229	63,838,261	104,045,664	113,660,596
Increase/(Decrease) in Net Assets Before Transfers	95,792	(5,479,020)	17,133,926	10,575,238	17,229,718	5,096,218
Transfers	6,112,332	5,661,926	(6,112,332)	(5,661,926)	-	-
Restatement of net assets	-	123,769			-	123,769
Increase/(Decrease) in Net Assets	\$ 6,208,124	\$ 306,675	\$ 11,021,594	\$ 4,913,312	\$ 17,229,718	\$ 5,219,987

The following presents the cost of each of the City's five largest programs—*general government*, *community services*, *public works*, *public safety* and *interest on long-term debt* – as well as each program's *net cost* (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Cost of Governmental Programs

Function/Program	Total Cost of Service	Net Cost of Service
General Government	\$ 9,415,958	\$ (8,011,677)
Public Safety	20,436,034	(18,516,955)
Community Services	3,132,316	(411,839)
Public Works	5,126,915	(1,179,790)
Interest on Long-Term Debt	5,819,212	(5,819,212)
Total Governmental Activities	\$ 43,930,435	\$ (33,939,473)

Business-Type Activities

The following presents the cost of each of the City's three utilities – Electric, Water and Wastewater – as well as each utility's *net* cost (total cost less revenues generated by the activities). The net cost shows the amount not funded through user charges for these services.

Business-Type Activities

Type of Business	Total Cost of Service	Net Cost of Service
Electric Utility	\$ 46,052,494	\$ 12,185,909
Water Utility	7,692,742	870,603
Wastewater Utility	6,369,993	2,628,378
Total Business-Type Activity	\$ 60,115,229	\$ 15,684,890

Business-type activities increased the City's net assets by \$11,021,594. The major components are as follows:

Electric Utility

Operating revenues increased \$1,157,857 over the prior year; a 2% change. However, operating expenses decreased by \$2,588,528; a 5.6% change. A major component of the decrease in expenses related to a reduction in power generation costs.

Water Utility

Although the Water Fund continues to struggle due to ongoing costs related to the regional battle to remove perchlorate from underground water sources, it experienced positive net service cost of \$870,603 and net operating income of \$1,358,330.

Wastewater Utility

As noted above, the Wastewater revenues were sufficient to cover the cost of service. The Wastewater Utility is continuing to focus on required maintenance and upgrade of facilities in order to remain in compliance with State mandates.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,665,363, an increase of \$5,857,960 from the prior year. Of this balance, 35% is classified as nonspendable for prepaid costs, inventory, land held for resale, notes and loans, and advances to other funds; and the remaining 65% is a combination of legally restricted fund balance to fund such areas as capital projects, public safety, park and recreation, public works, development services and debt service; as well as unassigned fund balance. Restricted and unassigned fund balances are \$38,436,135 and (\$16,660,345), respectively.

There are three major funds on the balance sheet for governmental funds: the General Fund, the combined Agency capital projects funds, and the combined Agency debt service funds.

The General Fund is the major operating fund of the City. At the end of the current fiscal year, the General Fund's unassigned fund balance was \$2,852,934, or 87% of the total fund balance of \$3,287,230. Unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. The total General Fund ending fund balance was \$1,904,423 more than the previous year. The General Fund's top 3 revenue categories, namely property tax, sales tax and other taxes, saw a combined decrease of \$186,869, or 0.74%, over the prior year. This continues to be indicative of the somewhat ailing economy.

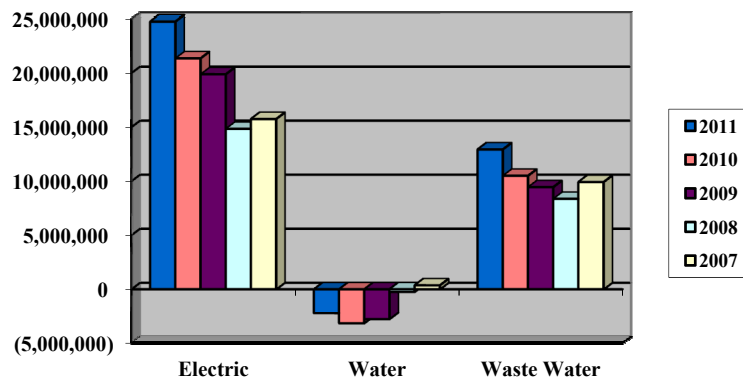
Revenue by Source - General Fund

Revenue Category	Amount	Percent of Total
Property Tax	\$ 6,647,307	26%
Sales Tax	5,770,725	23%
Other Taxes	6,347,669	25%
Licenses and Permits	1,241,153	5%
Intergovernmental	1,313,468	5%
Charges for Services	1,427,516	6%
Use of Money and Property	1,697,554	7%
Fines and Forfeitures	318,754	1%
Contributions	25,000	0%
Miscellaneous	354,247	1%
Total General Fund Revenue	\$ 25,143,393	100%

The Redevelopment capital projects funds continue to carry a combined deficit balance as in the prior year. Redevelopment debt service funds remain in stable condition which is consistent with the prior year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail by fund.

**Proprietary Funds
Unrestricted Net Assets
June 30, 2011**



GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, with the recommendation from the City's staff, the City Council revised the City budget numerous times in order to adjust for changes in cost and revenue estimates. All amendments that result in a net change in estimated revenue or appropriations are approved by City Council.

Budget to Actual

With respect to revenue, the decrease in actual revenue over the prior year of \$61,550 was attributable to fluctuations (up and down) in all categories with the most significant being a charges for services of \$219,803. The overall decrease in revenue amount does not include Other Financing Sources such as operating transfers and the administrative transfer from the Electric Fund. Accounting for all revenue sources results in a net increase in actual revenue of \$452,257, which includes an increase in Other Financing Sources of \$513,807. However, when compared to final budget, actual total revenues came in favorable by \$1,068,370, mainly as the result of miscellaneous revenues and sales tax coming in higher than budgeted.

The amended appropriations decreased the budget by \$475,988. Although there were a number of changes to the original budget, the largest decreases were due to amendment of employee benefits as a result of the collective bargaining process. These reductions were attributable to Council direction in anticipation of the City's Utility Users Tax sunseting on June 30, 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, was \$176,144,523 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, streets and bridges.

Governmental Activity

During the year, the Public Works department added the following projects to capital assets:

Paul J. Rogers Elementary School Improvement II

The City of Colton was awarded a grant by the County of San Bernardino to improve pedestrian safety in the area surrounding the Dr. Paul J. Rogers Elementary School. In FY 2009, the City completed the following improvements to the site: installation of missing sidewalk, gutter, drive approach, handicap ramps, and an asphalt drop-off zone. In addition to the completed improvements in FY2010, there remained the installation of a signalized crosswalk and crossing signage at the front of the school. These improvements were completed as part of Phase II in FY 2011. A Notice of Completion was filed March 15, 2011.

CDBG Concrete Infrastructure Removal and Replacement Project.

This project included removal and replacement of damaged or missing concrete infrastructure such as: curb, gutter, sidewalk and handicap ramps. The improvements increased accessibility, safety and eliminated blight within the city and various census tracts. Sections of the following streets were included in the improvements: 1) Cooley Drive, 2) Mt. Vernon Avenue, 3) Colton Avenue, 4) 10th Street, 5) F Street, 6) C Street, 7) La Cadena Drive, 8) Bordwell Avenue, 9) Pennsylvania Avenue, 10) San Bernardino Avenue and 11) Orange Grove Avenue. A Notice of Completion was filed April 19, 2011.

2010-2011 Slurry Seal

The FY2011 Slurry Seal project consisted of sealing cracks along streets with minor damage, overlay with a slurry seal to extend the life of existing pavement, and replacement of street striping and pavement markings after the sealant was applied. Streets identified for improvement included: 1) Colton Avenue from 10th Street to Mt. Vernon Avenue, 2) Valley Boulevard from Mt. Vernon Avenue to Sperry Drive, 3) Valley Boulevard from 10th Street to Mt. Vernon Avenue, 4) Sperry Drive from Valley Boulevard to Fairway Drive, 5) Washington Street from Barton Road to Reche Canyon Road, 6) Laurel Street from Mt. Vernon Avenue to La Cadena Drive, 7) C Street from 7th Street to Mt. Vernon Avenue, 8) Cooley Drive from Mt. Vernon Avenue, and 9) Meridian Avenue from San Bernardino Avenue to Valley Boulevard. A Notice of Completion was filed on May 3, 2011.

Agua Mansa Project Phase I

Phase I of the Agua Mansa Road Widening and Realignment project began along Agua Mansa Road from the San Bernardino Flood Control Rialto Channel to Riverside Avenue in FY2011. The following improvements were made: realignment and widening of the road carriageway: installation of base, asphalt, curb, gutter, striping, and signage. A fourteen-foot wide painted median was installed to provide greater control of left-hand turn movement to the City's wastewater treatment facility and other businesses in this area. A Notice of Completion was filed November 16, 2010.

Rancho Median Project-Rancho and Mill and Rancho and "C" Street

The Rancho Median Project for the areas of Rancho Avenue/Mill Street and Rancho Avenue/C Street included installation of landscaping, irrigation, traffic signage, striping and street marking. The intent of the project was to enhance the visual aesthetics of the area. A Notice of Completion was filed July 20, 2010.

CDBG Valley Media Project

The Valley Median project was funded by a Community Development Block Grant and included the installation of curb, gutter, landscaping, traffic signage and irrigation. A Notice of Completion was filed July 20, 2010.

Business-Type Activity

Electric Department

- Construction of the North Substation was completed and became fully operational in October 2010. The construction was funded through the Electric System Revenue Refunding Bonds issued in July 2007.
- Concluded the final phase of the 5-year underground cable replacement program.
- Installation of additional automated electric meters brought the automated meter replacement program to 52 percent completion.

Water Department

- Rehabilitation of Well 21.
- Continued upgrade of the Supervisory Control and Data Acquisition (SCADA) System.
- Mainline replacement - Steel Road Project: Installed 1,600 feet of 12" Pipe & Appurtenances.
- Continued progress preparing the pumping plant for installation of Wells 30 & 31.
- Continued progress on the Water Recharge Basin Project.

Wastewater Department

- Ongoing construction work on the RIX Facility Expansion Project which included repair and rehabilitation of extraction wells.
- Repair and replacement of pumps on Unit 3 Digester.
- Sewer line replacement – Coburn & Olive Bypass Project.
- Sewer line replacement – Adjust sewer manholes to grade and drain.
- Repair and replace pumps at Crossroads Lift Station.
- Continuous upgrade of telemetry/SCADA System.
- Cleaned 590,391 feet of sewer system pipelines.

Additional information on the City’s capital assets can be found in Note 5 on pages 46 – 47 of this report.

**City of Colton's Capital Assets at June 30
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$7,143,085	\$7,143,085	\$6,228,942	\$6,228,942	\$13,372,027	\$13,372,027
Construction in progress	3,386,356	6,373,237	3,162,047	11,189,034	6,548,403	17,562,271
Structure and Improvements	15,133,160	15,090,075	21,775,348	10,868,022	36,908,508	25,958,097
Furniture and Equipment	3,069,510	4,072,034	12,629,309	13,308,860	15,698,819	17,380,894
Capacity Rights			4,645,458	4,778,185	4,645,458	4,778,185
Infrastructure	34,862,287	33,676,702	64,109,021	65,869,829	98,971,308	99,546,531
Total	\$ 63,594,398	\$ 66,355,133	\$ 112,550,125	\$ 112,242,872	\$ 176,144,523	\$ 178,598,005

Long-Term Debt

No new bonded indebtedness was issued during the year and as a result total City debt decreased by \$6,680,329.

Governmental Activities

During the year, no new debt was issued. The only increases were related to post employment benefits, claims and judgments payable, and existing redevelopment agreements.

Proprietary Funds

During the year, no new debt was issued. The only increase was related to compensated absences.

The City maintains a “BBB+” with Standard & Poor’s and the revenue bonds of the Electric Utility have been insured and as such have a “AAA” rating from both Moody’s and Standard & Poor’s. The Electric Utility separately maintains an “A-” rating by Moody’s.

Additional information on the City's long-term debt can be found in Note 7 on pages 49 – 63 of this report.

City of Colton Outstanding Debt at June 30

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds	\$ 15,390,000	\$ 16,025,000	\$66,298,276	\$69,059,370	\$ 81,688,276	\$ 85,084,370
Tax allocation bonds	35,890,000	37,815,000			35,890,000	37,815,000
Capital lease obligations	997,900	1,322,178			997,900	1,322,178
Taxable Pension Bonds	30,210,827	30,659,492			30,210,827	30,659,492
Notes Payable	1,254,507	1,358,754	7,518,009	8,236,114	8,772,516	9,594,868
Tax Sharing agreements	3,845,318	3,908,408			3,845,318	3,908,408
Disposition and						
Development	2,175,012	2,032,721			2,175,012	2,032,721
Compensated absences	2,455,415	2,749,180	567,936	671,109	3,023,351	3,420,289
Assessments payable	205,000	230,000			205,000	230,000
Other long-term liabilities	4,591,457	4,012,660			4,591,457	4,012,660
Total	\$ 97,015,436	\$ 100,113,393	\$74,384,221	\$77,966,593	\$ 171,399,657	\$ 178,079,986

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The General Fund appropriations for 2011-12 were adopted at \$27,245,475, a \$3,463,711 reduction over the final 2010-11 budget. As referenced earlier in this report, the Utility Users Tax, which generated revenue of \$4,617,978 in 2010-11, sunset in July 2011. The City is committed to continuing to adjust expenditures to ensure a stable financial future. A copy of the City's 2011-12 budget may be obtained by accessing the City's website (www.ci.colton.ca.us) or by contacting the City Finance Department (see below).

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Colton's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of Colton, 650 North La Cadena Drive, Colton, CA 92324.

CITY OF COLTON

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 25,310,215	\$ 17,932,088	\$ 43,242,303
Receivables:			
Accounts	1,362,372	9,192,161	10,554,533
Taxes	365,796	-	365,796
Notes and loans	98,374	-	98,374
Accrued interest	24,848	20,454	45,302
Internal balances	(1,032,429)	1,032,429	-
Prepaid costs	59,578	558,004	617,582
Deposits	-	3,518,307	3,518,307
Due from other governments	4,056,597	405,975	4,462,572
Inventories	177,931	1,330,298	1,508,229
Deferred charges	1,290,368	2,920,573	4,210,941
Deferred loss on refunding	170,947	314,676	485,623
Prepaid pension asset	24,307,733	-	24,307,733
Land held for resale	7,509,919	-	7,509,919
Restricted assets:			
Cash and investments	487,769	-	487,769
Cash with fiscal agent	8,539,210	8,637,066	17,176,276
Capital assets not being depreciated	10,529,441	9,390,989	19,920,430
Capital assets, net of depreciation	53,064,957	103,159,136	156,224,093
Total Assets	136,323,626	158,412,156	294,735,782
Liabilities:			
Accounts payable	1,987,505	2,756,031	4,743,536
Accrued interest	1,709,913	905,533	2,615,446
Unearned revenue	263,510	-	263,510
Deposits payable	16,693	1,040,379	1,057,072
Due to other governments	7,461,753	-	7,461,753
Noncurrent liabilities:			
Due within one year	5,751,409	4,214,271	9,965,680
Due in more than one year	91,264,027	70,169,950	161,433,977
Total Liabilities	108,454,810	79,086,164	187,540,974
Net Assets:			
Invested in capital assets, net of related debt	8,938,118	39,098,859	48,036,977
Restricted for:			
Community development projects	8,650,189	-	8,650,189
Public safety	475,835	-	475,835
Capital projects	3,980,454	-	3,980,454
Debt service	24,933,887	5,760,520	30,694,407
Social service	4,373	-	4,373
Air quality projects	249,757	-	249,757
Unrestricted	(19,363,797)	34,466,613	15,102,816
Total Net Assets	\$ 27,868,816	\$ 79,325,992	\$ 107,194,808

CITY OF COLTON

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,415,958	\$ 1,404,281	\$ -	\$ -
Public safety	20,436,034	1,676,828	242,251	-
Community services	3,132,316	1,636,632	494,973	588,872
Public works	5,126,915	616,770	87,277	3,243,078
Interest on long-term debt	5,819,212	-	-	-
Total Governmental Activities	43,930,435	5,334,511	824,501	3,831,950
Business-Type Activities:				
Electric Utility	46,052,494	58,168,727	69,676	-
Water Utility	7,692,742	8,563,345	-	-
Waste Water Utility	6,369,993	8,998,371	-	-
Total Business-Type Activities	60,115,229	75,730,443	69,676	-
Total Primary Government	\$ 104,045,664	\$ 81,064,954	\$ 894,177	\$ 3,831,950

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Utility users tax

Other taxes

Intergovernmental - unrestricted

Motor vehicle in lieu

Use of money and property

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (8,011,677)	\$ -	\$ (8,011,677)
(18,516,955)	-	(18,516,955)
(411,839)	-	(411,839)
(1,179,790)	-	(1,179,790)
(5,819,212)	-	(5,819,212)
(33,939,473)	-	(33,939,473)
-	12,185,909	12,185,909
-	870,603	870,603
-	2,628,378	2,628,378
-	15,684,890	15,684,890
(33,939,473)	15,684,890	(18,254,583)
17,654,388	-	17,654,388
381,645	-	381,645
5,735,928	-	5,735,928
1,287,714	-	1,287,714
4,617,978	-	4,617,978
60,332	-	60,332
263,884	-	263,884
3,569,991	274,186	3,844,177
463,405	1,174,850	1,638,255
6,112,332	(6,112,332)	-
40,147,597	(4,663,296)	35,484,301
6,208,124	11,021,594	17,229,718
21,660,692	68,304,398	89,965,090
\$ 27,868,816	\$ 79,325,992	\$ 107,194,808

CITY OF COLTON

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

		<u>Capital Project Fund</u>	<u>Debt Service Fund</u>
	<u>General</u>	<u>Redevelopment Agency</u>	<u>Redevelopment Agency</u>
Assets:			
Cash and investments	\$ 3,917,115	\$ 980,719	\$ 16,274,910
Receivables:			
Accounts	1,360,269	2,103	-
Taxes	124,753	1,618	73,804
Notes and loans	-	98,374	-
Accrued interest	907	888	19,072
Prepaid costs	55,561	-	3,543
Due from other governments	1,060,463	-	419,117
Due from other funds	245	-	6,984,169
Advances to other funds	-	-	4,044,245
Inventories	175,534	-	-
Land held for resale	-	7,509,919	-
Restricted assets:			
Cash and investments	-	-	-
Cash and investments with fiscal agents	-	521,759	5,017,044
Total Assets	\$ 6,694,847	\$ 9,115,380	\$ 32,835,904
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,065,283	\$ 57,125	\$ 147,314
Deferred revenues	60,313	-	-
Unearned revenues	-	-	-
Deposits payable	-	15,738	-
Due to other governments	432,225	-	6,854,042
Due to other funds	1,849,796	3,732,350	-
Advances from other funds	-	6,117,245	-
Total Liabilities	3,407,617	9,922,458	7,001,356
Fund Balances:			
Nonspendable:			
Prepaid costs	55,561	-	3,543
Inventory	175,534	-	-
Land held for resale	-	7,509,919	-
Notes and loans	-	98,374	-
Advances to other funds	-	-	4,044,245
Restricted for:			
Community development projects	-	8,648,607	-
Public safety	53,979	-	-
Capital Projects	-	-	-
Debt service	-	-	21,786,760
Library	-	-	-
Air quality projects	-	-	-
Parks and recreation	1,582	-	-
Development services	107,705	-	-
General government	33,935	-	-
Unassigned	2,858,934	(17,063,978)	-
Total Fund Balances	3,287,230	(807,078)	25,834,548
Total Liabilities and Fund Balances	\$ 6,694,847	\$ 9,115,380	\$ 32,835,904

CITY OF COLTON

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Other Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	\$ 3,394,648	\$ 24,567,392
Receivables:		
Accounts	-	1,362,372
Taxes	165,621	365,796
Notes and loans	-	98,374
Accrued interest	3,981	24,848
Prepaid costs	-	59,104
Due from other governments	2,577,017	4,056,597
Due from other funds	2,582,456	9,566,870
Advances to other funds	-	4,044,245
Inventories	2,397	177,931
Land held for resale	-	7,509,919
Restricted assets:		
Cash and investments	371,161	371,161
Cash and investments with fiscal agents	3,067,770	8,606,573
Total Assets	\$ 12,165,051	\$ 60,811,182
 Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 273,233	\$ 1,542,955
Deferred revenues	2,117,435	2,177,748
Unearned revenues	263,510	263,510
Deposits payable	-	15,738
Due to other governments	175,486	7,461,753
Due to other funds	3,984,724	9,566,870
Advances from other funds	-	6,117,245
Total Liabilities	6,814,388	27,145,819
 Fund Balances:		
Nonspendable:		
Prepaid costs	-	59,104
Inventory	2,397	177,931
Land held for resale	-	7,509,919
Notes and loans	-	98,374
Advances to other funds	-	4,044,245
Restricted for:		
Community development projects	-	8,648,607
Public safety	421,856	475,835
Capital Projects	3,980,454	3,980,454
Debt service	3,147,127	24,933,887
Library	4,373	4,373
Air quality projects	249,757	249,757
Parks and recreation	-	1,582
Development services	-	107,705
General government	-	33,935
Unassigned	(2,455,301)	(16,660,345)
Total Fund Balances	5,350,663	33,665,363
Total Liabilities and Fund Balances	\$ 12,165,051	\$ 60,811,182

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CITY OF COLTON

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

Fund balances of governmental funds	\$ 33,665,363
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	62,809,427
Prepaid pension obligation relates to the proceeds of the pension funding bonds, which was used to fund the City's unfunded pension obligation. The contribution to the pension plan was recorded as an expenditure in the governmental funds, but it is a prepaid item amortized over the plan actuarial amortization on the statement of net assets.	24,307,733
The issuance of long-term debt provides financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatments of long-term debt and related items.	
Deferred bond issuance cost	1,290,368
Deferred loss on bond refunding	170,947
Long-term liabilities	(91,715,796)
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.	(2,399,398)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(900,555)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds	(1,709,913)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	2,177,748
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	172,892
Net assets of governmental activities	\$ 27,868,816

CITY OF COLTON

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

		Capital Project Fund	Debt Service Fund
	General	Redevelopment Agency	Redevelopment Agency
Revenues:			
Taxes	\$ 6,647,307	\$ 20,576	\$ 10,417,722
Sales taxes	5,770,725	-	-
Other taxes	6,347,669	-	-
Licenses and permits	1,241,153	-	-
Intergovernmental	1,313,468	-	124,878
Charges for services	1,427,516	-	-
Use of money and property	1,697,554	853,087	418,752
Fines and forfeitures	318,754	-	-
Contributions	25,000	-	-
Miscellaneous	354,247	704	-
Total Revenues	25,143,393	874,367	10,961,352
Expenditures:			
Current:			
General government	4,199,399	1,757,898	833,933
Public safety	19,379,791	-	-
Community services	2,168,564	-	-
Public works	1,456,169	-	-
Capital outlay	58,909	-	-
Debt service:			
Principal retirement	324,278	25,000	2,095,437
Interest and fiscal charges	54,091	990,642	2,247,012
Pass-through agreement payments	-	-	1,865,886
Total Expenditures	27,641,201	2,773,540	7,042,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,497,808)	(1,899,173)	3,919,084
Other Financing Sources (Uses):			
Transfers in	7,099,052	1,320,000	-
Transfers out	(2,696,821)	(26,436)	(1,320,000)
Long-term debt issued	-	-	145,391
Total Other Financing Sources (Uses)	4,402,231	1,293,564	(1,174,609)
Net Change in Fund Balances	1,904,423	(605,609)	2,744,475
Fund Balances:			
Beginning of year	1,382,807	(201,469)	23,090,073
End of Year	\$ 3,287,230	\$ (807,078)	\$ 25,834,548

CITY OF COLTON

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

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	\$ 568,783	\$ 17,654,388
Sales taxes	-	5,770,725
Other taxes	-	6,347,669
Licenses and permits	-	1,241,153
Intergovernmental	5,035,798	6,474,144
Charges for services	756,818	2,184,334
Use of money and property	552,514	3,521,907
Fines and forfeitures	150,157	468,911
Contributions	-	25,000
Miscellaneous	67,189	422,140
Total Revenues	7,131,259	44,110,371
Expenditures:		
Current:		
General government	20,567	6,811,797
Public safety	485,484	19,865,275
Community services	795,700	2,964,264
Public works	563,108	2,019,277
Capital outlay	1,626,891	1,685,800
Debt service:		
Principal retirement	1,280,000	3,724,715
Interest and fiscal charges	2,334,331	5,626,076
Pass-through agreement payments	-	1,865,886
Total Expenditures	7,106,081	44,563,090
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,178	(452,719)
Other Financing Sources (Uses):		
Transfers in	6,069,366	14,488,418
Transfers out	(4,279,873)	(8,323,130)
Long-term debt issued	-	145,391
Total Other Financing Sources (Uses)	1,789,493	6,310,679
Net Change in Fund Balances	1,814,671	5,857,960
Fund Balances:		
Beginning of year	3,535,992	27,807,403
End of Year	\$ 5,350,663	\$ 33,665,363

CITY OF COLTON

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

Net change in fund balances - total governmental funds	\$ 5,857,960
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(2,419,040)
Prepaid pension obligation relates to the proceeds of the pension funding bonds, which was used to fund the City's pension obligation. The contribution to the pension plan was recorded as an expenditure in the governmental funds statement, but it is a prepaid item on the government-wide statements amortized over the plan actuarial amortization period.	(293,159)
The issuance of long-term debt provides financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatments of long-term debt and related items.	
Deferred bond issuance cost	(59,373)
Deferred loss on bond refunding	(12,550)
Long-term liabilities	3,380,987
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	77,124
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	257,788
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense.	(254,836)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	(85,678)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities	(241,099)
Change in net assets of governmental activities	\$ 6,208,124

CITY OF COLTON

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,382,807	\$ 1,382,807	\$ 1,382,807	\$ -
Resources (Inflows):				
Taxes	18,423,414	18,159,174	18,765,701	606,527
Licenses and permits	1,409,420	1,388,611	1,241,153	(147,458)
Intergovernmental	1,081,341	1,074,248	1,313,468	239,220
Charges for services	1,285,478	1,347,078	1,427,516	80,438
Use of money and property	1,621,250	1,621,250	1,697,554	76,304
Fines and forfeitures	363,000	361,500	318,754	(42,746)
Contributions	50,000	50,000	25,000	(25,000)
Miscellaneous	60,000	68,900	354,247	285,347
Transfers in	7,086,314	7,103,314	7,099,052	(4,262)
Amounts Available for Appropriations	32,763,024	32,556,882	33,625,252	1,068,370
Charges to Appropriations (Outflow):				
General government				
City Council	135,623	137,896	108,915	28,981
City clerk	238,873	237,202	147,748	89,454
City manager	180,301	301,189	153,197	147,992
Human resource	99,314	90,415	57,335	33,080
Financial services	183,794	155,240	16,796	138,444
City attorney	416,267	416,267	705,939	(289,672)
City treasurer	(1,958)	(2,270)	(17,179)	14,909
Non-departmental	2,575,961	2,549,446	3,026,648	(477,202)
Public safety				
Police	11,821,453	11,493,801	11,334,164	159,637
Fire	8,188,333	8,002,430	8,045,627	(43,197)
Parks and recreation				
Parks, recreation & family services	1,750,439	1,673,549	1,597,479	76,070
Community development	972,542	1,054,775	571,085	483,690
Public works				
Public services	1,496,172	1,461,338	1,456,169	5,169
Capital outlay	54,800	64,648	58,909	5,739
Debt service:				
Principal retirement	326,594	326,594	324,278	2,316
Interest and fiscal charges	51,826	51,826	54,091	(2,265)
Transfers out	2,694,840	2,694,840	2,696,821	(1,981)
Total Charges to Appropriations	31,185,174	30,709,186	30,338,022	371,164
Budgetary Fund Balance, June 30	\$ 1,577,850	\$ 1,847,696	\$ 3,287,230	\$ 1,439,534

CITY OF COLTON

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Electric Utility	Water Utility	Waste Water Utility	Total	
Assets:					
Current:					
Cash and investments	\$ 14,197,900	\$ -	\$ 3,734,188	\$ 17,932,088	\$ 742,823
Receivables:					
Accounts	6,709,389	1,211,415	1,271,357	9,192,161	-
Accrued interest	13,654	-	6,800	20,454	474
Prepaid costs	-	-	558,004	558,004	-
Deposits	3,518,262	45	-	3,518,307	-
Due from other governments	69,676	37,763	298,536	405,975	-
Due from other funds	-	-	5,850,036	5,850,036	-
Inventories	1,232,320	97,978	-	1,330,298	-
Restricted:					
Cash and investments	-	-	-	-	49,245
Cash with fiscal agent	4,626,952	3,597,456	412,658	8,637,066	-
Total Current Assets	30,368,153	4,944,657	12,131,579	47,444,389	792,542
Noncurrent:					
Advances to other funds	-	2,073,000	2,000,000	4,073,000	-
Deferred Charges	2,548,689	184,121	187,763	2,920,573	-
Deferred loss on refunding	314,676	-	-	314,676	-
Capital assets - net of net of accumulated depreciation	56,651,808	20,062,749	35,835,568	112,550,125	784,971
Total Noncurrent Assets	59,515,173	22,319,870	38,023,331	119,858,374	784,971
Total Assets	\$ 89,883,326	\$ 27,264,527	\$ 50,154,910	\$ 167,302,763	\$ 1,577,513
Liabilities and Net Assets:					
Liabilities:					
Current:					
Accounts payable	\$ 1,772,263	\$ 565,211	\$ 418,557	\$ 2,756,031	\$ 444,550
Accrued interest	615,206	137,670	152,657	905,533	-
Unearned revenues	-	-	-	-	-
Deposits payable	1,028,043	11,348	988	1,040,379	955
Due to other funds	-	5,850,036	-	5,850,036	-
Advances from other governments	-	-	1,050,271	1,050,271	-
Accrued compensated absences	213,000	57,000	14,000	284,000	28,000
Accrued claims and judgments	-	-	-	-	609,485
Bonds, notes, and capital leases	2,385,000	285,000	210,000	2,880,000	-
Total Current Liabilities	6,013,512	6,906,265	1,846,473	14,766,250	1,082,990
Noncurrent:					
Advances from other governments	-	-	6,467,738	6,467,738	-
Advances from other funds	-	2,000,000	-	2,000,000	-
Accrued compensated absences	212,461	57,804	13,671	283,936	28,017
Accrued claims and judgments	-	-	-	-	1,334,185
Bonds, notes, and capital leases	51,358,276	8,215,000	3,845,000	63,418,276	-
Total Noncurrent Liabilities	51,570,737	10,272,804	10,326,409	72,169,950	1,362,202
Total Liabilities	57,584,249	17,179,069	12,172,882	86,936,200	2,445,192

CITY OF COLTON

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Electric Utility	Water Utility	Waste Water Utility	Total	
Net Assets:					
Invested in capital assets, net of related debt	2,908,532	11,562,749	24,627,578	39,098,859	784,971
Restricted for debt service	4,626,952	720,910	412,658	5,760,520	-
Unrestricted	24,763,593	(2,198,201)	12,941,792	35,507,184	(1,652,650)
Total Net Assets	32,299,077	10,085,458	37,982,028	80,366,563	(867,679)
Total Liabilities and Net Assets	\$ 89,883,326	\$ 27,264,527	\$ 50,154,910	\$ 167,302,763	\$ 1,577,513

Reconciliation of Net Assets to the Statement of Net Assets

Net Assets per Statement of Net Assets - Proprietary Funds	\$ 80,366,563
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(1,121,781)
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	81,210
Net Assets per Statement of Net Assets	\$ 79,325,992

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CITY OF COLTON

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

	Business-Type Activities - Enterprise Funds				Governmental
	Electric Utility	Water Utility	Waste Water Utility	Total	Activities- Internal Service Funds
Operating Revenues:					
Sales and service charges	\$ 58,168,082	\$ 8,511,213	\$ 8,147,584	\$ 74,826,879	\$ 3,657,205
Miscellaneous	954,491	143,338	980,585	2,078,414	199,484
Total Operating Revenues	59,122,573	8,654,551	9,128,169	76,905,293	3,856,689
Operating Expenses:					
Salaries and benefits	4,999,552	1,576,182	871,177	7,446,911	926,174
Maintenance and operations	3,339,574	4,558,090	2,932,432	10,830,096	1,232,978
Generation	2,077,648	-	-	2,077,648	-
Purchased power	26,789,457	-	-	26,789,457	-
Contractual services	-	-	-	-	14,693
Claims and benefits	-	-	-	-	1,449,615
Charges from other funds	2,201,103	629,912	1,104,772	3,935,787	-
Amortization	156,123	10,229	-	166,352	-
Depreciation expense	3,954,118	521,808	1,138,438	5,614,364	120,781
Total Operating Expenses	43,517,575	7,296,221	6,046,819	56,860,615	3,744,241
Operating Income (Loss)	15,604,998	1,358,330	3,081,350	20,044,678	112,448
Nonoperating Revenues (Expenses):					
Intergovernmental	69,676	-	-	69,676	-
Capital contributions	-	-	-	-	-
Interest revenue	152,944	48,207	73,035	274,186	1,533
Interest expense	(2,559,645)	(421,260)	(343,415)	(3,324,320)	-
Gain (loss) on disposal of capital assets	(11,504)	-	-	(11,504)	-
Total Nonoperating Revenues (Expenses)	(2,348,529)	(373,053)	(270,380)	(2,991,962)	1,533
Income (Loss) Before Transfers	13,256,469	985,277	2,810,970	17,052,716	113,981
Transfers in	-	-	-	-	2,132,688
Transfers out	(5,970,984)	(92,520)	(48,828)	(6,112,332)	(2,406,558)
Changes in Net Assets	7,285,485	892,757	2,762,142	10,940,384	(159,889)
Net Assets:					
Beginning of year	25,013,592	9,192,701	35,219,886	69,426,179	(707,790)
End of Fiscal Year	\$ 32,299,077	\$ 10,085,458	\$ 37,982,028	\$ 80,366,563	\$ (867,679)
Reconciliation of Changes in Net Assets to the Statement of Activities:					
Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds				\$ 10,940,384	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds				81,210	
Changes in Net Assets of Business-Type Activities per Statement of Activities				\$ 11,021,594	

CITY OF COLTON

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Electric Utility	Water Utility	Waste Water Utility	Total	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$58,904,924	\$ 8,485,536	\$ 9,133,851	\$ 76,524,311	\$ 3,856,939
Cash paid to suppliers for goods and services	(33,944,635)	(4,879,264)	(5,108,215)	(43,932,114)	(1,070,021)
Cash paid to employees for services	(7,259,060)	(2,247,227)	(1,979,584)	(11,485,871)	(2,089,807)
Net Cash Provided (Used) by Operating Activities	17,701,229	1,359,045	2,046,052	21,106,326	697,111
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	(5,970,984)	(92,520)	(48,828)	(6,112,332)	(2,831,627)
Cash transfers in	-	-	-	-	2,778,671
Repayment received from other funds	-	-	436,666	436,666	-
Repayment made to other funds	-	(436,666)	-	(436,666)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(5,970,984)	(529,186)	387,838	(6,112,332)	(52,956)
Cash Flows from Capital and Related Financing Activities:					
Intergovernmental	1,988	-	(190,626)	(188,638)	-
Acquisition and construction of capital assets	(5,716,301)	(190,788)	(192,384)	(6,099,473)	-
Principal paid on capital debt	(2,275,000)	(275,000)	(200,000)	(2,750,000)	-
Interest paid on capital debt	(2,425,025)	(415,156)	(247,550)	(3,087,731)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,414,338)	(880,944)	(830,560)	(12,125,842)	-
Cash Flows from Investing Activities:					
Interest received	153,968	48,207	71,858	274,033	1,059
Net Cash Provided (Used) by Investing Activities	153,968	48,207	71,858	274,033	1,059
Net Increase (Decrease) in Cash and Cash Equivalents	1,469,875	(2,878)	1,675,188	3,142,185	645,214
Cash and Cash Equivalents at Beginning of Year	17,354,977	3,600,334	2,471,658	23,426,969	146,854
Cash and Cash Equivalents at End of Year	\$18,824,852	\$ 3,597,456	\$ 4,146,846	\$ 26,569,154	\$ 792,068

CITY OF COLTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities- Internal Service Funds</u>
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Waste Water Utility</u>	<u>Total</u>	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$15,604,998	\$ 1,358,330	\$ 3,081,350	\$ 20,044,678	\$ 112,448
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation and amortization	4,110,241	532,037	1,138,438	5,780,716	120,781
(Increase) decrease in accounts receivable	(196,871)	(171,738)	5,682	(362,927)	250
(Increase) decrease in deposits receivable	(69,761)	-	-	(69,761)	-
(Increase) decrease in prepaid expense	-	-	(558,004)	(558,004)	-
(Increase) decrease in inventories	(60,143)	(13,314)	-	(73,457)	-
Increase (decrease) in accounts payable	(1,677,813)	(307,860)	(899,674)	(2,885,347)	177,650
Increase (decrease) in due to other governments	-	-	-	-	-
Increase (decrease) in advances from other governments	-	-	(718,105)	(718,105)	-
Increase (decrease) in deposits payable	48,983	2,723	-	51,706	-
Increase (decrease) in deferred revenue	-	-	-	-	-
Increase (decrease) in claims and judgments	-	-	-	-	321,960
Increase (decrease) in compensated absences	(58,405)	(41,133)	(3,635)	(103,173)	(35,978)
Total Adjustments	2,096,231	715	(1,035,298)	1,061,648	584,663
Net Cash Provided (Used) by Operating Activities	\$17,701,229	\$ 1,359,045	\$ 2,046,052	\$ 21,106,326	\$ 697,111
Non-Cash Investing, Capital, and Financing Activities:					
Gain/(Loss) on disposition of capital assets	\$ (11,504)	\$ -	\$ -	\$ (11,504)	\$ -
Transfer of capital assets to governmental activities	-	-	-	-	(220,914)

CITY OF COLTON

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	<u>Agency Funds</u>	<u>Cemetery Endowment Fund</u>
Assets:		
Cash and investments	\$ 1,590,062	\$ 46,046
Receivables:		
Taxes	12,878	-
Loans	1,659	-
Interest	26	802
Deposits	13,217	-
Restricted assets:		
Cash and investments	1,768,028	1,118,949
Cash and investments with fiscal agents	537,361	-
Total Assets	<u>\$ 3,923,231</u>	<u>\$ 1,165,797</u>
Liabilities:		
Accounts payable	\$ 609,750	\$ -
Accrued liabilities	1,037,319	-
Deposits payable	164,642	421,595
Due to other governments	456,880	-
Due to bondholders	1,654,640	-
Total Liabilities	<u>\$ 3,923,231</u>	<u>421,595</u>
Net Assets:		
Restricted for endowment		744,202
Total Net Assets		<u>744,202</u>
Total Liabilities and Net Assets		<u>\$ 1,165,797</u>

CITY OF COLTON

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Cemetery Endowment Fund</u>
Additions	
Contributions	\$ 12,589
Investment earnings	3,055
Total Additions	<u>15,644</u>
Changes in Net Assets	15,644
Net Assets:	
Beginning of the Year	<u>728,558</u>
End of the Year	<u><u>\$ 744,202</u></u>

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I. SIGNIFICANT ACCOUNT POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Colton, California (the City), is located in the County of San Bernardino and was incorporated on July 20, 1887, under the general laws of the State of California. The City operates under an elected Council/City Manager form of government. The City's major operations include police and fire protection, electric, water, sanitation, public works, parks, recreation and certain social services and general administration services. As required by accounting principles generally accepted in the United State of America, these financial statements present the City of Colton (the City) and its Component units, entities for which the City is considered financially accountable.

The inclusion of an organization within the scope of the reporting entity of the City of Colton is based on the provision of GASB Statement No. 14. A component unit is included in the primary government's financial statements if the governing body is substantively the same as that of the City, or if the component unit provides services or other benefits almost entirely to the primary government. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. These component units are controlled by common governing boards, which are substantively the same as the City's, and are presented as blended component units for financial reporting purposes. The component units have the same fiscal year end as the City. For those that publish separate financial statements, those statements can be obtained from the City clerk. The blended component units discussed below, although legally separate entities, are in substance part of the government operation and have been combined herein.

Blended Component Units

The Redevelopment Agency of the City of Colton (the Agency) was established pursuant to the State of California Health and Safety Code, Section 53601, entitled *Community Redevelopment Law*. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the City of Colton. The City Council acts as the governing board of the Redevelopment Agency. Separate financial statements for the Agency are available from the City clerk.

The Colton Public Financing Authority (the Authority) was created by a joint powers agreement, formed for the purpose of issuing bonds in order to finance capital improvement projects. The Authority's Board of Directors is composed of the five elected City Council members. Separate financial statements are not prepared for the Authority.

The Colton Utility Authority (the Utility Authority) was created on July 18, 2001, pursuant to Joint Powers Law Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and the Marks-Roos Local Bond Pooling Act of 1985. The Utility Authority was formed to provide for the lease, ownership, operation, maintenance, construction and financing

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

of the Water and Wastewater Utility systems. The City Council acts as the governing board of the Utility Authority. Separate financial statements are not prepared for the Utility Authority.

On September 1, 2000, the Utility Authority entered into an agreement with the City to lease the Water and Wastewater Utilities. The lease payments are to be paid by the Utility Authority to the City from the Water and Wastewater Utility Funds in the amount of \$870,000 and \$570,000 each year, respectively, from surplus utility revenues. In the event that surplus utility revenues exceed these amounts, the Authority is required to prepay a portion of the total lease payments. This agreement also approved the issuance of the 2000 Wastewater Revenue Bonds by the Utility Authority. See Note 7 for disclosure of bond. The annual lease payments are reflected as operating transfers among the respective funds.

The Colton Housing Authority was established on March 15, 2011. The Housing Authority was activated pursuant to State Law Section 34240 of the California Health and Safety Code, which allows for every City to establish a housing authority. The Housing Authority is designed to protect local housing funds and programs, provide new revenue opportunities for affordable housing programs, serve the public interest, promote public safety and welfare, and ensure decent, safe sanitary and affordable housing accommodations to persons of low income. The City of Colton City Council serves are the Housing Authority's Commissioners.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

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

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City's fiduciary fund financial statements report agency funds and one private purpose trust fund. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The General Fund is used to account for sources and uses of financial resources applicable to the general government operation of the City. All general operating revenues and expenditures which are not restricted and accounted for in another fund are recorded in the General Fund.
- The Redevelopment Agency Capital Projects Fund is used to account for the acquisition, demolition and sale of land for those areas in Colton designated as in need of redevelopment related activities. Primary sources of funding have been bond proceeds and property tax increments transferred from the Redevelopment Debt Service Fund.
- The Redevelopment Agency Debt Service Fund is used to account for the accumulation of resources for payment of tax increment bonds and other redevelopment debt. Debt service is primarily financed via property tax increment. This fund accounts for the activities of the Mt Vernon, Downtown I & II, Santa Ana River, West Valley, Rancho Mill, and Cooley Ranch project areas.

The City reports the following major proprietary funds:

- The Electric Utility Fund is used to account for the production, distribution and transmission of electric energy to residents and businesses located within the City.

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

- The Water Utility Fund is used to account for the production and distribution of potable water to residents and businesses located within the City.
- The Wastewater Utility Fund is used to account for the operation and maintenance of the water reclamation plant and sewage system.

Additionally the government reports the following fund types:

- Internal Service Funds used by management to charge the cost of building and equipment maintenance, information services and self-insurance provided by one department to other departments of the City.
- Fiduciary Funds used include two agency funds and a private purpose trust fund. Agency funds account for money and property held by the City as trustee or custodian. They act as a temporary repository for federal and state wages, as well as various other forms of payroll contributions collected from employees until remitted to the relevant authorities and are also used to account for various assessment districts and community facilities districts for which the City acts as an agent for debt service activity. The private purpose trust fund holds donations made to the City for various purposes.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term marketable securities with original maturities of three months or less from the date of acquisition. Investments for the City, as well as for its component units, are reported at fair value. The current year changes in fair value are recognized in the statement of revenue, expenditures and changes in fund balance. Investment in the State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of San Bernardino collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

Inventories

All inventories are valued using the weighted average method. Fund balances in the governmental fund type have been reserved for amounts equal to the carrying value of inventory because such assets are not available to finance the City's current operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value.

Capacity Rights

Capacity rights are the unamortized cost of an agreement between the City and the San Bernardino Valley Municipal Water District whereby the City acquired the rights to discharge industrial wastewater into the Santa Ana Regional Interceptor System. The rights are being amortized on a straight-line basis over of 55 years.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB Statement No. 34, the City has also reported all its general infrastructure assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets Type</u>	<u>Years</u>
Structures and improvements	20 - 50
Furniture and equipment	5 - 20
Infrastructure	20 - 50

Compensated Absences

The City records the cost of vacation and sick leave when paid in the Governmental Fund types and when incurred in the Proprietary Fund types. All vacation and sick leave is accrued when incurred in the government-wide statement of net assets.

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

Long-Term Obligations

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

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.

Fund Equity

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

- Non-spendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.
- Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and the Director of Management Services are authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.
- Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include non-spendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "issuance of long-term debt provides financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Also, governmental funds report the effect of issuance cost, premium, discount and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of the \$(91,715,796) long-term liabilities difference are as follows:

Long-term debt:	
County memorandum of understanding	\$ (1,829,298)
Capital lease obligations	(997,900)
Taxable pension funding bonds, series 2007	(30,210,827)
Special tax revenue bonds series 1996	(2,910,000)
Lease revenue bonds 2007 series B	(12,480,000)
Tax allocation bonds	(30,175,000)
Subordinate tax allocation bonds	(5,715,000)
Notes payable	(1,459,507)
Disposition and development agreements	(2,175,012)
Tax sharing agreements	(3,845,318)
Bond discount to be amortized	220,076
Bond premium to be amortized	(138,010)
	<hr/>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (91,715,796)</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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."

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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

The details of this \$(2,419,040) difference are as follows:

Capital outlay	\$ 1,549,023
Depreciation expense	(4,188,977)
Capital contribution from Internal Service Funds	<u>220,914</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,419,040)</u>

Another element of that reconciliation state that "issuance of long-term debt provides financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premium, discount and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this \$3,380,987 difference are as follows:

Debt issued or incurred	
Disposition and development agreements	\$ (142,291)
Tax sharing agreements	(3,100)
Accreted interest	(196,335)
Principal repayments	
Special tax revenue bonds, series 1996	315,000
Tax allocation bonds	1,690,000
Subordinated tax allocation revenue bonds, 2004 series A	235,000
Taxable pension funding bonds, series 2007	645,000
Lease revenue bonds, 2007 series B	320,000
Capital lease obligations	324,278
Tax sharing agreements	66,190
Notes payable	129,247
Bond premium and discount amortization	<u>(2,002)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,380,987</u>

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.

The City has the following policy in establishing the budgetary data for financial reporting purposes. In May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them. Public hearings are conducted at City Council meetings to obtain taxpayer comments. Prior to July 1, the budget is adopted by Council action.

After adoption of the budget, the City Manager is authorized to transfer funds from any classification within the same fund only. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.

The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund for the general fund, as well as for all other budgeted funds. During the year, several supplementary appropriations were necessary.

At fiscal year-end, all operating budget appropriations lapse and, if appropriate, are added to the following year's budgeted appropriations. For fiscal year 2010-2011, the following funds had no legally adopted budget:

DSF Fly Conservation
Assessment Districts

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following year. For the fiscal year ended June 30, 2011, based on calculations by City staff, proceeds of taxes did not exceed appropriations.

b. Fund Balance Deficits

The following funds contained deficit fund balances at June 30, 2011:

Community Child Care	\$ (489)
Community Development Block Grant	(561,232)
Storm Water	(14,645)
Miscellaneous Grants	(1,418,060)
Capital Improvements	(321,055)
Redevelopment Agency Capital Projects	(807,078)
Assessment Districts	(137,423)
Insurance Internal Service Fund	(1,762,158)

The City expects to eliminate these deficits with future revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 2: Stewardship, Compliance and Accountability (Continued)**c. Excess of Expenditures over Appropriations was as follows:**

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Special revenue funds:			
Community Child Care	614,656	610,036	4,620
Library Grant	194,451	54,650	139,801
Asset Seizure	1,648	1,206	442

III. DETAILED NOTES ON ALL FUNDS**Note 3: Cash and Investments**

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 34,337,194
Business-type activities	26,569,154
Fiduciary funds	<u>5,060,446</u>
Total Cash and Investments	<u>\$ 65,966,794</u>

The City of Colton maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy which authorizes it to invest in various investments.

Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$5,470,718, and the bank balance was \$6,738,409. The \$1,267,691 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash and Investments (Continued)

Investments

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Obligations (bills, notes and bonds)
- U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations
- Banker's Acceptances
- Commercial paper
- Repurchase Agreements
- Negotiable Certificates of deposit
- Medium term corporate notes
- Money market mutual funds
- Local Agency Investment Fund (State Pool)

Investment Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Note 3: Cash and Investments (Continued)

Credit Risk

Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2011, the City's investments in external investment pools and money market mutual funds are unrated.

On August 5 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2011, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2011, none of the City's investments were exposed to concentration of credit risk. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that all maturities are limited to a period of 5 years (60 months) from the date of purchase. The City's investment policy also states that maturities for Bankers Acceptances, both foreign and domestic, may not exceed 270 days, nor exceed 40% of the portfolio at the time of purchase. The policy also states that maturities for Commercial Paper may not exceed 61 days, nor exceed 15% of the Treasurer's portfolio. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash and Investments (Continued)

As of June 30, 2011, the City had the following investments and original maturities:

	Investment Maturities (in Years)		Fair Value
	6 months or less	3 to 5 years	
Cash and Investments			
California Local Agency Investment Fund	\$ 42,782,439	\$ -	\$ 42,782,439
Cash and Investments with Fiscal Agents			
Money Market Mutual Funds	7,844,574	-	7,844,574
Guaranteed Investment Contracts	3,743,919	4,205,000	7,948,919
US Treasury	1,920,144	-	1,920,144
	<u>\$ 56,291,076</u>	<u>\$ 4,205,000</u>	<u>\$ 60,496,076</u>

Note 4: Long-Term Receivables

Loans and notes receivables consist primarily of loans and advances for development purposes. Included in the Redevelopment Agency Capital Projects Fund are mortgage assistance program loans of \$42,626 and other notes receivables of \$55,748. Total of loans and notes receivables at June 30, 2011 amounts to \$98,374.

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 7,143,085	\$ -	\$ -	\$ -	\$ 7,143,085
Construction-in-progress	6,373,237	1,537,287	-	(4,524,168)	3,386,356
Total Capital Assets, Not Depreciable Assets	<u>13,516,322</u>	<u>1,537,287</u>	<u>-</u>	<u>(4,524,168)</u>	<u>10,529,441</u>
Capital assets, being depreciated:					
Structure and improvement	22,120,350	-	-	504,042	22,624,392
Furniture and equipment	14,823,907	11,736	28,000	-	14,807,643
Infrastructure	97,578,724	-	-	4,020,126	101,598,850
Total Capital Assets, Being Depreciated	<u>134,522,981</u>	<u>11,736</u>	<u>28,000</u>	<u>4,524,168</u>	<u>139,030,885</u>
Less accumulated depreciation:					
Structure and improvement	7,030,275	460,957	-	-	7,491,232
Furniture and equipment	10,751,873	1,014,260	28,000	-	11,738,133
Infrastructure	63,902,022	2,834,541	-	-	66,736,563
Total Accumulated Depreciation	<u>81,684,170</u>	<u>4,309,758</u>	<u>28,000</u>	<u>-</u>	<u>85,965,928</u>
Total Capital Assets, Being Depreciated, Net	<u>52,838,811</u>	<u>(4,298,022)</u>	<u>-</u>	<u>4,524,168</u>	<u>53,064,957</u>
Governmental Activities Capital Assets	<u>\$ 66,355,133</u>	<u>\$ (2,760,735)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,594,398</u>

CITY OF COLTON

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 5: Capital Assets (Continued)

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 6,228,942	\$ -	\$ -	\$ -	\$ 6,228,942
Construction-in-progress	11,189,034	1,634,872	-	(9,661,859)	3,162,047
Total Capital Assets, Not Depreciable Assets	<u>17,417,976</u>	<u>1,634,872</u>	<u>-</u>	<u>(9,661,859)</u>	<u>9,390,989</u>
Capital assets, being depreciated:					
Structure and improvement	21,096,132	2,874,803	-	9,574,986	33,545,921
Furniture and equipment	31,222,726	844,875	157,230	79,588	31,989,959
Capacity rights	7,300,000	-	-	-	7,300,000
Infrastructure	97,031,480	578,570	23,221	7,285	97,594,114
Total Capital Assets, Being Depreciated	<u>156,650,338</u>	<u>4,298,248</u>	<u>180,451</u>	<u>9,661,859</u>	<u>170,429,994</u>
Less accumulated depreciation:					
Structure and improvement	10,228,110	1,542,463	-	-	11,770,573
Furniture and equipment	17,913,866	1,598,712	151,928	-	19,360,650
Capacity rights	2,521,815	132,727	-	-	2,654,542
Infrastructure	31,161,651	2,340,462	17,020	-	33,485,093
Total Accumulated Depreciation	<u>61,825,442</u>	<u>5,614,364</u>	<u>168,948</u>	<u>-</u>	<u>67,270,858</u>
Total Capital Assets, Being Depreciated, Net	<u>94,824,896</u>	<u>(1,316,116)</u>	<u>11,503</u>	<u>9,661,859</u>	<u>103,159,136</u>
Business-type Activities Capital Assets	<u>\$ 112,242,872</u>	<u>\$ 318,756</u>	<u>\$ 11,503</u>	<u>\$ -</u>	<u>\$ 112,550,125</u>

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

Governmental Activities:	
General Government	\$ 207,527
Public Safety	692,690
Community Services	183,218
Public Works	3,105,542
Internal Service Fund	120,781
	<u>\$ 4,309,758</u>
Business-Type Activities:	
Electric Utility	\$ 3,954,118
Water Utility	521,808
Waste Water Utility	1,138,438
	<u>\$ 5,614,364</u>

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due To/From Other Funds

Due from other funds	Due to other funds				Total
	General Fund	Capital Projects Redevelopment Agency	Water Utility	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 245	\$ 245
Debt Service Fund - Redevelopment Agency	-	3,732,350	-	3,251,819	6,984,169
Waste Water Utility	-	-	5,850,036	-	5,850,036
Nonmajor Governmental Funds	1,849,796	-	-	732,660	2,582,456
Total	\$ 1,849,796	\$ 3,732,350	\$ 5,850,036	\$ 3,984,724	\$ 15,416,906

The Redevelopment Agency Debt Service Fund loaned \$3,732,350 to the Redevelopment Agency Capital Project Fund to finance various projects. The other interfund balances were made to cover negative cash balances and other temporary loans at June 30, 2011.

Advances To/From Other Funds

Advances to other funds	Advances from other funds		Total
	Capital Project Redevelopment Agency	Water Utility	
Debt Service Fund - Redevelopment Agency	\$ 4,044,245	\$ -	\$ 4,044,245
Water Utility	2,073,000	-	2,073,000
Waste Water Utility	-	2,000,000	2,000,000
Total	\$ 6,117,245	\$ 2,000,000	\$ 8,117,245

Advances to/from other funds were made to provide cash for the Redevelopment Agency for capital projects and debt service. Advances between Water Utility and Waste Water Utility were to provide operating cash to the Water Utility Fund.

Interfund Transfers

Transfers in	Transfers out								Total
	General Fund	Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency	Nonmajor Governmental Funds	Electric Utility	Water Utility	Waste Water Utility	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 1,399,052	\$ 5,700,000	\$ -	\$ -	\$ -	\$ 7,099,052
Capital Projects Fund - Redevelopment Agency	-	-	1,320,000	-	-	-	-	-	1,320,000
Nonmajor Governmental Funds	2,696,821	26,436	-	2,880,821	270,984	92,520	48,828	52,956	6,069,366
Government Wide: Governmental Activities	-	-	-	-	-	-	-	220,914	220,914
Total	\$ 2,696,821	\$ 26,436	\$ 1,320,000	\$ 4,279,873	\$ 5,970,984	\$ 92,520	\$ 48,828	\$ 273,870	\$ 14,709,332

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6: Interfund Receivables, Payables and Transfers (Continued)

During the year, the Electric Utility made payment to the General Fund for administrative cost incurred in the amount of \$5,700,000. Non-major governmental funds made payments to the General Fund for street work costs incurred during the year in the amount of \$1,339,052.

Transfers within the Colton Redevelopment Agency Funds were to fund capital projects and cover administrative cost.

The internal service fund Facility and Equipment Maintenance transferred \$220,914 in capital assets to the governmental activities.

Note 7: Long-Term Debt

a. Governmental Activities Long-Term Debt

The following is a summary of the changes in long-term debt of the governmental activities of the City:

	Balance July 1, 2010	Accreted Interest	Additions	Deletions	Balance June 30, 2011	Due Within One Year
City:						
Compensated Absences	\$ 2,749,180	\$ -	\$ 2,312,449	\$ 2,606,214	\$ 2,455,415	\$ 1,228,000
Claims and judgments	1,621,710	-	830,487	508,527	1,943,670	609,485
County Memorandum of Understanding	1,829,298	-	-	-	1,829,298	-
Capital Lease Obligations	1,322,178	-	-	324,278	997,900	336,196
Taxable Pension Funding Bonds	30,659,492	196,335	-	645,000	30,210,827	755,000
Other post employment benefits liability	645,719	-	1,205,535	950,699	900,555	-
Public Financing Authority:						
Special Tax Revenue Bonds - Series 1996	3,225,000	-	-	315,000	2,910,000	335,000
Lease Revenue Bonds - 2007 Series B	12,800,000	-	-	320,000	12,480,000	340,000
Community Redevelopment Agency:						
Tax Allocation Bonds:						
Colton Public Financing Authority Series 1998 A & B	25,940,000	-	-	1,595,000	24,345,000	1,680,000
Mount Vernon Corridor & West Valley Redevelopment Projects 1999 TAB	5,925,000	-	-	95,000	5,830,000	95,000
Subordinate Tax Allocation Revenue Bonds Series 2004A	5,950,000	-	-	235,000	5,715,000	245,000
Assessments Payable	230,000	-	-	25,000	205,000	20,000
Notes - CIEDB	1,358,754	-	-	104,247	1,254,507	107,728
Disposition and Development Agreements:						
Price Company	2,032,721	-	142,291	-	2,175,012	-
Tax Sharing Agreements	3,908,408	-	3,100	66,190	3,845,318	-
Total	\$ 100,197,460	\$ 196,335	\$ 4,493,862	\$ 7,790,155	97,097,502	\$ 5,751,409
					Unamortized Bond Premium/(Discount)	(82,066)
						\$ 97,015,436

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)**Bonds Payable**

Taxable Pension Funding Bonds, Series 2007 in the amount of \$31,149,400 were issued in August 2007. The bonds are payable from legally available funds of the City and are being issued to pay the normal contributions to the California Public Employee Retirement System ("PERS") for fiscal year 2007-08 and to pay the unamortized, unfunded accrued actuarial liability with respect to certain pension benefits of certain City employees under the Retirement Law. The bonds include \$28,485,000 term current interest bonds with interest payable semi annually on February 1 and August 1 of each year commencing February 1, 2008, and \$2,664,400 capital appreciation bonds payable at maturity. At June 30, 2011, the balance includes \$29,494,400 and \$716,427 accreted interest.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Taxable Pension Funding Bonds, Series 2007	
	Principal	Interest
2011-2012	\$ 755,000	\$ 1,544,847
2012-2013	875,000	1,498,816
2013-2014	1,005,000	1,445,724
2014-2015	1,140,000	1,385,150
2015-2016	1,290,000	1,316,526
2016-2021	6,665,000	5,361,255
2021-2026	7,545,000	3,446,180
2026-2031	3,449,418	1,925,776
2031-2036	5,511,409	1,676,100
2036-2041	1,975,000	228,808
Totals	<u>\$ 30,210,827</u>	<u>\$ 19,829,182</u>

Colton Public Financing Authority Special Tax Revenue Bonds, Series 1996 in the original issue amount of \$6,215,000, were issued by the Authority for the purchase of certain refunding bonds of the Community Facilities District Nos. 87-1, 88-1 and 89-1. The bonds mature in both serial and term fashion through September 1, 2019, and interest is payable semi-annually at rates ranging from 3.85% to 5.45%. The bonds are subject to optional and mandatory sinking fund redemption prior to maturity in denomination of \$5,000. The bonds are payable from a special tax assessed on the properties within the community facilities districts. Total principal and interest remaining on the debt is \$3,569,451 with annual debt service requirements as indicated below. For the current year, the total special tax collected recognized by the Authority was \$574,322 and the debt service obligation on the payable was \$482,179.

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Special Tax Revenue Bonds Series 1996	
	Principal	Interest
2011-2012	\$ 335,000	\$ 149,466
2012-2013	360,000	130,528
2013-2014	375,000	110,499
2014-2015	400,000	89,380
2015-2016	405,000	67,444
2016-2021	1,035,000	112,134
Totals	<u>\$ 2,910,000</u>	<u>\$ 659,451</u>

Colton Public Financing Authority Lease Revenue Bonds 2007 Series B in the original issue amount of \$13,385,000 were issued for the purpose of financing certain capital improvements for the City of Colton and refinancing the Refunding Certificates of Participation, Series 1998 and the Lease Revenue Bonds 2002, Series A. The bonds are limited obligations of the Authority payable from and secured by certain revenues consisting of certain base rental payments with respect to lease property by the City pursuant to a lease agreement dated August 1, 2007, between the City and the Authority. The bonds maturing on or after August 1, 2018, are subject to redemption prior to their respective maturity dates as a whole or in part from prepayments of base rental payment made by the City after August 1, 2017. Interest on the bonds are payable on August 1 and February 1 of each year commencing February 1, 2008 at a rate ranging from 4.6% to 5.0%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Lease Revenue Bonds, 2007 Series B	
	Principal	Interest
2011-2012	\$ 340,000	\$ 566,269
2012-2013	355,000	548,894
2013-2014	375,000	530,644
2014-2015	390,000	511,519
2015-2016	410,000	491,519
2016-2021	2,360,000	2,149,405
2021-2026	2,910,000	1,584,391
2026-2031	3,640,000	846,324
2031-2036	1,700,000	81,700
Totals	<u>\$ 12,480,000</u>	<u>\$ 7,310,665</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

Colton Public Financing Authority Tax Allocation Revenue Bonds, Series 1998 A and B of serial and term bonds in the original issue amounts of \$32,900,000 and \$11,115,000, respectively, were issued to defease the Colton Public Financing Authority Tax Allocation Revenue Bonds, 1989 Series A and B, to finance additional capital projects relating to the Santa Ana River Redevelopment Project and the Cooley Ranch Redevelopment Project and to finance certain low and moderate income housing projects of the City's Redevelopment Agency. Insured Series A Serial Bonds in the amount of \$13,815,000, mature through August 1, 2012, and bear interest, payable semiannually, at rates ranging from 4.1% to 5.0%. Insured Series A Term Bonds in the amounts of \$9,215,000 and \$5,695,000, mature August 1, 2018 and August 1, 2027, respectively, and bear interest at a rate of 5.0%. Uninsured Series A Special Escrow Term Bonds in the amount of \$4,175,000, mature on August 1, 2027, and bear interest at a rate of 5.3%. Uninsured Series B Serial Bonds in the amount of \$5,025,000 mature through August 1, 2012, and bear interest at rates ranging from 4.25% to 5.60%. Uninsured Series B Term Bonds in the amount of \$6,090,000 mature on August 1, 2027, and bear interest at a rate of 5.875%. The bonds are subject to mandatory redemption at any time prior to maturity and subject to optional redemption beginning on August 1, 2009. The bonds are payable from and secured by tax increment of the Santa Ana River Redevelopment Project Area, the Cooley Ranch Redevelopment Project Area and revenues of the Low and Moderate Income Housing Fund. The Series A Bonds lien on the revenues of the Redevelopment Agency is senior to the lien which secures the Series B Bonds.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Tax Allocation Bonds, Series 1998A and 1998B	
	Principal	Interest
2011-2012	\$ 1,680,000	\$ 1,227,165
2012-2013	1,760,000	1,139,923
2013-2014	1,845,000	1,046,375
2014-2015	1,950,000	947,218
2015-2016	2,045,000	842,768
2016-2021	8,330,000	2,633,028
2021-2026	4,560,000	1,193,404
2026-2031	2,175,000	115,550
Totals	<u>\$ 24,345,000</u>	<u>\$ 9,145,431</u>

Mount Vernon Corridor and West Valley Redevelopment 1999 Tax Allocation Bonds in the original issue amounts of \$5,290,000 and \$1,375,000, respectively, were issued by the Agency to finance activities relating to the Mount Vernon Corridor Redevelopment Project. The bonds mature in a serial and term fashion, through September 1, 2036, and bear interest, payable semi-annually, at rates ranging from 4.25% to 6.30%. The bonds are subject to mandatory redemption at any time prior to maturity and subject to optional redemption beginning on September 1, 2009. The bonds are payable from and are secured by the tax revenues of the Agency for the affected project area. The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

1999 Tax Allocation Bonds Mount Vernon Corridor & West Valley Redevelopment Projects		
	Principal	Interest
2011-2012	\$ 95,000	\$ 360,607
2012-2013	105,000	354,831
2013-2014	110,000	348,517
2014-2015	115,000	341,809
2015-2016	120,000	334,687
2016-2021	745,000	1,546,549
2021-2026	1,000,000	1,278,887
2026-2031	1,355,000	914,672
2031-2036	1,840,000	413,432
2036-2041	345,000	10,866
Totals	<u>\$ 5,830,000</u>	<u>\$ 5,904,857</u>

Subordinate Tax Allocation Revenue Bonds, 2004 Series A, in the amount of \$6,980,000 was issued on July 1, 2004 by the Colton Public Financing Authority on behalf of the Agency. Serial and term bonds in the original issue amounts of \$3,170,000 and \$3,810,000 respectively, were issued to redeem the Revenue Subordinate Housing Tax Allocation Revenue Bonds Series 2001A. Serial bonds mature through August 1, 2017 and bear interest payable semi-annually at rates ranging from 3.00% to 4.45%. Term bonds mature as follows: \$660,000 in term bonds bearing interest at 4.75% and maturing August 1, 2019; \$1,675,000 in term bonds bearing interest at 4.90% and maturing August 1, 2022, and \$1,475,000 in term bonds bearing interest at 5.05% and maturing August 1, 2026. The bonds are secured by a lien upon Surplus Housing Tax Revenues generated in the Project Areas. Surplus Housing Tax Revenues are defined in the Indenture as that portion of the Housing Set-Aside Revenues that have been released from the pledge and lien of the 1998 Housing Loan. The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

Subordinate Housing Tax Allocation Bonds, Series 2004A		
	Principal	Interest
2011-2012	\$ 245,000	\$ 261,521
2012-2013	245,000	252,273
2013-2014	260,000	242,418
2014-2015	275,000	231,718
2015-2016	280,000	220,268
2016-2021	1,790,000	890,890
2021-2026	2,225,000	349,113
2026-2031	395,000	9,972
Totals	<u>\$ 5,715,000</u>	<u>\$ 2,458,173</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

Tax Allocation Bonds Debt Service Requirements - As previously discussed, the City has pledged, as security for bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue (including Low and Moderate Income Housing set-aside) that it receives. These bonds were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. The City has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$53,398,461 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$8,551,836 and the debt service obligation on the bonds was \$3,892,045.

Limited Obligation Refunding Bonds Reassessment District No. 00-1 (Rancho Mediterrania Project) Serial and Term Bonds in the original issue amount of \$2,365,000 were issued to defease the City's Limited Obligation Improvement Bonds, Assessment District No. 94-1 (Rancho Mediterrania Public Improvements Project), which were issued to finance the acquisition of certain public improvements in Assessment District 94-1 consisting of streets and drainage systems. The Bonds are not secured by the general taxing power of the City, the State of California or any other political subdivision thereof, and neither the City nor the State, nor any subdivision thereof, has pledged its full faith and credit for the payment thereof. The bonds are solely secured by unpaid reassessments levied against the assessed property and the City has no obligation or duty to pay any delinquency out of any available funds of the City. Total principal and interest remaining on the debt is \$269,263 with annual debt service requirements as indicated below. For the current year, the total reassessment collected recognized by the Agency was \$20,576 and the debt service obligation on the payable was \$34,080. However, the Agency owns 30 of the 259 mobile home lots within the Assessment District and is, therefore, responsible for the assessments until the lots are sold.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Reassessment District No. 00-1 Rancho Mediterrania	
	Principal	Interest
2011-2012	\$ 20,000	\$ 12,530
2012-2013	20,000	11,295
2013-2014	20,000	10,050
2014-2015	20,000	8,775
2015-2016	20,000	7,475
2016-2021	105,000	14,138
Totals	<u>\$ 205,000</u>	<u>\$ 64,263</u>

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

Notes Obligations

In April 2002, the Agency entered into a financing arrangement for \$2,000,000 with California Infrastructure and Economic Development Bank (CIEDB). Funds were actually advanced to the Agency during fiscal year 2003-04. The loan matures on July 15, 2021, bearing interest at 3.34%, and is secured by a third lien on Cooley Ranch Project Area tax increment revenues. At such time when the requirements of the 1998 Colton Public Financing Authority Tax Allocation Revenue Bonds, Series 1998B indenture are met for CIEDB to be in second lien position, CIEDB shall move up to that position and Agency shall fund a debt service reserve. Agency agrees to incur no new debt senior to CIEDB until CIEDB is in second lien position. At June 30, 2011, the annual requirements to repay the outstanding indebtedness were as follows:

	California Infrastructure and Economic Development Bank	
	Principal	Interest
2011-2012	\$ 107,728	\$ 40,101
2012-2013	111,328	36,443
2013-2014	115,045	32,663
2014-2015	118,888	28,756
2015-2016	122,859	24,719
2016-2021	678,659	58,157
Totals	<u>\$ 1,254,507</u>	<u>\$ 220,839</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$2,455,415 at June 30, 2011, will be paid in future years from the general fund.

Claims and judgments

The City's liability regarding self insurance is described in Note 12 of the Notes to Financial Statements. The liability will be paid in future years from the Internal Service fund.

County Memorandum of Understanding

In November 1995, the County of San Bernardino (County) loaned \$1,500,000 to the City under a memorandum of understanding between the County and the City approved by the City on May 2, 1995. The loan is to be repaid without interest from development impact fees to be imposed and collected by the City from new development. In December 1996 and May 1997, the County loaned an additional \$329,298 under a memorandum of understanding for administrative and engineering costs incurred by the County on the City's behalf. At June 30, 2011, the total amount due is \$1,829,298. There is no repayment schedule as fixed maturities and debt service payments have not been established for this loan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)**Capital Lease Obligations**

The City has entered into capital lease agreements with various parties with expiration dates through fiscal year 2016-17. For accounting purposes, the lease agreements qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through capital leases are included in capital assets at a cost of \$2,957,971. The City's future commitment under these capital leases at June 30, 2011, is \$997,900.

The following is a schedule of future minimum lease payments under the capital lease, together with present value of the net minimum lease payments, as of June 30, 2011:

	Total
2011-2012	\$ 378,368
2012-2013	324,991
2013-2014	199,996
2014-2015	75,000
2015-2016	75,000
2016-2017	37,500
Net Minimum Lease Payments	1,090,855
Less: Amount Representing Interest	(92,955)
Present Value of Net Minimum Lease Payments	<u>\$ 997,900</u>

Disposition and Development Agreements

Price Company

In October 1996, the Agency entered into a disposition and development agreement with Price Company relating to the redevelopment of certain real property located within the West Valley Redevelopment Project Area. Pursuant to this agreement, the Agency entered into three note payable agreements totaling \$2,461,493. The notes bear interest at rate of 7% per annum and are repayable solely from a portion of the tax revenue generated by the Price Company's operations within the City. As of June 30, 2011, the balance outstanding is \$2,175,012.

Tax Sharing Agreement

The Colton Redevelopment Agency has entered into pass-through agreements with several other units of local government in order to lessen the fiscal impact of tax increment financing of the Redevelopment Agency projects on these other governmental funds. Amount will be repaid as tax increment funds become available. The outstanding pass-through liability at June 30, 2011, is \$3,845,318. There is no repayment schedule as fixed maturities and debt service payments have not been established for this loan.

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

b. Business-Type Activities Long-Term Debt

The following is a summary of the changes in long-term debt of the business-type activities of the City:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Revenue Bonds:					
Certificate of Participation, Financing Authority for Resource Efficiency of California, Series 1997	\$ 1,615,000	\$ -	\$ 780,000	\$ 835,000	\$ 835,000
Colton Public Financing Authority Water Revenue Bonds, Series 1998	8,775,000	-	275,000	8,500,000	285,000
Colton Utility Authority Revenue Bonds, Series 2000	4,255,000	-	200,000	4,055,000	210,000
Colton Public Financing Authority Revenue Bonds, Series 2002	38,640,000	-	1,455,000	37,185,000	1,515,000
Colton Public Financing Authority Revenue Refunding Bonds, Series 2007 A	15,535,000	-	40,000	15,495,000	35,000
Notes payable:					
Santa Ana Watershed Project Authority	1,782,236	-	353,105	1,429,131	270,364
San Bernardino Valley Municipal Water District	730,000	-	365,000	365,000	365,000
State of California Water Resource Control Board	5,723,878	-	-	5,723,878	414,907
Compensated Absences	671,109	448,852	552,025	567,936	284,000
Total	<u>\$ 77,727,223</u>	<u>\$ 448,852</u>	<u>\$ 4,020,130</u>	74,155,945	<u>\$ 4,214,271</u>
			Unamortized bond premium	<u>228,276</u>	
				<u>\$ 74,384,221</u>	

Revenue Bonds Payable

Certificates of Participation, Financing Authority for Resource Efficiency of California (FARECal), Series 1997 in the original issue amount of \$46,565,000 were issued for the purpose of financing or refinancing the acquisition, construction and installation of certain projects of the City of Anaheim Electric System, the City of Colton Electric System and the Trinity County Public Utilities District. The City of Colton's allocation of the total debt is \$19,985,000 and matures through April 2021. The certificates bear interest, payable annually, at rates ranging from 4.50% to 5.75% in both serial and term fashion. The certificates are subject to optional and mandatory prepayment prior to maturity in increments of \$5,000. The City is obligated to make installment sale payment under an installment sale agreement dated April 1, 1997, by and between the City and the Financing Authority for Resource Efficiency of California (FARECal). In August 2007, the City issued the Colton Public Financing Authority Lease Revenue Bonds 2007, Series A to, among other things, advance refund \$11,145,000 of the outstanding balance of the Certificates of Participation, Financing Authority for Resource Efficiency of California, Series 1997.

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

The remaining balance outstanding at June 30, 2011, is \$835,000. The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

Certificates of Participation, Financing Authority for Resource Efficiency of California, Series of 1997		
	Principal	Interest
2011-2012	\$ 835,000	\$ 45,100

Colton Public Financing Authority Revenue Refunding Bonds, 2007 Series A in the original issue amount of \$15,620,000 were issued to provide funds for (i) the acquisition, construction and installation of certain improvements to the City's Electric System (the "2007 Project"), (ii) the prepayment of a portion of the Certificates of Participation, Financing Authority for Resource Efficiency of California (FARECal), Series 1997, (iii) to purchase a Reserve Account Policy for the Reserve Account, and (iv) the payment of the cost of issuance related to the 2007 bonds. The 2007 Bonds are secured by a pledge, charge and lien upon Facility Revenues and a pledge of all the moneys in the Purchase Payments Account and the Reserve Account. Purchase Payments consist of the purchase payments made by the City in connection with its purchase of the 2007 Project. The 2007 Purchase Payments will be subordinate to the 1997 Installment Payments. Interest on the bond is payable semi annually on April 1 and October 1 of each year commencing October 1, 2007.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

Revenue Refunding Bonds, 2007 Series A		
	Principal	Interest
2011-2012	\$ 35,000	\$ 713,413
2012-2013	920,000	712,013
2013-2014	960,000	675,213
2014-2015	1,000,000	636,813
2015-2016	1,040,000	596,813
2016-2021	5,970,000	2,199,923
2021-2026	1,335,000	1,182,119
2026-2031	1,660,000	851,113
2031-2036	2,095,000	421,610
2036-2041	480,000	22,800
Totals	\$ 15,495,000	\$ 8,011,830

Colton Public Financing Authority Water Revenue Bonds, Series 1998 serial and term bonds in the original issue amount of \$11,120,000 were issued to provide funds to construct certain water system improvements for the City of Colton. The bonds are secured solely from Authority revenues, consisting primarily of installment payments by the City pursuant to an installment purchase agreement dated December 1, 1998. The Serial Bonds mature through March 2019, and bear interest, payable on March 1 and

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

September 1, at rates ranging from 4.375% to 4.750%. The term bonds mature March 2023 and March 2030, and bear interest, payable on March 1 and September 1, at 4.95% and 5.05%, respectively. The serial bonds are subject to optional redemption beginning March 1, 2007, at the option of the Authority. The term bonds are subject to mandatory redemption beginning March 1, 2023.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Water Revenue Bonds, Series 1998	
	Principal	Interest
2011-2012	\$ 285,000	\$ 402,885
2012-2013	295,000	389,918
2013-2014	310,000	376,200
2014-2015	325,000	361,475
2015-2016	340,000	346,038
2016-2021	1,965,000	1,471,075
2021-2026	2,500,000	956,413
2026-2031	2,480,000	301,625
Totals	<u>\$ 8,500,000</u>	<u>\$ 4,605,629</u>

Colton Utility Authority Revenue Bonds (Wastewater System Project), Series 2000 serial and term bonds in the original issue amount of \$5,785,000 were issued to finance certain capital improvements to the Wastewater Enterprise Fund and to pay certain costs of issuance. The bonds are secured solely by and payable from net Wastewater Revenues and certain funds and accounts held under the indenture. The bonds mature through March 2025 and bear interest, payable on March 1 and September 1, at rates from 4.0% to 5.5%. The bonds are subject to optional redemption beginning March 1, 2010, at the option of the Authority. The bonds are subject to mandatory redemption at any date by the trustee if insurance proceeds received with respect to the Wastewater Enterprise are not used to repair, rebuild or replace the Wastewater Enterprise. The term bonds are subject to mandatory sinking account redemption beginning with bonds maturing on March 1, 2025.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Colton Utility Authority Revenue Bonds	
	Principal	Interest
2011-2012	\$ 210,000	\$ 201,808
2012-2013	220,000	192,358
2013-2014	230,000	182,238
2014-2015	240,000	171,428
2015-2016	250,000	159,908
2016-2021	1,455,000	598,903
2021-2026	1,450,000	190,394
Totals	<u>\$ 4,055,000</u>	<u>\$ 1,697,037</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

Colton Public Financing Authority Revenue Bonds, 2002 Series in the original issue amount of \$47,620,000 were issued to provide funds for the acquisition, construction and installation of a nominally rated 43 MW gas-fired simple cycle combustion turbine for the Electric System of the City of Colton. The bonds are secured primarily by certain proceeds of the 2002 Bonds and Facilities Revenues, which consist of 2002 Purchase Payments to be made by the City under the Installment Purchase Agreement between the City and the Financing Authority. The bonds mature beginning April 1, 2004 through April 1, 2028 and bear interest payable April 1 and October 1 at rates from 3.50% to 4.75%. The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest are as follows:

	Colton Public Financing Authority Revenue Bonds, Series 2002	
	Principal	Interest
2011-2012	\$ 1,515,000	\$ 1,697,306
2012-2013	1,580,000	1,629,131
2013-2014	1,645,000	1,565,931
2014-2015	1,710,000	1,500,131
2015-2016	1,790,000	1,423,181
2016-2021	10,190,000	5,871,831
2021-2026	12,765,000	3,294,781
2026-2031	5,990,000	430,113
Totals	<u>\$ 37,185,000</u>	<u>\$ 17,412,405</u>

Notes Payable**Santa Ana Watershed Project Authority (RIX Demonstration and Full-Scale Facility Project)**

On February 14, 1991, the State of California, acting by and through the State Water Resources Control Board and the Santa Ana Watershed Project Authority (SAWPA) entered into a loan agreement with the Cities of Colton and San Bernardino. The agreement provided for a loan in the amount of \$5,353,621 for the construction of the Demonstration Project, San Bernardino/Colton Rapid Infiltration Extraction facility (RIX Demo facility). The City of Colton is to be held responsible for one-quarter of this amount, or \$1,338,405. The loan bears interest at 3.3% with payments to be made annually. The outstanding balance relating to the RIX Demo facility has been repaid in full at June 30, 2010.

On April 12, 1994, the City entered into a second agreement that provided for a loan in the amount of \$30,563,058 for the construction of the Regional Tertiary Treatment System for the cities of San Bernardino and Colton (RIX full-scale facility). The City is to be held responsible for 15% of this amount, or \$4,584,458. The loan bears interest at 2.8% with payments to be made annually. The amount outstanding as of June 30, 2011, relating to the RIX full-scale facility is \$1,429,131.

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Long-Term Debt (Continued)

At June 30, 2011, the annual requirement to repay the outstanding indebtedness for both loans is as follows:

	Santa Ana Watershed Project Authority	
	Principal	Interest
2011-2012	\$ 270,364	\$ 40,031
2012-2013	277,934	32,461
2013-2014	285,716	24,678
2014-2015	293,716	16,678
2015-2016	301,401	8,454
Totals	<u>\$ 1,429,131</u>	<u>\$ 122,302</u>

San Bernardino Valley Municipal Water District (SARI Capacity Rights)

In June 1993, the City entered into an agreement with the San Bernardino Valley Municipal Water District that provided for the purchase of a discharge right allocation (capacity rights only) into the Santa Ana Regional Interceptor (SARI) system. The loan amount of \$7,300,000 bears no interest, with payments of \$365,000 to be made annually. The City's income from sewer revenues is pledged as security for the required payments.

At June 30, 2011, the annual requirement to repay the outstanding indebtedness is as follows:

	San Bernardino Valley Municipal Water District	
	Principal	Interest
2011-2012	<u>\$ 365,000</u>	<u>\$ -</u>

State of California Water Resources Control Board

In March 1998, the State of California, acting by and through the State of California Water Resources Control Board, entered into a loan agreement with the City that provided for the expansion and renovation of the sewer facility. The agreement provided for a loan amount not to exceed \$8,114,108 with repayments to begin upon completion of the project and bears interest at a rate of 2.5%.

CITY OF COLTON

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 7: Long-Term Debt (Continued)

At June 30, 2011, the annual requirement to repay the outstanding indebtedness is as follows:

	State of California Water Resource Control Board	
	Principal	Interest
2011-2012	\$ 414,907	\$ 85,858
2012-2013	425,280	79,635
2012-2013	435,912	73,255
2014-2015	446,810	66,717
2015-2016	457,980	60,015
2016-2021	2,467,477	193,527
2021-2026	1,075,512	24,299
Totals	<u>\$ 5,723,878</u>	<u>\$ 583,306</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$567,936 at June 30, 2011, will be paid in future years from the respective enterprise funds.

c. Non-Commitment Debt

Assessment District Bonds

The following bonds are not secured by the general taxing power of the City, State of California or any other political subdivision thereof, and neither the City, State nor any political subdivision thereof has pledged its full faith and credit for bond payments.

Community Facilities District No. 90-1 Special Tax Bonds (Mount Vernon Corridor), Series 1998

Original issue in the amount of \$2,800,000 for the purpose of providing funds to purchase and, thereby, refund and discharge in full the issue of Community Facilities District No. 90-1 Bonds, Series 1990. The Bonds are payable solely from Special Tax Revenues levied upon District 90-1. The Bonds mature in term fashion on September 1, 2020, and bear interest at 7.5%, payable on March 1 and September 1 of each year. The Bonds are subject to optional redemption beginning March 1, 2010, and mandatory sinking fund redemption beginning September 1, 1999. The balance outstanding at June 30, 2011, is \$1,637,563.

Note 7: Long-Term Debt (Continued)

Community Facilities District No. 89-2 Special Tax Refunding Bonds, Series 1998

Original issue amount of \$3,415,000 was issued to defease the Community Facilities District's No. 89-2 Series A Bonds issued in 1990 to provide a method of financing certain public capital facilities and services. The bonds are secured solely by Special Tax Revenues assessed on District No. 89-2. The bonds mature in term fashion through September 2019 and bear interest, payable on March 1 and September 1 at rates ranging from 3.35% to 5.75%. The bonds are subject to optional redemption beginning September 2004, and mandatory sinking fund redemption on bonds maturing in 2018 beginning September 2014. The balance outstanding at June 30, 2011, is \$1,653,928.

Mortgage Revenue Bonds

The Agency has issued single-family and multifamily mortgage revenue bonds to provide financing for the acquisition and construction of single-family and multifamily rental housing projects within the City. The bonds are repayable from mortgage loan repayments from the projects. These are not included in the accompanying financial statements because these bonds are special obligations payable solely from and secured by specific revenue sources described in the bonds resolutions and official statements of the respective issue. Neither the faith and credit nor the taxing power of the Agency, the State of California or any political subdivision thereof, is pledged for the payment of these obligations. The Mortgage Revenue Bonds were paid in full as of June 30, 2011.

IV. OTHER INFORMATION

Note 8: Pension Plan Obligation

a. Miscellaneous Plan

Plan Description

The City of Colton contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contracting with CalPERS and adopts those benefits through local ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Participants, except members of the IBEW bargaining unit, contribute 8% of their annual covered salary. Members of the IBEW bargaining unit contribute 4% of their annual covered payroll and the City contributes the other 4%. Starting September 2011, members of the IBEW will start paying the full 8% of their annual covered salary.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Employee Pension Plan (Continued)

In addition, the City is required to contribute an actuarially determined rate. The current rate is 8.339% of employee annual covered payroll. The contribution requirements of plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost (APC)

The City annual pension cost and change in net pension asset for fiscal year ending June 30, 2011, were as follows:

Annual required contribution	\$ 1,911,375
Interest on net pension asset	(1,906,569)
Adjustment to annual required contribution	<u>2,199,728</u>
Annual pension cost	2,204,534
Contributions made	<u>1,911,375</u>
Decrease in net pension asset	293,159
Net pension asset - beginning of year	<u>(24,600,892)</u>
Net pension asset - end of year	<u>\$ (24,307,733)</u>

A summary of principal assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	23 Years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8: Employee Pension Plan (Continued)

Three-Year Trend Information for PERS
 Miscellaneous Plan
 (Amounts in Thousands)

Fiscal Years Ended	Annual Pension Cost (APC)	Actual Required Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2009	\$ 2,181	\$ 2,474	113%	\$ (24,893)
6/30/2010	1,612	1,905	118%	(24,601)
6/30/2011	2,205	1,911	87%	(24,308)

Schedule of Funding Progress for PERS
 Miscellaneous Plan
 (Amounts in Thousands)

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/2008	\$ 82,449	\$ 83,081	\$ (632)	100.8%	\$ 14,512	-4.4%
6/30/2009	94,667	86,189	8,478	91.0%	14,250	59.5%
6/30/2010	97,625	89,444	8,181	91.6%	11,682	70.0%

b. Safety Fire Plan and Safety Police Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement, disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants contribute 9% of their annual covered salary. In addition, the City is required to contribute at an actuarially determined rate; the current rate is 20.880% of annual covered payroll for fire safety employees and police safety employees. The contribution requirements of plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011
Note 8: Employee Pension Plan (Continued)**Annual Pension Cost (APC)**

For the year ended June 30, 2011, the City's annual pension cost for the fire safety employees and police safety employees was \$1,302,045 and \$1,676,705 respectively and was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

Three-Year Trend Information for PERS
 Safety Fire and Safety Police Plans
 (Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Required Contribution	Percentage of APC Contributed	Net Pension Obligations
Fire				
6/30/2009	\$ 1,332	\$ 1,332	100%	\$ -
6/30/2010	1,255	1,255	100%	-
6/30/2011	1,302	1,302	100%	-
Police				
6/30/2009	1,959	1,959	100%	-
6/30/2010	1,788	1,788	100%	-
6/30/2011	1,677	1,677	100%	-

For fiscal year 2010-2011, the City of Colton participated in risk pooling for its police safety and fire safety employees. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Employee Pension Plan (Continued)

on any valuation date starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 9: Other Post-Employment Employee Benefits**Plan Description**

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit healthcare plan. The plan, which is administered by the City, provides certain health care benefits. Specifically, the City provides health insurance for its retired employees according to the Personnel Rules and Regulations. The authority to do so is included annually in the Memorandum of Understanding between the City and each of its employee groups and ultimately passed by Council action. The contributions to the plan and benefits paid are accounted for within the governmental and proprietary funds and are funded on a pay-as-you-go basis.

Funding Policy

Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying for retiree benefits as they are due with no pre-funding for future years. For fiscal year 2010-2011, the City paid \$950,699 in benefits for retired employees.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost 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 over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 1,215,896
Interest on OPEB obligation	32,286
Adjustment to annual required contribution	<u>(42,647)</u>
Annual OPEB cost	1,205,535
Contributions made	<u>950,699</u>
Increase (decrease) in net OPEB obligation	254,836
Net OPEB obligation - beginning of year	<u>645,719</u>
Net OPEB obligation - end of year	<u><u>\$ 900,555</u></u>

The City implemented the provision of GASB Statement 45 in fiscal year ended June 30, 2009. Information on the annual OPEB cost, percentage of annual OPEB cost contributed, and net OPEB obligation is available for the fiscal year ended June 30, 2009 and thereafter.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 9: Other Post-Employment Employee Benefits (Continued)

Three-Year Trend Information for OPEB

Fiscal Year Ended	Annual OPEB cost	Actual Contributions (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 987,002	\$ 687,081	70%	\$ 299,921
6/30/2010	1,211,382	865,584	71%	645,719
6/30/2011	1,205,535	950,699	79%	900,555

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. 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 below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for OPEB
(Amount in Thousands)

Actuarial Valuation date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/1/2007	\$ -	\$ 14,603	\$ (14,603)	0.0%	\$ 15,067	-96.9%
1/1/2010	-	17,761	(17,761)	0.0%	19,045	-93.3%

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 the 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 value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation dated January 1, 2010, used the Entry Age Normal actuarial cost method. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend rate of 4% per year, and an annual payroll increase of 3%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was twenty-nine years. As of the actuarial valuation date, the City had 237 active participants and 98 retirees receiving benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 10: Jointly Governed Organizations**Southern California Public Power Authority**

The City is a member of the Southern California Public Power Authority (SCPPA) which was formed in 1980. SCPPA's objectives are to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electrical energy for sale to its members. Membership includes the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, the Imperial Irrigation District and Cerritos. A Board of Directors consisting of the electric utility director from each Member Agency governs SCPPA. The City of Colton does not control the Authority's financing or budgeting.

The City's obligation is determined by the extent of its participation in projects developed by SCPPA. A summary of the City's contracts and related projects and its contingent liability at June 30, 2011, was as follows:

Project	Principal Outstanding	City of Colton Percentage Share	City of Colton Obligation
Hoover Uprating Project	\$ 12,955,000	3.20%	\$ 414,560
Mead-Adelanto Project	176,950,000	2.60%	4,600,700
Mead-Phoenix Project	55,745,000	1.00%	557,450
Palo Verde Project	79,440,000	1.00%	794,400
San Juan Project	124,485,000	14.70%	18,299,295
Magnolia	357,790,000	4.30%	15,384,970
Natural Gas Project	117,815,000	24.40%	13,993,342
Prepaid Natural Gas	327,655,000	11.00%	36,042,050
		Total	\$ 90,086,767

The City has entered into power sales agreements for the projects listed above. The City is entitled to power output from the projects and is obligated to make payments on a "take or pay" basis for their proportionate share of maintenance, operating and debt service related to outstanding revenue bonds and other debt. The contract expires in various years through 2036. Payment of these obligations represents operating expenses of the City's Electric Utility Enterprise Fund and can only be funded from electric utility revenues. A copy of SCPPA's audited financial statements can be reviewed on their web site at www.scppa.org or can be obtained by written request at 225 South Lake Avenue, Suite 1250, Pasadena, CA 91101.

San Bernardino Valley International Airport Authority

In May 1992, the San Bernardino Valley International Airport Authority (SBVIAA) was created pursuant to a joint exercise of powers agreement, entered into between the City of Colton, the County of San Bernardino and the cities of Loma Linda, San Bernardino and Highland. The SBVIAA was established for the purpose of acquiring, operating, repairing, maintaining and administering the aviation portions of the former Norton Air Force Base, now known as the San Bernardino International Airport. A copy of SBVIAA's audited financial statements can be obtained by written request at 294 S. Leland Norton Way, Suite #1, San Bernardino, CA 92408.

Note 10: Jointly Governed Organizations (Continued)

Inland Valley Economic Development Agency

The Redevelopment Agency of the City of Colton is a member of the San Bernardino/Colton/Loma Linda Joint Powers Financing Authority between the redevelopment agencies of San Bernardino, Colton, Loma Linda and the County of San Bernardino, all of which are members of the Inland Valley Economic Development Agency (IVEDA). The Governing Board of the IVEDA is composed of the executive directors of the Colton and Loma Linda redevelopment agencies, the Agency Administrator of the Economic Development Agency of the City of San Bernardino and representatives from the County of San Bernardino.

The authority was formed on September 30, 1991, for the purpose of issuing debt. Tax Allocation Notes in the original amount of \$7,500,000, were issued November 1, 1991, and the proceeds were used to make a loan to the IVEDA. The loan was used to pay certain operating and development costs of the Inland Valley Redevelopment Project Area. Since 1991 the original obligation has been refunded twice and in 1997 expanded to incorporate monies for school district purposes. The total 1997 refunding was \$44,485,000 of which 63%, or \$28,025,550, is applicable to the IVEDA.

These obligations are secured by a loan obligation made by IVEDA to the Joint Powers Authority. The obligation of the IVEDA will be payable from IVEDA tax revenue received from project area. If such tax revenues are unavailable, the obligation is further secured by commitments from the member agencies in the following percentages:

Redevelopment Agency of San Bernardino	92.08%
Redevelopment Agency of the City of Colton	3.06%
Redevelopment Agency of the City of Loma Linda	4.86%

A copy of IVEDA's audited financial statements can be obtained by written request at 363 S. Park Avenue, Suite 104, P.O. Box 1073, Pomona, CA 91766.

Colton/San Bernardino Regional Tertiary Treatment and Water Reclamation Authority

The City is a member of the Colton/San Bernardino Regional Tertiary Treatment and Water Reclamation Authority (the Authority). The Governing Board of the Authority is composed of two appointed representatives, one each from Colton and San Bernardino. In September 1994, the Authority was formed for the purpose of creating a public agency to exercise the common powers of Colton and San Bernardino to construct, operate, use and maintain tertiary wastewater treatment, disposal and water reclamation systems.

In February 1991, the City entered into an agreement with the Santa Ana Watershed Project Authority in the amount of \$5,353,621 for the construction of the Demonstration Project, San Bernardino/Colton Rapid Infiltration Extraction facility (RIX Demo facility). See Note 7 for complete disclosure.

In April 1994, the Authority entered into a second agreement that provided for a loan in the amount of \$30,563,058 for the construction of the Regional Tertiary Treatment System (RIX full-scale facility). See Note 7 for complete disclosure.

A copy of the Authority's audited financial statements can be obtained by written request at 300 North "D" Street, 5th Floor, San Bernardino, CA 92418.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11: Commitments and Contingencies**Self-Insurance Payable**

The City is exposed to various risk of loss related to torts; theft, damage and destruction of assets; errors and omissions; and injuries to employees. The City of Colton adopted a self-insurance program for workers' compensation and general liability and uses an internal service fund to account for and finance its uninsured risk of loss. Under this program, the self-insurance funds provide coverage for up to a maximum of \$250,000 for each workers' compensation claim and \$500,000 for each general liability claim. All funds of the City participate in the program and make payments to the internal service fund.

Based on estimated amounts needed to pay prior and current year claims. The insurance coverage in excess of the self-insured amount is provided by the Independent Cities Risk Management Authority (ICRMA) up to a limit of \$20,000,000.

Effective July 17, 1990, the City became a member of the Independent Cities Risk Management Authority (ICRMA), a joint power authority of 25 California cities organized under the laws of the State of California for the purpose of pooling the City of Colton's risk for workers' compensation and general liabilities with those of other member cities. The governing Board of ICRMA is comprised of one elected official or alternate from each member City, selected by each member City's City Council. Each governing Board member has one vote regarding all financial and management issues coming before the governing Board.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year-end. The accruals are in the amounts of \$1,291,716 and \$651,954 for the workers' compensation claims and general liability claims, respectively, for a total of \$1,943,670.

A reconciliation of changes in aggregate liabilities for claims for the current fiscal year and the prior fiscal year is as follows:

Amount of accrued claims at June 30, 2010	\$ 1,833,897
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	1,117,317
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,329,504)</u>
Amount of accrued claims at June 30, 2010	1,621,710
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	830,487
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(508,527)</u>
Amount of accrued claims at June 30, 2011	<u><u>\$ 1,943,670</u></u>

CITY OF COLTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11: Commitments and Contingencies (Continued)

There have been no significant changes in insurance coverage from the prior year. During the past three fiscal years, the amount of settlements has not exceeded the amount of insurance coverage.

Litigation

There are several lawsuits pending against the City. The outcome and eventual liability of the City, if any, in these cases is not known at this time. Management estimates that the potential claims against the City, not covered by insurance or self-insurance reserves, resulting from such litigation would not materially affect the financial statements of the City.

Note 12: Operating Leases

The City leases copiers under non-cancelable operating leases. Total costs of such leases were \$59,424 for the year ended June 30, 2011. The future minimum lease payments for these are as follows:

Years Ending June 30	Amount
2012	\$ 39,540
2013	2,660
Total	<u>\$ 42,200</u>

Note 13: SERAF Shift for fiscal year 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010, the Sacramento Superior Court upheld the legislation.

The payment of the SERAF was due on May 10, 2011, for fiscal year 2010-2011 and was made in the amount of \$783,971 from the debt service funds. To accomplish the payment, the Agency utilized \$783,971 from its available resources.

Note 14: California Redevelopment Agency Uncertainty

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27 (*California Redevelopment Association v. Matosantos*). AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27 gave redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amounted to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments totaled \$400 million, annually. Each city or county's share of these payments was determined based on its proportionate share of state-wide tax increment.

Note 14: California Redevelopment Agency Uncertainty (Continued)

On August 17, 2011 the Supreme Court issued a stay of the implementation of AB1X 26 and 27 which allowed a redevelopment agency to continue if it adopted an AB1X 27 ordinance. However, because of the effect of the stay order, the authority for the Redevelopment Agency to engage in most activities was suspended.

The Supreme Court heard oral arguments on November 10, 2011 and on December 29, 2011 announced its decision in (*California Redevelopment Association v. Matosantos*). The court upheld AB1X 26 which eliminates redevelopment agencies, but invalidated in its entirety AB1X 27 which allowed redevelopment agencies to continue as long as they made the required payments. AB1X26 established deadlines for the process of Redevelopment Agency dissolution and the handling of existing obligations. The Court extended certain deadlines of AB1X 26 in its ruling by four months. The full text of AB1X 26 may be obtained from the California legislative information website maintained by the Legislative Counsel of the State of California at: <http://www.leginfo.ca.gov/bilinfo.html>.

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects), that are restricted to expenditures for special purposes. The following funds have been classified as major funds:

Gas Tax Fund - To account for monies received and expended from State Gas Tax allocations.

Community Child Care Fund - To account for monies received and expended from State Dept. of Education.

Library Grant Fund - To account for monies received and expended from various grant sources.

DSF Fly Conservation Fund - To account for monies received to mitigate land locked due to Endangered Species.

Community Development Block Grant Fund - To account for monies received and expended by the City as a participating in the Federal Community Development Block Grant Program.

State Traffic Relief Fund - To account for monies received from AB2928 for street pavement maintenance, rehabilitation and reconstruction of traffic control devices.

Asset Seizure Fund - To account for monies received and property seized as a result of judicial forfeitures.

Air Quality Fund - To account for monies received from AQMD for Alternate Fuel Program and Trip Reduction.

Drug/Gang Intervention Fund - To account for monies received from Asset Seizure for anti gang education.

Host City Fees Fund- To account for monies received and expended from County of San Bernardino for hosting the County landfill.

Storm Water Fund - To account for monies received and expended for the maintenance of storm drains.

Local Transportation Fund - To account for monies received from a portion of sales tax revenue restricted to fund transportation related activities.

New Facilities Fund - To account for monies received from new development dedicated to building of new Public Safety and Library facilities.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued)

VITEP Fund- This fund was setup up using a grant from the Office of Traffic Safety to tow cars belonging to unlicensed drivers within the City. For continuation of the program revenue is now derived from citation of traffic violators within the City.

Miscellaneous Grants Fund - To account for monies received and expended from various grant sources.

CAPITAL PROJECTS FUNDS

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major facilities other than those financed by Proprietary, Special Assessment, and/or Trust Funds. Funds included are the following:

Capital Improvements – To account for the General City capital projects. The funding for these projects is primarily from Measure I, Gas Tax and the General Fund.

Development Fees - To account for funds collected from developers for capital infrastructure projects within the development.

Assessment Districts - To account for funds collected from the Assessment Districts for infrastructure projects within the project areas.

Colton Crossing - To account for funds relating to the Laurel/Hunts Lane Separation Project which is funded by Local Stimulus Funds, Proposition 42, Traffic Relief Funds and Traffic Impact Fees.

DEBT SERVICE FUNDS

Debt Service Funds are used to accumulate resources for the payment of principal and interest on long-term debt for the City and Redevelopment Agency. The following are classified as a major fund in the accompanying financial statements:

Public Financing Authority (PFA) - This fund is used to account to accumulate resources for the payment of principal and interest on long-term debt for the City.

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS (Continued)

Taxable Pension Funding Bonds – This fund is used to accumulate resource for the payment of principal and interest on the amount borrowed for purposes of funding the City's enterprise funds' previously unfunded pension liability.

CITY OF COLTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Community Child Care</u>	<u>Library Grant</u>	<u>DSF Fly Conservation</u>
Assets:				
Cash and investments	\$ 145,544	\$ 176,201	\$ 8,074	\$ -
Receivables:				
Taxes	157,233	-	-	-
Interest	-	-	53	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	2,397	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 302,777</u>	<u>\$ 178,598</u>	<u>\$ 8,127</u>	<u>\$ -</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 3,601	\$ 3,754	\$ -
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other governments	-	175,486	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>179,087</u>	<u>3,754</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Inventory	-	2,397	-	-
Restricted for:				
Public safety	-	-	-	-
Capital Projects	302,777	-	-	-
Debt service	-	-	-	-
Library	-	-	4,373	-
Air quality projects	-	-	-	-
Unassigned	-	(2,886)	-	-
Total Fund Balances	<u>302,777</u>	<u>(489)</u>	<u>4,373</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 302,777</u>	<u>\$ 178,598</u>	<u>\$ 8,127</u>	<u>\$ -</u>

CITY OF COLTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

(Continued)

	<u>Special Revenue Fund</u>			
	<u>Community Development Block Grant</u>	<u>State Traffic Relief</u>	<u>Asset Seizure</u>	<u>Air Quality</u>
Assets:				
Cash and investments	\$ -	\$ 552,862	\$ -	\$ 237,178
Receivables:				
Taxes	-	-	-	-
Interest	-	463	-	153
Due from other governments	73,623	-	-	12,426
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Restricted assets:				
Cash and investments	-	-	371,161	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 73,623</u>	<u>\$ 553,325</u>	<u>\$ 371,161</u>	<u>\$ 249,757</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	634,855	-	245	-
Total Liabilities	<u>634,855</u>	<u>-</u>	<u>245</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Restricted for:				
Public safety	-	-	370,916	-
Capital Projects	-	553,325	-	-
Debt service	-	-	-	-
Library	-	-	-	-
Air quality projects	-	-	-	249,757
Unassigned	(561,232)	-	-	-
Total Fund Balances	<u>(561,232)</u>	<u>553,325</u>	<u>370,916</u>	<u>249,757</u>
Total Liabilities and Fund Balances	<u>\$ 73,623</u>	<u>\$ 553,325</u>	<u>\$ 371,161</u>	<u>\$ 249,757</u>

CITY OF COLTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Drug/Gang Intervention</u>	<u>Host City Fees</u>	<u>Storm Water</u>	<u>Local Transportation</u>
Assets:				
Cash and investments	\$ 15,428	\$ 80,057	\$ 6,333	\$ 850,629
Receivables:				
Taxes	-	-	8,388	-
Interest	10	86	31	620
Due from other governments	-	82,764	-	176,938
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 15,438</u>	<u>\$ 162,907</u>	<u>\$ 14,752</u>	<u>\$ 1,028,187</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 29,397	\$ -
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>29,397</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Restricted for:				
Public safety	15,438	-	-	-
Capital Projects	-	162,907	-	1,028,187
Debt service	-	-	-	-
Library	-	-	-	-
Air quality projects	-	-	-	-
Unassigned	-	-	(14,645)	-
Total Fund Balances	<u>15,438</u>	<u>162,907</u>	<u>(14,645)</u>	<u>1,028,187</u>
Total Liabilities and Fund Balances	<u>\$ 15,438</u>	<u>\$ 162,907</u>	<u>\$ 14,752</u>	<u>\$ 1,028,187</u>

CITY OF COLTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

(Continued)

	Special Revenue Funds			Capital Projects Fund
	New Facilities	ViTep	Miscellaneous Grants	Capital Improvements
Assets:				
Cash and investments	\$ 64,586	\$ 35,476	\$ 5,021	\$ -
Receivables:				
Taxes	-	-	-	-
Interest	43	26	-	-
Due from other governments	-	-	2,170,248	61,018
Due from other funds	-	-	-	1,849,796
Inventories	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 64,629	\$ 35,502	\$ 2,175,269	\$ 1,910,814
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 76	\$ 231,976
Deferred revenues	-	-	2,056,417	61,018
Unearned revenues	-	-	263,510	-
Due to other governments	-	-	-	-
Due to other funds	-	-	1,273,326	1,938,875
Total Liabilities	-	-	3,593,329	2,231,869
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Restricted for:				
Public safety	-	35,502	-	-
Capital Projects	64,629	-	-	-
Debt service	-	-	-	-
Library	-	-	-	-
Air quality projects	-	-	-	-
Unassigned	-	-	(1,418,060)	(321,055)
Total Fund Balances	64,629	35,502	(1,418,060)	(321,055)
Total Liabilities and Fund Balances	\$ 64,629	\$ 35,502	\$ 2,175,269	\$ 1,910,814

CITY OF COLTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital Project Funds			Debt Service Fund
	Development Fees	Assessment Districts	Colton Crossing	Public Financing Authority
Assets:				
Cash and investments	\$ 423,837	\$ -	\$ 714,638	\$ 49,708
Receivables:				
Taxes	-	-	-	-
Interest	266	-	407	985
Due from other governments	-	-	-	-
Due from other funds	-	-	732,660	-
Inventories	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	1,529,330
Total Assets	\$ 424,103	\$ -	\$ 1,447,705	\$ 1,580,023
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,179	\$ -	\$ -	\$ 1,250
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	137,423	-	-
Total Liabilities	3,179	137,423	-	1,250
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Capital Projects	420,924	-	1,447,705	-
Debt service	-	-	-	1,578,773
Library	-	-	-	-
Air quality projects	-	-	-	-
Unassigned	-	(137,423)	-	-
Total Fund Balances	420,924	(137,423)	1,447,705	1,578,773
Total Liabilities and Fund Balances	\$ 424,103	\$ -	\$ 1,447,705	\$ 1,580,023

CITY OF COLTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Taxable Pension Funding Bonds</u>	
Assets:		
Cash and investments	\$ 29,076	\$ 3,394,648
Receivables:		
Taxes	-	165,621
Interest	838	3,981
Due from other governments	-	2,577,017
Due from other funds	-	2,582,456
Inventories	-	2,397
Restricted assets:		
Cash and investments	-	371,161
Cash and investments with fiscal agents	1,538,440	3,067,770
	<u>1,538,440</u>	<u>3,067,770</u>
Total Assets	<u>\$ 1,568,354</u>	<u>\$ 12,165,051</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 273,233
Deferred revenues	-	2,117,435
Unearned revenues	-	263,510
Due to other governments	-	175,486
Due to other funds	-	3,984,724
	<u>-</u>	<u>6,814,388</u>
Total Liabilities	<u>-</u>	<u>6,814,388</u>
Fund Balances:		
Nonspendable:		
Inventory	-	2,397
Restricted for:		
Public safety	-	421,856
Capital Projects	-	3,980,454
Debt service	1,568,354	3,147,127
Library	-	4,373
Air quality projects	-	249,757
Unassigned	-	(2,455,301)
	<u>1,568,354</u>	<u>5,350,663</u>
Total Fund Balances	<u>1,568,354</u>	<u>5,350,663</u>
Total Liabilities and Fund Balances	<u>\$ 1,568,354</u>	<u>\$ 12,165,051</u>

CITY OF COLTON

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

	Special Revenue Funds			
	Gas Tax	Community Child Care	Library Grant	DSF Fly Conservation
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,292,896	322,213	36,343	-
Charges for services	-	288,398	-	-
Use of money and property	-	-	850	17
Fines and forfeitures	-	-	-	-
Miscellaneous	-	2,667	-	-
Total Revenues	1,292,896	613,278	37,193	17
Expenditures:				
Current:				
General government	-	-	-	8,001
Public safety	-	-	-	-
Community services	-	595,696	194,451	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	595,696	194,451	8,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,292,896	17,582	(157,258)	(7,984)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(1,072,543)	(18,960)	-	-
Total Other Financing Sources (Uses)	(1,072,543)	(18,960)	-	-
Net Change in Fund Balances	220,353	(1,378)	(157,258)	(7,984)
Fund Balances:				
Beginning of year	82,424	889	161,631	7,984
End of Year	\$ 302,777	\$ (489)	\$ 4,373	\$ -

CITY OF COLTON

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

(Continued)

	Special Revenue Funds			
	Community Development Block Grant	State Traffic Relief	Asset Seizure	Air Quality
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	722,510	-	-	56,888
Charges for services	-	-	-	-
Use of money and property	-	3,388	1,155	982
Fines and forfeitures	-	-	148,712	-
Miscellaneous	-	-	-	-
Total Revenues	722,510	3,388	149,867	57,870
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	1,648	-
Community services	-	-	-	-
Public works	-	-	-	-
Capital outlay	248,494	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	248,494	-	1,648	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	474,016	3,388	148,219	57,870
Other Financing Sources (Uses):				
Transfers in	1,972	-	-	-
Transfers out	(361,314)	(200,676)	-	-
Total Other Financing Sources (Uses)	(359,342)	(200,676)	-	-
Net Change in Fund Balances	114,674	(197,288)	148,219	57,870
Fund Balances:				
Beginning of year	(675,906)	750,613	222,697	191,887
End of Year	\$ (561,232)	\$ 553,325	\$ 370,916	\$ 249,757

CITY OF COLTON

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

	Special Revenue Funds			
	Drug/Gang Intervention	Host City Fees	Storm Water	Local Transportation
Revenues:				
Taxes	\$ -	\$ -	\$ 568,783	\$ -
Intergovernmental	-	423,255	-	698,938
Charges for services	-	-	-	-
Use of money and property	71	767	1,090	5,098
Fines and forfeitures	1,445	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,516	424,022	569,873	704,036
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	1,596	-	-	-
Community services	-	-	-	-
Public works	-	-	522,181	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,596	-	522,181	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80)	424,022	47,692	704,036
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(270,444)	(14,616)	(455,672)
Total Other Financing Sources (Uses)	-	(270,444)	(14,616)	(455,672)
Net Change in Fund Balances	(80)	153,578	33,076	248,364
Fund Balances:				
Beginning of year	15,518	9,329	(47,721)	779,823
End of Year	\$ 15,438	\$ 162,907	\$ (14,645)	\$ 1,028,187

CITY OF COLTON

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

(Continued)

	Special Revenue Funds			Capital Projects Fund
	New Facilities	ViTep	Miscellaneous Grants	Capital Improvements
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,482,755	-
Charges for services	5,405	200,004	-	-
Use of money and property	294	205	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	10,778
Total Revenues	5,699	200,209	1,482,755	10,778
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	128,942	353,298	-
Community services	-	-	2,496	-
Public works	-	-	-	-
Capital outlay	-	-	-	1,378,397
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	128,942	355,794	1,378,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,699	71,267	1,126,961	(1,367,619)
Other Financing Sources (Uses):				
Transfers in	-	-	-	1,401,654
Transfers out	-	-	(1,420,657)	-
Total Other Financing Sources (Uses)	-	-	(1,420,657)	1,401,654
Net Change in Fund Balances	5,699	71,267	(293,696)	34,035
Fund Balances:				
Beginning of year	58,930	(35,765)	(1,124,364)	(355,090)
End of Year	\$ 64,629	\$ 35,502	\$ (1,418,060)	\$ (321,055)

CITY OF COLTON

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

	Capital Projects Funds			Debt Service Fund
	Development Fees	Assessment Districts	Colton Crossing	Public Financing Authority
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	263,011	-	-	-
Use of money and property	6,328	-	2,114	523,796
Fines and forfeitures	-	-	-	-
Miscellaneous	15,623	34,329	-	-
Total Revenues	284,962	34,329	2,114	523,796
Expenditures:				
Current:				
General government	-	11	-	10,080
Public safety	-	-	-	-
Community services	-	3,057	-	-
Public works	40,927	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	635,000
Interest and fiscal charges	-	-	-	749,948
Total Expenditures	40,927	3,068	-	1,395,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	244,035	31,261	2,114	(871,232)
Other Financing Sources (Uses):				
Transfers in	-	-	1,445,591	902,769
Transfers out	(464,991)	-	-	-
Total Other Financing Sources (Uses)	(464,991)	-	1,445,591	902,769
Net Change in Fund Balances	(220,956)	31,261	1,447,705	31,537
Fund Balances:				
Beginning of year	641,880	(168,684)	-	1,547,236
End of Year	\$ 420,924	\$ (137,423)	\$ 1,447,705	\$ 1,578,773

CITY OF COLTON

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

	Debt Service Fund	Total Nonmajor Governmental Funds
	Taxable Pension Funding Bonds	
Revenues:		
Taxes	\$ -	\$ 568,783
Intergovernmental	-	5,035,798
Charges for services	-	756,818
Use of money and property	6,359	552,514
Fines and forfeitures	-	150,157
Miscellaneous	3,792	67,189
Total Revenues	10,151	7,131,259
Expenditures:		
Current:		
General government	2,475	20,567
Public safety	-	485,484
Community services	-	795,700
Public works	-	563,108
Capital outlay	-	1,626,891
Debt service:		
Principal retirement	645,000	1,280,000
Interest and fiscal charges	1,584,383	2,334,331
Total Expenditures	2,231,858	7,106,081
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,221,707)	25,178
Other Financing Sources (Uses):		
Transfers in	2,317,380	6,069,366
Transfers out	-	(4,279,873)
Total Other Financing Sources (Uses)	2,317,380	1,789,493
Net Change in Fund Balances	95,673	1,814,671
Fund Balances:		
Beginning of year	1,472,681	3,535,992
End of Year	\$ 1,568,354	\$ 5,350,663

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 82,424	\$ 82,424	\$ 82,424	\$ -
Resources (Inflows):				
Intergovernmental	1,341,018	1,341,018	1,292,896	(48,122)
Amounts Available for Appropriations	1,423,442	1,423,442	1,375,320	(48,122)
Charges to Appropriations (Outflow):				
Transfers out	1,379,921	1,379,921	1,072,543	307,378
Total Charges to Appropriations	1,379,921	1,379,921	1,072,543	307,378
Budgetary Fund Balance, June 30	\$ 43,521	\$ 43,521	\$ 302,777	\$ 259,256

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY CHILD CARE
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 889	\$ 889	\$ 889	\$ -
Resources (Inflows):				
Intergovernmental	198,584	317,500	322,213	4,713
Charges for services	404,700	304,646	288,398	(16,248)
Miscellaneous	-	-	2,667	2,667
Amounts Available for Appropriations	604,173	623,035	614,167	(8,868)
Charges to Appropriations (Outflow):				
Community services	584,015	591,076	595,696	(4,620)
Transfers out	18,960	18,960	18,960	-
Total Charges to Appropriations	602,975	610,036	614,656	(4,620)
Budgetary Fund Balance, June 30	\$ 1,198	\$ 12,999	\$ (489)	\$ (13,488)

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
LIBRARY GRANT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 161,631	\$ 161,631	\$ 161,631	\$ -
Resources (Inflows):				
Intergovernmental	51,255	37,989	36,343	(1,646)
Use of money and property	300	-	850	850
Amounts Available for Appropriations	213,186	199,620	198,824	(796)
Charges to Appropriations (Outflow):				
Community services	51,255	54,650	194,451	(139,801)
Total Charges to Appropriations	51,255	54,650	194,451	(139,801)
Budgetary Fund Balance, June 30	\$ 161,931	\$ 144,970	\$ 4,373	\$ (140,597)

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (675,906)	\$ (675,906)	\$ (675,906)	\$ -
Resources (Inflows):				
Intergovernmental	403,314	736,833	722,510	(14,323)
Transfers in	-	-	1,972	1,972
Amounts Available for Appropriations	(272,592)	60,927	48,576	(12,351)
Charges to Appropriations (Outflow):				
Capital outlay	42,000	375,519	248,494	127,025
Transfers out	361,314	361,314	361,314	-
Total Charges to Appropriations	403,314	736,833	609,808	127,025
Budgetary Fund Balance, June 30	\$ (675,906)	\$ (675,906)	\$ (561,232)	\$ 114,674

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
STATE TRAFFIC RELIEF
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 750,613	\$ 750,613	\$ 750,613	\$ -
Resources (Inflows):				
Use of money and property	-	-	3,388	3,388
Amounts Available for Appropriations	750,613	750,613	754,001	3,388
Charges to Appropriations (Outflow):				
Transfers out	325,571	731,827	200,676	531,151
Total Charges to Appropriations	325,571	731,827	200,676	531,151
Budgetary Fund Balance, June 30	\$ 425,042	\$ 18,786	\$ 553,325	\$ 534,539

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
ASSET SEIZURE
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 222,697	\$ 222,697	\$ 222,697	\$ -
Resources (Inflows):				
Use of money and property	-	651	1,155	504
Fines and forfeitures	-	105,904	148,712	42,808
Amounts Available for Appropriations	222,697	329,252	372,564	43,312
Charges to Appropriations (Outflow):				
Public safety	-	1,206	1,648	(442)
Total Charges to Appropriations	-	1,206	1,648	(442)
Budgetary Fund Balance, June 30	\$ 222,697	\$ 328,046	\$ 370,916	\$ 42,870

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 191,887	\$ 191,887	\$ 191,887	\$ -
Resources (Inflows):				
Intergovernmental	50,000	50,000	56,888	6,888
Use of money and property	-	-	982	982
Amounts Available for Appropriations	241,887	241,887	249,757	7,870
Budgetary Fund Balance, June 30	\$ 241,887	\$ 241,887	\$ 249,757	\$ 7,870

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
 DRUG/GANG INTERVENTION
 YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,518	\$ 15,518	\$ 15,518	\$ -
Resources (Inflows):				
Use of money and property	-	-	71	71
Fines and forfeitures	11,258	11,258	1,445	(9,813)
Amounts Available for Appropriations	26,776	26,776	17,034	(9,742)
Charges to Appropriations (Outflow):				
Public safety	11,448	11,448	1,596	9,852
Total Charges to Appropriations	11,448	11,448	1,596	9,852
Budgetary Fund Balance, June 30	\$ 15,328	\$ 15,328	\$ 15,438	\$ 110

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
HOST CITY FEES
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,329	\$ 9,329	\$ 9,329	\$ -
Resources (Inflows):				
Intergovernmental	400,000	400,000	423,255	23,255
Use of money and property	-	-	767	767
Amounts Available for Appropriations	409,329	409,329	433,351	24,022
Charges to Appropriations (Outflow):				
Transfers out	340,000	346,263	270,444	75,819
Total Charges to Appropriations	340,000	346,263	270,444	75,819
Budgetary Fund Balance, June 30	\$ 69,329	\$ 63,066	\$ 162,907	\$ 99,841

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
STORM WATER
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (47,721)	\$ (47,721)	\$ (47,721)	\$ -
Resources (Inflows):				
Property taxes	575,000	575,000	568,783	(6,217)
Use of money and property	-	-	1,090	1,090
Amounts Available for Appropriations	527,279	527,279	522,152	(5,127)
Charges to Appropriations (Outflow):				
Public works	572,660	570,984	522,181	48,803
Transfers out	14,619	14,619	14,616	3
Total Charges to Appropriations	587,279	585,603	536,797	48,806
Budgetary Fund Balance, June 30	\$ (60,000)	\$ (58,324)	\$ (14,645)	\$ 43,679

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 779,823	\$ 779,823	\$ 779,823	\$ -
Resources (Inflows):				
Intergovernmental	500,000	500,000	698,938	198,938
Use of money and property	-	-	5,098	5,098
Amounts Available for Appropriations	1,279,823	1,279,823	1,483,859	204,036
Charges to Appropriations (Outflow):				
Transfers out	540,000	1,153,149	455,672	697,477
Total Charges to Appropriations	540,000	1,153,149	455,672	697,477
Budgetary Fund Balance, June 30	\$ 739,823	\$ 126,674	\$ 1,028,187	\$ 901,513

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
NEW FACILITIES
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 58,930	\$ 58,930	\$ 58,930	\$ -
Resources (Inflows):				
Charges for services	9,500	9,500	5,405	(4,095)
Use of money and property	-	-	294	294
Amounts Available for Appropriations	68,430	68,430	64,629	(3,801)
Budgetary Fund Balance, June 30	\$ 68,430	\$ 68,430	\$ 64,629	\$ (3,801)

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
VITEP
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (35,765)	\$ (35,765)	\$ (35,765)	\$ -
Resources (Inflows):				
Charges for services	190,000	190,000	200,004	10,004
Use of money and property	-	-	205	205
Amounts Available for Appropriations	154,235	154,235	164,444	10,209
Charges to Appropriations (Outflow):				
Public safety	137,854	135,845	128,942	6,903
Total Charges to Appropriations	137,854	135,845	128,942	6,903
Budgetary Fund Balance, June 30	\$ 16,381	\$ 18,390	\$ 35,502	\$ 17,112

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ (1,124,364)	\$ (1,124,364)	\$ (1,124,364)	\$ -
Resources (Inflows):				
Intergovernmental	1,564,379	4,923,482	1,482,755	(3,440,727)
Amounts Available for Appropriations	440,015	3,799,118	358,391	(3,440,727)
Charges to Appropriations (Outflow):				
Public safety	515,833	935,904	353,298	582,606
Community services	-	3,175	2,496	679
Transfers out	1,048,546	4,029,557	1,420,657	2,608,900
Total Charges to Appropriations	1,564,379	4,968,636	1,776,451	3,192,185
Budgetary Fund Balance, June 30	\$ (1,124,364)	\$ (1,169,518)	\$ (1,418,060)	\$ (248,542)

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS - REDEVELOPMENT AGENCY
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (201,469)	\$ (201,469)	\$ (201,469)	\$ -
Resources (Inflows):				
Property taxes	40,000	40,000	20,576	(19,424)
Use of money and property	838,288	846,288	853,087	6,799
Miscellaneous	-	-	704	704
Transfers in	1,120,000	1,320,000	1,320,000	-
Amounts Available for Appropriations	1,796,819	2,004,819	1,992,898	(11,921)
Charges to Appropriations (Outflow):				
General government	1,391,608	2,321,660	1,757,898	563,762
Community services	21,459	21,459	-	21,459
Debt service:				
Principal retirement	20,000	20,000	25,000	(5,000)
Interest and fiscal charges	980,721	913,995	990,642	(76,647)
Transfers out	26,439	28,149	26,436	1,713
Total Charges to Appropriations	2,440,227	3,305,263	2,799,976	505,287
Budgetary Fund Balance, June 30	\$ (643,408)	\$ (1,300,444)	\$ (807,078)	\$ 493,366

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (355,090)	\$ (355,090)	\$ (355,090)	\$ -
Resources (Inflows):				
Miscellaneous	-	-	10,778	10,778
Transfers in	1,831,378	5,845,200	1,401,654	(4,443,546)
Amounts Available for Appropriations	1,476,288	5,490,110	1,057,342	(4,432,768)
Charges to Appropriations (Outflow):				
General government	5,913	-	-	-
Capital outlay	1,831,378	5,851,112	1,378,397	4,472,715
Total Charges to Appropriations	1,837,291	5,851,112	1,378,397	4,472,715
Budgetary Fund Balance, June 30	\$ (361,003)	\$ (361,002)	\$ (321,055)	\$ 39,947

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEES
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 641,880	\$ 641,880	\$ 641,880	\$ -
Resources (Inflows):				
Charges for services	280,667	280,667	263,011	(17,656)
Use of money and property	1,500	8,829	6,328	(2,501)
Miscellaneous	459,834	459,834	15,623	(444,211)
Transfers in	-	(6,687)	-	6,687
Amounts Available for Appropriations	<u>1,383,881</u>	<u>1,384,523</u>	<u>926,842</u>	<u>(457,681)</u>
Charges to Appropriations (Outflow):				
Public works	25,000	40,590	40,927	(337)
Transfers out	1,055,000	1,100,746	464,991	635,755
Total Charges to Appropriations	<u>1,080,000</u>	<u>1,141,336</u>	<u>505,918</u>	<u>635,418</u>
Budgetary Fund Balance, June 30	<u>\$ 303,881</u>	<u>\$ 243,187</u>	<u>\$ 420,924</u>	<u>\$ 177,737</u>

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
COLTON CROSSING
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	-	2,114	2,114
Transfers in	1,832,660	1,862,660	1,445,591	(417,069)
Amounts Available for Appropriations	1,832,660	1,862,660	1,447,705	(414,955)
Charges to Appropriations (Outflow):				
Capital outlay	1,832,660	1,862,660	-	1,862,660
Total Charges to Appropriations	1,832,660	1,862,660	-	1,862,660
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ 1,447,705	\$ 1,447,705

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE - REDEVELOPMENT AGENCY
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 23,090,073	\$ 23,090,073	\$ 23,090,073	\$ -
Resources (Inflows):				
Property taxes	11,549,353	10,331,950	10,417,722	85,772
Intergovernmental	-	-	124,878	124,878
Use of money and property	319,342	319,342	418,752	99,410
Transfers in	2,289,102	2,045,621	-	(2,045,621)
Capital leases	-	-	145,391	145,391
Amounts Available for Appropriations	37,247,870	35,786,986	34,196,816	(1,590,170)
Charges to Appropriations (Outflow):				
General government	869,715	869,715	833,933	35,782
Debt service:				
Principal retirement	2,025,878	2,025,878	2,095,437	(69,559)
Interest and fiscal charges	2,165,910	2,173,239	2,247,012	(73,773)
Pass-through agreement payments	2,197,000	2,197,000	1,865,886	331,114
Transfers out	3,409,102	3,365,621	1,320,000	2,045,621
Total Charges to Appropriations	10,667,605	10,631,453	8,362,268	2,269,185
Budgetary Fund Balance, June 30	\$ 26,580,265	\$ 25,155,533	\$ 25,834,548	\$ 679,015

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,547,236	\$ 1,547,236	\$ 1,547,236	\$ -
Resources (Inflows):				
Use of money and property	501,405	501,405	523,796	22,391
Transfers in	902,769	902,769	902,769	-
Amounts Available for Appropriations	2,951,410	2,951,410	2,973,801	22,391
Charges to Appropriations (Outflow):				
General government	6,880	10,080	10,080	-
Debt service:				
Principal retirement	635,000	635,000	635,000	-
Interest and fiscal charges	749,948	749,948	749,948	-
Total Charges to Appropriations	1,391,828	1,395,028	1,395,028	-
Budgetary Fund Balance, June 30	\$ 1,559,582	\$ 1,556,382	\$ 1,578,773	\$ 22,391

CITY OF COLTON

**BUDGETARY COMPARISON SCHEDULE
TAXABLE PENSION FUNDING BONDS
YEAR ENDED JUNE 30, 2011**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,472,681	\$ 1,472,681	\$ 1,472,681	\$ -
Resources (Inflows):				
Use of money and property	22,400	22,400	6,359	(16,041)
Miscellaneous	-	-	3,792	3,792
Transfers in	2,321,168	2,321,168	2,317,380	(3,788)
Amounts Available for Appropriations	3,816,249	3,816,249	3,800,212	(16,037)
Charges to Appropriations (Outflow):				
General government	2,475	2,475	2,475	-
Debt service:				
Principal retirement	645,000	645,000	645,000	-
Interest and fiscal charges	1,584,383	1,584,383	1,584,383	-
Total Charges to Appropriations	2,231,858	2,231,858	2,231,858	-
Budgetary Fund Balance, June 30	\$ 1,584,391	\$ 1,584,391	\$ 1,568,354	\$ (16,037)

CITY OF COLTON

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011**

	<u>Facility and Equipment Maintenance</u>	<u>Information Services</u>	<u>Insurance</u>	<u>Total</u>
Assets:				
Current:				
Cash and investments	\$ 12,179	\$ 172,253	\$ 558,391	\$ 742,823
Receivables:				
Accrued interest	-	139	335	474
Restricted:				
Cash and investments	-	-	49,245	49,245
Total Current Assets	12,179	172,392	607,971	792,542
Noncurrent:				
Capital assets - net of accumulated depreciation	457,635	327,336	-	784,971
Total Noncurrent Assets	457,635	327,336	-	784,971
Total Assets	\$ 469,814	\$ 499,728	\$ 607,971	\$ 1,577,513
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 2,543	\$ 16,503	\$ 425,504	\$ 444,550
Deposits payable	-	-	955	955
Accrued compensated absences	18,000	10,000	-	28,000
Accrued claims and judgments	-	-	609,485	609,485
Total Current Liabilities	20,543	26,503	1,035,944	1,082,990
Noncurrent:				
Accrued compensated absences	18,545	9,472	-	28,017
Accrued claims and judgments	-	-	1,334,185	1,334,185
Total Noncurrent Liabilities	18,545	9,472	1,334,185	1,362,202
Total Liabilities	39,088	35,975	2,370,129	2,445,192
Net Assets:				
Invested in capital assets	457,635	327,336	-	784,971
Unrestricted	(26,909)	136,417	(1,762,158)	(1,652,650)
Total Net Assets	430,726	463,753	(1,762,158)	(867,679)
Total Liabilities and Net Assets	\$ 469,814	\$ 499,728	\$ 607,971	\$ 1,577,513

CITY OF COLTON

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

	Facility and Equipment Maintenance	Information Services	Insurance	Total
Operating Revenues:				
Sales and service charges	658,126	765,707	2,233,372	\$ 3,657,205
Miscellaneous	-	-	199,484	199,484
Total Operating Revenues	658,126	765,707	2,432,856	3,856,689
Operating Expenses:				
Salaries and benefits	515,733	331,483	78,958	926,174
Contractual services	13,301	1,392	-	14,693
Maintenance and operations	102,892	224,898	905,188	1,232,978
Claims and benefits	-	-	1,449,615	1,449,615
Depreciation expense	23,048	97,733	-	120,781
Total Operating Expenses	654,974	655,506	2,433,761	3,744,241
Operating Income (Loss)	3,152	110,201	(905)	112,448
Nonoperating Revenues (Expenses):				
Interest revenue	-	825	708	1,533
Total Nonoperating Revenues (Expenses)	-	825	708	1,533
Income (Loss) Before Transfers	3,152	111,026	(197)	113,981
Transfers in	1,758,337	374,351	-	2,132,688
Transfers out	(622,973)	(21,624)	(1,761,961)	(2,406,558)
Changes in Net Assets	1,138,516	463,753	(1,762,158)	(159,889)
Net Assets:				
Beginning of fiscal year	(707,790)	-	-	(707,790)
End of Fiscal Year	\$ 430,726	\$ 463,753	\$ (1,762,158)	\$ (867,679)

CITY OF COLTON

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

	Facility and Equipment Maintenance	Information Services	Insurance	Total
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 657,421	\$ 765,707	\$ 2,433,811	\$ 3,856,939
Cash paid to suppliers for goods and services	(380,550)	(209,787)	(479,684)	(1,070,021)
Cash paid to employees for services	(2,192,893)	(312,011)	415,097	(2,089,807)
Net Cash Provided (Used) by Operating Activities	(1,916,022)	243,909	2,369,224	697,111
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	(622,973)	(446,693)	(1,761,961)	(2,831,627)
Cash transfers in	2,404,320	374,351	-	2,778,671
Net Cash Provided (Used) by Non-Capital Financing Activities	1,781,347	(72,342)	(1,761,961)	(52,956)
Cash Flows from Investing Activities:				
Interest received	-	686	373	1,059
Net Cash Provided (Used) by Investing Activities	-	686	373	1,059
Net Increase (Decrease) in Cash and Cash Equivalents	(134,675)	172,253	607,636	645,214
Cash and Cash Equivalents at Beginning of Year	146,854	-	-	146,854
Cash and Cash Equivalents at End of Year	\$ 12,179	\$ 172,253	\$ 607,636	\$ 792,068
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 3,152	\$ 110,201	\$ (905)	\$ 112,448
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	23,048	97,733	-	120,781
(Increase) decrease in accounts receivable	250	-	-	250
Increase (decrease) in accounts payable	(264,357)	16,503	425,504	177,650
Increase (decrease) in deposits payable	(955)	-	955	-
Increase (decrease) in claims and judgments	(1,621,710)	-	1,943,670	321,960
Increase (decrease) in compensated absences	(55,450)	19,472	-	(35,978)
Total Adjustments	(1,919,174)	133,708	2,370,129	584,663
Net Cash Provided (Used) by Operating Activities	\$ (1,916,022)	\$ 243,909	\$ 2,369,224	\$ 697,111
Non-Cash Investing, Capital, and Financing Activities:				
Transfer of capital assets from the Facility and Equipment Maintenance Fund to the Information Service Fund	\$ (425,069)	\$ 425,069	\$ -	\$ -
Transfer of capital assets to governmental activities	(220,914)	-	-	(220,914)

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AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own. The following are classified as agency funds in the financial statements:

General Deposit Fund - This fund is used to account for deposits placed with the City for future services, and trust funds awaiting remittance to relevant service provider.

Assessment Districts Fund - Used to account for funds collected from Assessment Districts.

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CITY OF COLTON

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2011

	<u>General Deposit</u>	<u>Assessment Districts</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 1,579,449	\$ 10,613	\$ 1,590,062
Receivables:			
Taxes	-	12,878	12,878
Loans	1,659	-	1,659
Interest	-	26	26
Deposits	13,217	-	13,217
Restricted assets:			
Cash and investments	189,806	1,578,222	1,768,028
Cash and investments with fiscal agents	-	537,361	537,361
Total Assets	<u>\$ 1,784,131</u>	<u>\$ 2,139,100</u>	<u>\$ 3,923,231</u>
Liabilities:			
Accounts payable	\$ 582,170	\$ 27,580	\$ 609,750
Accrued liabilities	1,037,319	-	1,037,319
Deposits payable	164,642	-	164,642
Due to other governments	-	456,880	456,880
Due to bondholders	-	1,654,640	1,654,640
Total Liabilities	<u>\$ 1,784,131</u>	<u>\$ 2,139,100</u>	<u>\$ 3,923,231</u>

CITY OF COLTON

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

	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011
General Deposit				
Assets:				
Cash and investments	\$ 2,760,362	\$ 33,458,253	\$ 34,639,166	\$ 1,579,449
Receivables:				
Accounts	193	82	275	-
Loans	8,159	37,869	44,369	1,659
Deposits	2,344	13,442	2,569	13,217
Restricted assets:				
Cash and investments	190,546	22,939	23,679	189,806
Total Assets	\$ 2,961,604	\$ 33,532,585	\$ 34,710,058	\$ 1,784,131
Liabilities:				
Accounts payable	\$ 575,123	\$ 13,462,438	\$ 13,455,391	\$ 582,170
Accrued liabilities	2,142,574	33,061,612	34,166,867	1,037,319
Deposits payable	243,907	108,327	187,592	164,642
Total Liabilities	\$ 2,961,604	\$ 46,632,377	\$ 47,809,850	\$ 1,784,131
Assessment Districts				
Assets:				
Cash and investments	\$ 69,889	\$ 965,178	\$ 1,024,454	\$ 10,613
Receivables:				
Taxes	48,540	12,878	48,540	12,878
Interest	406	26	406	26
Deposits	396	-	396	-
Due from other governments	10,553	-	10,553	-
Restricted assets:				
Cash and investments	1,483,282	1,200,825	1,105,885	1,578,222
Cash and investments with fiscal agents	571,184	1,005,740	1,039,563	537,361
Total Assets	\$ 2,184,250	\$ 3,184,647	\$ 3,229,797	\$ 2,139,100
Liabilities:				
Accounts payable	\$ 74,750	\$ 405,266	\$ 452,436	\$ 27,580
Due to other governments	478,471	245,110	266,701	456,880
Due to bondholders	1,631,029	2,136,103	2,112,492	1,654,640
Total Liabilities	\$ 2,184,250	\$ 2,786,479	\$ 2,831,629	\$ 2,139,100

CITY OF COLTON

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

	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 2,830,251	\$ 34,423,431	\$ 35,663,620	\$ 1,590,062
Receivables:				
Accounts	193	82	275	-
Taxes	48,540	12,878	48,540	12,878
Loans	8,159	37,869	44,369	1,659
Interest	406	26	406	26
Deposits	2,740	13,442	2,965	13,217
Due from other governments	10,553	-	10,553	-
Restricted assets:				
Cash and investments	1,673,828	1,223,764	1,129,564	1,768,028
Cash and investments with fiscal agents	571,184	1,005,740	1,039,563	537,361
Total Assets	\$ 5,145,854	\$ 36,717,232	\$ 37,939,855	\$ 3,923,231
Liabilities:				
Accounts payable	\$ 649,873	13,867,704	13,907,827	\$ 609,750
Accrued liabilities	2,142,574	33,061,612	34,166,867	1,037,319
Deposits payable	243,907	108,327	187,592	164,642
Due to other governments	478,471	245,110	266,701	456,880
Due to bondholders	1,631,029	2,136,103	2,112,492	1,654,640
Total Liabilities	\$ 5,145,854	\$ 49,418,856	\$ 50,641,479	\$ 3,923,231

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Statistical Section

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

<u>Contents</u>	<u>Page(s)</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	123-127
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</i>	128-134
Debt Capacity <i>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.</i>	135-139
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	140-142
Operating Information <i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	143-144

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

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City of Colton
Net Assets by Component,
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 16,309,314	\$ 16,192,140	\$ 17,712,248	\$ 22,050,337	\$ 8,413,726	\$ 8,344,523	\$ 9,463,993	\$ 8,938,118
Restricted	27,253,375	28,855,518	34,681,049	31,252,306	37,893,149	29,323,645	29,033,595	38,294,495
Unrestricted	(43,819,588)	(40,929,785)	(37,867,686)	(30,358,075)	(22,013,054)	(16,314,151)	(16,836,896)	(19,363,797)
Total governmental activities net assets	\$ (256,899)	\$ 4,117,873	\$ 14,525,611	\$ 22,944,568	\$ 24,293,821	\$ 21,354,017	\$ 21,660,692	\$ 27,868,816
Business-type activities								
Invested in capital assets, net of related debt	\$ 29,644,897	\$ 26,956,109	\$ 28,363,689	\$ 28,287,387	\$ 30,056,470	\$ 32,303,397	\$ 34,947,388	\$ 39,098,859
Restricted	23,771,342	11,605,798	11,071,498	8,389,339	5,547,322	5,877,095	5,744,749	5,760,520
Unrestricted	10,652,236	23,143,670	20,607,902	23,914,937	21,444,561	25,210,594	27,612,261	34,466,613
Total business-type activities net assets	\$ 64,068,475	\$ 61,705,577	\$ 60,043,089	\$ 60,591,663	\$ 57,048,353	\$ 63,391,086	\$ 68,304,398	\$ 79,325,992
Primary government								
Invested in capital assets, net of related debt	\$ 45,954,211	\$ 43,148,249	\$ 46,075,937	\$ 50,337,724	\$ 38,470,196	\$ 40,647,920	\$ 44,411,381	\$ 48,036,977
Restricted	51,024,717	40,461,316	45,752,547	39,641,645	43,440,471	35,200,740	34,778,344	44,055,015
Unrestricted	(33,167,352)	(17,786,115)	(17,259,784)	(6,443,138)	(568,493)	8,896,443	10,775,365	15,102,816
Total primary government net assets	\$ 63,811,576	\$ 65,823,450	\$ 74,568,700	\$ 83,536,231	\$ 81,342,174	\$ 84,745,103	\$ 89,965,090	\$ 107,194,808

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004. The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the last ten years, but only the last eight years were readily available.

City of Colton
Changes in Net Assets, Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
General government	\$ 6,127,840	\$ 5,389,431	\$ 8,043,423	\$ 3,166,168	\$ 10,471,277	\$ 6,335,018	\$ 8,184,814	\$ 9,415,958
Community Services	5,455,410	4,831,984	7,485,496	6,067,743	6,077,540	7,530,058	4,890,385	3,132,316
Public Works	8,986,631	9,007,957	6,925,658	9,128,492	6,899,459	7,861,024	6,229,888	5,126,915
Public Safety	18,250,157	20,733,576	21,950,800	26,313,672	26,193,362	27,074,045	24,540,340	20,436,034
Interest on long-term debt	4,500,381	5,097,234	4,812,572	4,793,267	6,448,327	6,190,555	5,976,908	5,819,212
Total governmental activities expenses	43,320,419	45,060,182	49,217,949	49,489,342	56,089,965	54,990,700	49,822,335	43,930,435
Business-type activities:								
Electric	40,145,060	39,896,348	44,211,535	48,211,348	53,999,134	47,577,309	48,650,685	46,052,494
Water	7,299,941	7,756,570	8,174,930	10,010,951	11,604,531	8,232,181	8,319,269	7,692,742
Wastewater	5,799,314	6,556,954	6,440,416	6,577,950	6,306,927	6,779,455	6,868,307	6,369,993
Total business-type activities expenses	53,244,315	54,209,872	58,826,881	64,800,249	71,910,592	62,588,945	63,838,261	60,115,229
Total primary government expenses	\$ 96,564,734	\$ 99,270,054	\$ 108,044,830	\$ 114,269,591	\$ 128,000,557	\$ 117,579,645	\$ 113,660,596	\$ 104,045,664
Program Revenues (see Schedule 3)								
Governmental activities:								
Charges for services	\$ 3,381,329	\$ 3,708,862	\$ 4,906,582	\$ 4,688,206	\$ 6,230,606	\$ 5,779,588	\$ 5,198,365	\$ 5,334,511
Operating contributions and grants	3,190,493	1,775,385	2,528,215	3,780,193	2,795,368	2,713,102	2,034,476	824,501
Capital contributions and grants	2,621,779	2,884,999	3,140,492	3,021,320	5,310,007	1,302,818	2,766,401	3,831,950
Total governmental activities program revenues	9,193,601	8,369,246	10,575,289	11,489,719	14,335,981	9,795,508	9,999,242	9,990,962
Business-type activities:								
Charges for services:								
Electric	39,825,731	39,333,727	44,296,212	51,565,766	57,124,228	57,830,359	57,964,716	58,168,727
Water	6,041,412	5,855,561	6,202,568	6,754,350	6,172,889	6,093,153	7,925,002	8,563,345
Wastewater	8,132,983	8,729,446	8,715,741	8,965,160	8,573,485	8,264,242	8,302,059	8,998,371
Operating grants and contributions	-	658,852	419,454	71,543	-	-	-	69,676
Total business-type activities program revenues	54,000,126	54,577,586	59,633,975	67,356,819	71,870,602	72,187,754	74,191,777	75,800,119
Total primary government program revenues	\$ 63,193,727	\$ 62,946,832	\$ 70,209,264	\$ 78,846,538	\$ 86,206,583	\$ 81,983,262	\$ 84,191,019	\$ 85,791,081

City of Colton
Changes in Net Assets, Last Eight Fiscal Years
(modified accrual basis of accounting) (CONTINUED)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Governmental activities	\$ (34,126,818)	\$ (36,690,936)	\$ (38,642,660)	\$ (37,979,623)	\$ (41,753,984)	\$ (45,195,192)	\$ (39,823,093)	\$ (33,939,473)
Business-type activities	755,811	367,714	807,094	2,556,570	(39,990)	9,598,809	10,353,516	15,684,890
Total primary government net expense	\$ (33,371,007)	\$ (36,323,222)	\$ (37,835,566)	\$ (35,423,053)	\$ (41,793,974)	\$ (35,596,383)	\$ (29,469,577)	\$ (18,254,583)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 9,801,084	\$ 11,180,154	\$ 14,638,143	\$ 17,937,345	\$ 18,878,050	\$ 19,768,300	\$ 18,736,900	\$ 17,654,388
Sales taxes	9,129,955	10,840,401	11,846,126	10,979,334	7,727,727	5,765,109	5,373,215	5,735,928
Other taxes	1,936,924	5,423,684	5,158,368	6,359,392	5,890,286	6,298,430	6,559,013	6,347,669
Motor vehicle in lieu	2,254,401	3,842,957	1,160,018	355,163	231,884	209,161	113,781	263,884
Use of money and property	2,633,071	2,721,144	3,415,539	3,167,964	4,930,685	3,876,655	3,291,843	3,569,991
Other	13,723,010	3,574,198	8,879,414	8,312,751	1,029,963	362,458	269,321	463,405
Transfers	3,664,805	4,487,021	4,107,384	4,268,935	5,301,526	5,757,687	5,661,926	6,112,332
Total governmental activities	43,143,250	42,069,559	49,204,992	51,380,884	43,990,121	42,037,800	40,005,999	40,147,597
Business-type activities:								
Other taxes	312	77	520	-	-	-	-	-
Use of money and property	739,966	841,345	997,043	1,761,384	1,692,048	655,485	221,722	274,186
Other	1,892,756	3,062,279	1,185,762	2,142,614	-	-	-	1,174,850
Transfers	(3,664,805)	(4,487,021)	(4,107,384)	(4,268,935)	(5,301,526)	(5,757,687)	(5,661,926)	(6,112,332)
Total business-type activities	(1,031,771)	(583,320)	(1,924,059)	(364,937)	(3,609,478)	(5,102,202)	(5,440,204)	(4,663,296)
Total primary government	\$ 42,111,479	\$ 41,486,239	\$ 47,280,933	\$ 51,015,947	\$ 40,380,643	\$ 36,935,598	\$ 34,565,795	\$ 35,484,301
Change in Net Assets								
Governmental activities	\$ 9,016,432	\$ 5,378,623	\$ 10,562,332	\$ 13,401,261	\$ 2,236,137	\$ (3,157,392)	\$ 182,906	\$ 6,208,124
Business-type activities	(275,960)	(215,606)	(1,116,965)	2,191,633	(3,649,468)	4,496,607	4,913,312	11,021,594
Total primary government	\$ 8,740,472	\$ 5,163,017	\$ 9,445,367	\$ 15,592,894	\$ (1,413,331)	\$ 1,339,215	\$ 5,096,218	\$ 17,229,718

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004. The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the last ten years, but only the last eight years were readily available.

City of Colton
Fund Balances, Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Reserved	\$ 752,739	\$ 799,433	\$ 917,473	\$ 853,553	\$ 3,452,686	\$ 2,295,394	\$ 2,046,193	
Unreserved	738,216	2,545,640	5,498,873	9,711,356	4,498,203	1,147,008	(663,386)	
Nonspendable								\$ 231,095
Restricted								197,201
Unassigned								2,858,934
Total general fund	\$ 1,490,955	\$ 3,345,073	\$ 6,416,346	\$ 10,564,909	\$ 7,950,889	\$ 3,442,402	\$ 1,382,807	\$ 3,287,230
All Other Governmental Funds								
Reserved	\$ 19,239,544	\$ 6,901,271	\$ 6,570,911	\$ 6,948,324	\$ 11,031,330	\$ 13,553,712	\$ 11,555,346	
Unreserved:								
Reported in:								
Special revenue funds	4,392,978	4,048,318	3,392,686	519,384	793,600	1,014,562	358,456	
Capital projects funds	1,519,149	4,142,019	4,640,193	1,434,192	941,337	846,700	118,106	
Debt service funds	6,623,372	6,662,402	6,785,420	1,569,094	5,981,543	3,587,777	3,019,917	
Designated for debt service	6,075,899	10,818,032	16,902,537	21,099,258	23,393,397	20,190,243	19,310,405	
Undesignated	(12,799,399)	(4,883,042)	(5,075,480)	(3,843,873)	(14,862,051)	(11,435,321)	(7,937,634)	
Nonspendable								\$ 11,658,478
Restricted:								
Reported in:								
Special revenue funds								7,803,567
Capital projects funds								8,648,607
Debt service funds								21,786,760
Unassigned								(19,519,279)
Total all other governmental funds	\$ 26,764,415	\$ 27,689,000	\$ 33,216,267	\$ 27,726,379	\$ 27,279,156	\$ 27,757,673	\$ 26,424,596	\$ 30,378,133

Notes: The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the last ten years, but only the last eight years were readily available. The City of Colton implemented changes to the presentation of fund balance per GASB Statement no. 54 in fiscal year 2011.

City of Colton
Changes in Fund Balances, Governmental Funds
Last Eight Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Taxes (see Schedule 6)	\$ 19,763,357	\$ 24,645,236	\$ 32,854,345	\$ 35,661,435	\$ 33,389,809	\$ 32,473,516	\$ 30,624,248	\$ 29,772,782
Licenses and permits	1,230,998	1,337,083	1,529,822	1,494,432	1,887,156	1,605,543	1,460,956	1,241,153
Intergovernmental	7,876,687	9,843,468	7,148,208	6,113,540	6,952,226	7,336,096	5,606,806	6,474,144
Charges for services	2,013,631	2,004,780	2,545,743	2,827,182	2,577,891	2,470,160	1,953,323	2,184,334
Use of money and property	4,041,196	4,119,667	4,801,977	4,842,170	4,888,775	3,834,377	3,254,035	3,521,907
Fines and forfeitures	721,821	968,857	1,075,194	540,661	595,521	554,331	563,749	468,911
Contributions	-	-	-	1,200,000	12,500	12,500	75,000	25,000
Miscellaneous	10,823,520	1,049,765	6,780,624	4,942,074	1,308,710	479,203	244,293	422,140
Total revenues	46,471,210	43,968,856	56,735,913	57,621,494	51,612,588	48,765,726	43,782,410	44,110,371
Expenditures								
General government	4,891,628	5,234,448	7,902,150	3,025,148	33,815,258	3,441,066	5,481,155	6,811,797
Community services	5,088,159	4,483,418	4,631,891	5,939,219	6,018,854	7,365,043	4,734,498	2,964,264
Public works	2,694,503	3,677,870	4,141,904	5,915,408	5,373,406	5,048,407	3,400,482	2,019,277
Public safety	18,012,963	20,383,725	21,738,352	25,074,498	25,830,897	26,801,128	24,318,248	19,865,275
Capital outlay	10,607,375	5,059,181	5,669,378	9,348,520	13,655,318	9,721,886	4,075,500	1,685,800
Debt service								
Debt issuance cost	-	318,133	-	-	1,231,418	-	-	-
Principal retirement	14,802,737	9,556,358	3,638,103	6,521,839	2,762,065	3,396,682	3,498,017	3,724,715
Interest and fiscal charges	4,508,392	5,140,422	4,843,059	4,812,452	5,477,773	6,000,504	5,792,442	5,626,076
Advance refunding escrow agent	-	-	-	-	4,062,913	-	-	-
Pass-through agreement payments	-	-	-	-	1,649,791	2,123,934	1,884,215	1,865,886
Total expenditures	60,605,757	53,853,555	52,564,837	60,637,084	99,877,693	63,898,650	53,184,557	44,563,090
Excess (Deficiency) of revenues over (under) expenditures	(14,134,547)	(9,884,699)	4,171,076	(3,015,590)	(48,265,105)	(15,132,924)	(9,402,147)	(452,719)
Other Financing Sources (Uses)								
Long-term debt issued	4,349,603	8,103,381	419,723	424,681	31,318,075	158,522	140,995	145,391
Refunding bonds issued	-	-	-	-	13,385,000	-	-	-
Capital Leases	-	-	-	2,097,215	-	-	-	-
Bond premium	-	-	-	-	164,298	-	-	-
Bond discount	-	(5,837)	-	-	(249,195)	-	-	-
Transfers in	12,412,238	11,519,317	12,395,350	14,798,623	21,652,350	26,567,152	15,540,681	14,488,418.00
Transfers out	(8,747,433)	(7,032,296)	(8,233,015)	(10,502,212)	(16,319,098)	(20,740,308)	(9,795,970)	(8,323,130.00)
Proceeds from sale of capital assets	-	-	-	-	-	4,900,000	-	-
Payment to refunded bond escrow agent	-	-	-	-	(3,860,684)	-	-	-
Total other financing sources (uses)	8,014,408	12,584,565	4,582,058	6,818,307	46,090,746	10,885,366	5,885,706	6,310,679
Net change in fund balances	\$ (6,120,139)	\$ 2,699,866	\$ 8,753,134	\$ 3,802,717	\$ (2,174,359)	\$ (4,247,558)	\$ (3,516,441)	\$ 5,857,960
Debt service as a percentage of noncapital expenditures	38.6%	30.8%	18.1%	22.1%	17.6%	21.3%	22.8%	26.2%

Note: The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006.

This schedule requires presentation of the last ten years, but only the last eight years were readily available.

City of Colton
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Residential Property*	Commercial Property*	Industrial Property*	Other Property*	Total Taxable Assessed Value*	Total Tax Rate	Estimated Actual Taxable Value
2002	962,030	184,394	143,316	252,526	1,542,266	1.1420	1,542,266
2003	1,032,593	184,405	173,491	356,420	1,746,909	1.2004	1,746,909
2004	1,131,652	196,168	181,176	352,825	1,861,821	1.2184	1,861,821
2005	1,233,656	223,117	192,929	363,790	2,013,492	1.2214	2,013,492
2006	1,418,230	258,024	221,315	414,253	2,311,822	1.2193	2,311,822
2007	1,665,615	297,505	251,044	447,585	2,661,749	1.2598	2,607,979
2008	1,906,025	332,616	273,231	494,451	3,006,323	1.2583	2,943,159
2009	1,957,935	369,032	287,190	512,260	3,126,417	1.2731	3,052,975
2010	1,599,415	378,656	306,053	554,461	2,838,585	1.2915	2,763,821
2011	1,470,930	376,590	301,283	515,253	2,664,056	1.3421	2,586,929

*Source: HdL, Coren & Cone

Notes: The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the last ten years.

City of Colton
Property Tax Rates
All Overlapping Governments
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	Basic Levy	City of Colton Bonds	San Bernardino Community College Board	Colton Unified School District	San Bernardino Valley Water	Total Tax Rate
2002	1.0000	0.0000	0.0000	0.0000	0.1420	1.1420
2003	1.0000	0.0000	0.0000	0.0604	0.1400	1.2004
2004	1.0000	0.0000	0.0169	0.0615	0.1400	1.2184
2005	1.0000	0.0000	0.0189	0.0625	0.1400	1.2214
2006	1.0000	0.0000	0.0166	0.0427	0.1600	1.2193
2007	1.0000	0.0000	0.0195	0.0753	0.1650	1.2598
2008	1.0000	0.0000	0.0127	0.0806	0.1650	1.2583
2009	1.0000	0.0000	0.0393	0.0688	0.1650	1.2731
2010	1.0000	0.0000	0.0280	0.0985	0.1650	1.2915
2011	1.0000	0.0000	0.0467	0.1304	0.1650	1.3421

Source: HdL, Coren & Cone (San Bernardino County Assessor's Office)

Notes: The city's basic property tax rate may be increased only by a majority vote of the city's residents.
Rates for debt service are set based on each year's requirements.
Overlapping rates are those of local and county governments that apply to property owners within the City of Colton. Not all overlapping rates apply to all City of Colton property owners.

**City of Colton
Principal Property Tax Payers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	2011			2002		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
Ashley Furniture Industries Inc.	56,235,173	1	2.17%	-	-	-
Telco Food Products Inc.	45,924,737	2	1.78%	23,740,848	1	1.54%
Wanvog Investments LLC	42,138,093	3	1.63%	-	-	-
Pacific West Management	29,206,435	4	1.13%	-	-	-
Grand Terrace Apartments California	28,243,001	5	1.09%	-	-	-
My Montecito III	23,014,493	6	0.89%	-	-	-
Colton Power Limited Partnership	22,000,000	7	0.85%	-	-	-
Headlands Realty Corporation	21,344,168	8	0.83%	-	-	-
BRE Properties Inc.	21,221,012	9	0.82%	15,259,945	4	0.99%
Best Brands Corporation	19,343,980	10	0.75%	-	-	-
Colane Associates Ltd. Partnership				16,700,000	3	1.08%
Stater Brothers Markets				23,193,201	2	1.50%
Security Capital Pacific Trust				14,244,563	5	0.92%
Cottonwood Ranch Partners LP				14,159,009	6	0.89%
Conagra Foods Inc.				13,080,243	7	0.85%
Cooley Ranch Properties Inc.				12,300,000	8	0.80%
Heller Financial Inc.				10,061,220	9	0.65%
Wal-Mart Real Estate Business Trust				9,652,760	10	0.62%
Total	<u>\$ 308,671,092</u>		<u>11.93%</u>	<u>\$ 152,391,789</u>		<u>9.87%</u>

Source: HdL Coren & Cone

Note: The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the current year and nine years ago.

**City of Colton
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	1,880,072	1,805,865	96.05%	-	1,805,865	96.05%
2003	2,000,642	1,937,434	96.84%	-	1,937,434	96.84%
2004	2,253,398	2,280,939	101.22%	-	2,280,939	101.22%
2005	2,312,803	2,329,367	100.72%	-	2,329,367	100.72%
2006	2,608,687	2,399,713	91.99%	41,683	2,441,396	93.59%
2007	3,279,012	3,387,992	103.32%	-	3,387,992	103.32%
2008	3,703,378	3,549,387	95.84%	-	3,549,387	95.84%
2009	3,886,742	3,506,589	90.22%	-	3,506,589	90.22%
2010	2,571,334	2,441,190	94.94%	-	2,441,190	94.94%
2011	2,409,313	2,319,560	96.27%	-	2,319,560	96.27%

Sources: County of San Bernardino Auditor-Controller - Property Tax Division

City of Colton
Taxable Sales by Category
Last Ten Calendar Years
(in thousands of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel Stores	\$ 3,772	\$ 2,553	\$ 2,854	\$ 2,351	\$ 2,398	\$ 5,130	\$ 8,386	\$ 8,330	\$ 8,948	\$ 9,863
General Merchandise	51,994	56,167	55,615	54,221	53,906	53,791	52,129	50,533	50,937	48,953
Food Stores	27,014	26,722	36,793	45,510	44,453	44,868	45,824	49,458	42,527	37,391
Eating and Drinking Places	41,438	44,950	45,372	50,664	53,075	56,357	55,821	51,667	48,454	45,120
Building Materials	35,478	40,344	47,901	67,518	81,245	84,864	67,839	55,615	30,391	30,161
Auto Dealers and Supplies	207,994	236,513	257,198	309,179	357,343	345,863	309,723	183,600	108,666	144,344
Service Stations	67,824	38,547	39,796	109,548	149,057	184,054	95,419	78,306	57,224	66,775
Other Retail Stores	37,725	42,245	42,543	41,392	45,953	43,574	67,430	54,086	51,544	46,487
All Other Outlets	178,086	193,944	207,984	256,397	286,030	288,975	236,101	159,535	124,349	114,820
Total	\$ 651,325	\$ 681,985	\$ 736,056	\$ 936,780	\$ 1,073,460	\$ 1,107,476	\$ 938,672	\$ 691,130	\$ 523,040	\$ 543,914

Source: HdL, Coren & Cone (State of California Board of Equalization)

13 **Notes:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. The City of Colton implemented changes to the statistical section per GASB Statement No. 44 in fiscal year 2006. This schedule requires presentation of the latest ten years available.

**City of Colton
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City & Local</u>	<u>San Bernardino County</u>
2002	1.25%	0.50%
2003	1.25%	0.50%
2004	1.00%	0.50%
2005	1.00%	0.50%
2006	1.00%	0.50%
2007	1.00%	0.50%
2008	1.00%	0.50%
2009	1.00%	0.50%
2010	1.00%	0.50%
2011	1.00%	0.50%

Sources: California Board of Equalization web site

Note: The city sales tax rate may be changed only with the approval of the state legislature.
The City of Colton does not have a city sales tax.

**City of Colton
Principal Sales Tax Remitters - Identified by Category, Top 25
For Current Year and Nine Years Ago**

Business Category	2011	2002
	Service Stations	Receivables/Master Outlets
	Service Stations	Service Stations
	Service Stations	New Motor Vehicle Dealers
	Home Furnishings	Electronics/Appliance Stores
	New Motor Vehicle Dealers	Lumber/Building Materials
	Restaurants No Alcohol	Trailers/RVs
	Electrical Equipment	Used Automotive Dealers
	Used Automotive Dealers	Service Stations
	Electrical Equipment	Electric Equipment
	Petroleum Prod/Equipment	Trailers/RVs
	Paint/Glass/Wallpaper	New Motor Vehicle Dealers
	Grocery Stores Liquor	Paint/Glass/Wallpaper
	Trailers/RVs	Lumber/Building Materials
	Trailers/RVs	Trailers/RVs
	Trailers/RVs	Contractors
	Service Stations	Contractors
	Family Apparel	Trailers/RVs
	Service Stations	New Motor Vehicle Dealers
	Lumber/Building Materials	Business Services
	Grocery Stores Liquor	Contractors
	Service Stations	Contractors
	Service Stations	Lumber/Building Materials
	Service Stations	Grocery Stores Liquor
	Discount Dept Stores	Drugs/Chemicals
	New Motor Vehicle Dealers	Discount Dept Stores

Source: HdL, Coren & Cone

City of Colton
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Notes and Agreements	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)	
		Redevelopment Bonds	Financing Authority Bonds	Pension Obligation Bond	Certificates of Participation	Capital Leases	Revenue Bonds	Term Loan	Certificates of Participation	Capital Leases					
2002	8,925	54,903	4,859	-	7,010	17,821	-	-	7,010	860	-	-	101,388	15.2%	2,053
2003	8,290	54,251	4,545	-	6,880	17,117	36,690	-	6,880	804	-	-	135,457	19.6%	2,690
2004	14,338	46,895	11,865	-	1,545	1,059	62,094	14,630	16,820	19	-	-	169,265	23.5%	3,326
2005	13,984	46,219	11,465	-	1,425	1,149	60,523	13,610	16,190	13	-	-	164,578	21.9%	3,193
2006	13,543	44,700	11,045	-	1,300	447	58,891	12,572	15,530	-	-	-	158,028	20.2%	3,062
2007	9,892	43,095	10,610	-	1,165	2,310	57,070	11,517	14,835	-	-	-	150,494	18.7%	2,920
2008	9,554	41,415	17,185	31,310	-	1,955	73,990	10,442	-	-	-	-	154,541	19.1%	2,997
2009	9,430	39,655	16,625	31,010	-	1,633	71,455	9,349	-	-	-	-	148,147	18.7%	2,871
2010	9,359	37,815	16,025	30,659	-	1,322	68,820	8,236	-	-	-	-	141,577	n/a	n/a
2011	9,309	35,890	15,390	30,211	-	998	66,070	7,518	-	-	-	-	135,175	15.8%	2,609

Notes: Details regarding the city's outstanding debt can be found in Note 7 of the notes to the financial statements.

13 See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

31 The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the latest ten years.

City of Colton
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Redevelopment Bonds	Total	Percentage of Actual Taxable Value of Property (2)	Per Capita³
2002	8,925	54,903	63,828	4.1%	1,293
2003	8,290	54,251	62,541	3.6%	1,242
2004	-	46,895	46,895	2.5%	921
2005	-	46,219	46,219	2.3%	897
2006	-	44,700	44,700	1.9%	866
2007	-	43,095	43,095	1.7%	836
2008	-	41,415	41,415	1.4%	803
2009	-	39,655	39,655	1.3%	769
2010	-	37,815	37,815	1.4%	n/a
2011	-	35,890	35,890	1.4%	693

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See Schedule 5 for property value data.
Population data can be found in Schedule 17.
The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the latest ten years.

City of Colton

Direct and Overlapping Governmental Activities Debt

As of June 30, 2011

(dollars in thousands)

2010-11 Assessed Valuation: \$1,633,929 (after deducting \$953,000 redevelopment incremental valuation)

	<u>Total Debt</u>	<u>Percent</u>	<u>City's Share of Debt</u>
	<u>June 30, 2011</u>	<u>Applicable (1)</u>	<u>June 30, 2011</u>
<u>Overlapping Tax and Assessment Debt</u>			
San Bernardino Valley Joint Community College District	\$431,019,736	4.387 %	\$18,908,836
Colton Joint Unified School District	180,767,326	38.235	69,116,387
Rialto Unified School District	78,517,225	7.487	5,878,585
San Bernardino Unified School District	151,853,228	0.002	3,037
City of Colton Community Facilities Districts	10,245,000	100.000	10,245,000
City of Colton 1915 Act Bonds	205,000	100.000	205,000
Total Gross Overlapping Tax and Assessment Debt			<u>\$104,356,845</u>
<u>Direct and Overlapping General Fund Obligation Debt:</u>			
San Bernardino County General Fund Obligations	\$649,325,000	1.434 %	\$9,311,321
San Bernardino County Pension Obligations	601,765,591	1.434	8,629,319
Colton Joint Unified School District Certificates of Participation	5,845,000	38.235	2,234,836
Rialto Unified School District General Fund Obligations	13,895,000	7.487	1,040,319
San Bernardino City Unified School District Certificates of Participation	70,082,853	0.002	1,402
City of Colton General Fund Obligations	12,480,000	100.000	12,480,000
City of Colton Pension Obligations	29,494,400	100.000	29,494,400
San Bernardino County Flood Control District Certificates of Participation	111,555,000	1.434	1,599,699
Total Gross Direct and Overlapping General Fund Obligation Debt			<u>\$64,791,296</u>
Total Net Direct and Overlapping General Fund Obligation Debt			<u>\$64,791,296</u>
Gross Combined Total Debt (2)			\$169,148,141
Net Combined Total Debt			\$169,148,141

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

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

Ratios to 2010-11 Assessed Valuation

Total Overlapping Tax and Assessment Debt 4.03%

Ratios to Adjusted Assessed Valuation

Combined Direct Debt (\$41,974,400) 2.57%
Gross Combined Total Debt 10.35%

State School Building Aid Repayable As Of 06/30/11: \$0

Source: California Municipal Statistics, Inc.

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

City of Colton
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 2,664,056
Debt limit (15% of assessed value)	399,608
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	\$ 399,608
Legal debt margin	

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 857,151	\$ 935,519	\$ 279,273	\$ 302,024	\$ 346,773	\$ 399,262	\$ 450,948	\$ 468,963	\$ 425,788	\$ 399,608
Total net debt applicable to limit	6,270	7,144	-	-	-	-	-	-	-	-
Legal debt margin	\$ 850,881	\$ 928,375	\$ 279,273	\$ 302,024	\$ 346,773	\$ 399,262	\$ 450,948	\$ 468,963	\$ 425,788	\$ 399,608

Total net debt applicable to the limit as a percentage of debt limit	0.73%	0.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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Notes: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessed property value. However, the city has established a more conservative internal limit of no more than 5 percent. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

The City of Colton implemented changes to the statistical section per GASB Statement no 44. in fiscal year 2006. This schedule requires presentation of the latest ten years.

City of Colton
Pledged-Revenue Coverage
Last Seven Fiscal Years
(dollars in thousands)

	<u>Fiscal Year (1)</u>						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Business Type Activity</u>							
Revenue Bonds							
Operating Net Income (2)	11,658	10,077	15,544	9,954	19,304	18,852	18,852
Debt Service - Principal	2,195	2,285	2,375	2,390	2,535	2,635	2,750
Debt Service - Interest	3,681	3,595	3,506	3,408	3,410	3,305	3,204
Coverage (3)	1.98	1.71	2.64	1.72	3.25	3.17	3.17

Notes:

- (1) The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the last ten years, but only the last seven years were readily available.
- (2) Net operating income (loss) exclusive of depreciation and connection fees, inclusive of investment revenue.
- (3) Ratio of revenue to payments against bonds.

City of Colton
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate	Median Age
2001	48,155	\$ 650,095	\$ 13,500	5.5%	n/a
2002	49,374	\$ 668,062	\$ 13,531	6.6%	n/a
2003	50,350	\$ 691,565	\$ 13,735	6.8%	n/a
2004	50,898	\$ 720,774	\$ 14,161	6.3%	n/a
2005	51,537	\$ 750,995	\$ 14,572	5.7%	n/a
2006	51,603	\$ 783,456	\$ 15,182	5.2%	n/a
2007	51,535	\$ 803,330	\$ 15,588	6.1%	n/a
2008	51,571	\$ 808,727	\$ 15,682	8.6%	n/a
2009	51,599	\$ 793,995	\$ 15,388	14.1%	27.4
2010	51,816	\$ 854,342	\$ 16,488	15.4%	28.3

Source: HdL, Coren & Cone

Notes: The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the latest ten years.

City of Colton
Principal Employers - Top 10
Current Year and Four Years Ago

<u>Employer</u>	2011			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Arrowhead Regional Medical Center	2,764	1	12.86%	5,000	1	24.35%
Ashley Furniture	996	2	4.63%	1,178	4	5.74%
Colton Joint Unified School District (and Colton Schools)	830	3	3.86%	3,486	2	16.98%
Wal-mart	314	4	1.46%	278	10	1.35%
Angelica Corporation	305	5	1.42%	325	8	1.58%
Stater Bros Market	248	6	1.15%	2,225	3	10.84%
Williams Furnace	234	7	1.09%	200	11	0.97%
Western Healthcare Center	187	8	0.87%	100	17	0.49%
Summit Career College	183	9	0.85%	135	14	0.66%
Castle and Cooke Cold Storage	177	10	0.82%			
Total	<u>3,474</u>		<u>29.01%</u>	<u>12,927</u>		<u>62.96%</u>

Source: City Economic Development Division

Note: Fiscal year 2006 is the first year for the implementation of GASB Statement 44. Comparative information from nine years ago is not available and accordingly not presented.

City of Colton
Full-time City Government Employees by Function/Program,
Last Seven Fiscal Years

<u>Function/Program</u>	Full-time Equivalent Employees as of June 30		Actual Full-time Employees as of June 30				
	2005	2006	2007	2008	2009	2010	2011
General government							
Management services	10.4	10.3	18.0	22.0	21.0	18.0	18.0
Finance	19.1	21.9	23.0	19.0	23.0	6.0	6.0
Information systems	5.8	7.5	5.0	7.0	8.0	3.0	2.0
Planning	7.4	8.6	6.0	7.0	7.0	1.0	3.0
Building	2.0	1.8	1.0	2.0	0.0	0.0	2.0
Other	6.8	7.3	7.0	5.0	6.0	6.0	6.0
Police							
Field Officers	85.2	89.0	74.0	74.0	63.0	65.0	61.0
Support staff	22.6	25.1	30.0	30.0	28.0	17.0	24.0
Fire							
Firefighters and supervisors	80.3	83.1	46.0	46.0	45.0	40.0	40.0
Support staff	2.7	2.9	4.0	4.0	4.0	1.0	1.0
Other public works							
Engineering and administrative	8.3	11.0	9.0	9.0	7.0	6.0	6.0
Maintenance (1)	45.6	63.6	48.0	17.0	24.0	17.0	19.0
Redevelopment	5.0	4.2	2.0	4.0	1.0	2.0	2.0
Community Services	55.7	45.0	15.0	14.0	7.0	7.0	7.0
Library	15.1	12.8	10.0	9.0	5.0	1.0	1.0
Water	16.8	15.7	11.0	16.0	16.0	11.0	12.0
Wastewater	18.7	14.9	12.0	9.0	8.0	11.0	11.0
Electric	41.1	40.8	35.0	38.0	43.0	44.0	38.0
Total	448.6	465.5	356.0	332.0	316.0	256.0	259.0

Source: Finance Department

Notes:

- The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the current year and nine years ago. Comparative information nine years ago is not readily available. Accordingly, for this year, the latest year that is available for such a comparison shall be presented, which is fiscal 2005.
- A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave). Accordingly, full-time equivalent employment is calculated by dividing total labor hours by 2,088.
- For fiscal year 2011, presentation was amended to reflect authorized positions. Prior year data does not reflect funded vacancies.

City of Colton
Operating Indicators by Function/Program,
Last Seven Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government							
Building permits issued	825	928	889	790	624	582	602
Building inspections conducted	2,841	3,484	6,160	3,436	2,657	2,379	2,102
Police							
Physical arrests	6,336	5,548	5,365	4,917	3,691	1,902	2,123
Parking violations	3,558	3,481	4,558	2,493	2,602	1,501	759
Traffic violations	14,230	13,924	15,212	14,814	13,740	6,638	4,799
Fire							
Emergency responses	5,549	5,384	5,318	6,724	5,125	4,930	5,331
Fires extinguished	228	191	234	231	228	242	268
Inspections	1,500	1,200	910	640	725	717	746
Other public works							
Street resurfacing (lane miles)	9.9	10.3	10.8	16.6	8.7	-	2
Potholes repaired	1,500	3,500	3,200	2,800	2,100	1,700	1,500
Parks and recreation							
Facility usage permits issued	530	590	510	406	376	414	448
Community center attendance	150,000	176,000	208,000	215,600	210,000	205,500	208,450
Library							
Volumes in collection	99,691	93,062	89,041	69,043	65,535	78,930	85,294
Total volumes borrowed	215,893	143,347	127,880	133,629	118,824	91,930	71,825
Water							
Average daily consumption (thousands of gallons)	10,692	10,665	11,215	10,774	10,400	9,500	8,810
Peak daily consumption (thousands of gallons)	8,217	14,709	17,500	16,777	14,900	13,900	13,300
Wastewater							
Average daily sewage treatment (thousands of gallons)	2,958	5,500	5,800	5,800	5,800	5,800	5,800
Electric							
Average daily consumption (kw)	941,124	958,214	1,002,952	972,797	955,749	930,249	340,016
Annual peak demand (kw)	76	86	88	90	77	80	86

Sources: Various city departments.

Note: Fiscal 2006 is the first year for Colton to implement GASB Statement No. 44.

Prior year data for these types of activities is not readily available. Accordingly, only the last seven years are presented.

City of Colton
Capital Asset Statistics by Function/Program
Last Seven Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police Protection							
Stations	1	1	1	1	1	1	1
Substations	1	1	1	1	1	1	1
Patrol units	31	38	27	28	23	37	26
Specialized purpose units	19	21	48	38	39	47	48
Fire Protection							
Stations	4	4	4	4	4	4	4
Squad units	2	2	2	2	2	1	1
Engine units	6	6	7	7	7	6	6
Other public works							
Streets and alleys - paved (lane miles)	297	297	301	301	303	303	305
Streetlights	3,795	4,295	4,483	4,544	5,021	5,243	5,271
Traffic signals	42	45	47	48	52	52	53
Parks and recreation							
Acreage	50	50	50	50	50	50	50
Playgrounds	4	5	5	5	5	5	5
Baseball/softball diamonds	9	9	9	9	9	11	11
Soccer/football fields	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	4	4
Swimming pool	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2
Libraries							
Central Building	1	1	1	1	1	1	1
Satellite locations	2	2	2	2	2	2	2
Books	87,345	83,875	83,432	65,491	77,493	69,115	72,526
Audiovisual recordings	12,246	9,187	9,516	8,180	8,599	9,204	9,611
Municipal Water Department							
Residential meters	8,682	9,129	9,402	9,535	8,797	8,868	8,910
Commercial/industrial meters	1,093	1,188	1,368	1,441	1,195	1,142	1,126
Fire protection meters	112	154	158	162	175	180	180
Water mains (miles)	130	130	130	130	130	130	130
Fire hydrants	971	1,107	1,249	1,397	1,500	1,500	150
Storage capacity (thousands of gallons)	2,000	12,077	19,000	19,000	19,300	19,300	19,300
Wastewater							
Sanitary sewers (miles)	480	176	176	178	178	178	178
Storm sewers (miles)	335	375					
Treatment capacity (thousands of gallon:	3,550	10,400	10,400	10,400	10,400	10,400	10,400
Municipal Electric Department							
Residential meters	15,886	15,992	16,002	16,032	15,994	15,994	16,055
Commercial	1,997	2,308	2,296	2,383	2,396	2,409	2,436
Industrial	37	42	45	52	70	74	73
Municipal	206	214	210	222	233	239	241
Distribution lines (miles)	154	154	155	155	156	159	163

Sources: Various city departments.

Note:

The City of Colton implemented changes to the statistical section per GASB Statement no. 44 in fiscal 2006. This schedule requires presentation of the last ten years, but only the last seven years were readily available.



City of Colton, California
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