

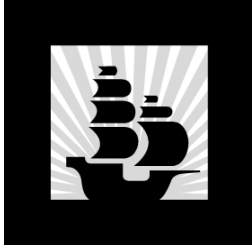
CITY OF SANTA MARIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2014



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**City of Santa Maria
California**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

*Prepared by the Department of Administrative Services
Rene Visé, Director of Administrative Services*

www.cityofsantamaria.org/40361.shtml



City of Santa Maria
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

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City of Santa Maria

Department of Administrative Services

December 1, 2014

Honorable Mayor and Members of the City Council City of Santa Maria, California

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (USGAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, staff is pleased to submit the City of Santa Maria's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rest with the City. Management of the City has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with USGAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City, City staff, creditors, investors, and other concerned readers. City staff encourages all readers to contact the Department of Administrative Services with any questions or comments concerning this report.

Moss, Levy and Hartzheim, LLP, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for fiscal year ended June 30, 2014, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with USGAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2014

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

Profile of the Government

The City, incorporated on September 12, 1905, is located on the Central Coast of California, which is famous for its high quality of life and year-round mild climate. Currently, the City has a land area of 23 square miles and a population of 101,103. Property taxes are collected by Santa Barbara County and are limited to one percent of assessed value on real and personal property. The City receives property tax revenues from Santa Barbara County based on an average apportionment rate of 10.16 percent of all property tax collected within its boundaries. The City has the power, by State statute, to extend its corporate limits by annexation, which is done when deemed appropriate by the City Council.

Santa Maria is a charter city and operates under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and four members elected at large on a non-partisan basis. Councilmembers are elected to four-year staggered terms with two councilmembers elected every two years. The Mayor, City Clerk, and City Treasurer are elected to four-year terms. The City Council is responsible, among other things, for adopting ordinances and the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and appointing the heads of the City's departments.

The City provides a full range of municipal services including: police and fire protection; street maintenance; public transportation; recreation; parks; water; wastewater; refuse services; planning; building; safety services; and general government activities.

Factors Affecting Financial Condition

The City's key revenues are affected by the condition of the local economy and by State and Federal economic trends. Santa Barbara County-San Luis Obispo County regions, the State, and the Nation are slowly recovering from an economic recession.

Jobs are being added and the unemployment rate is falling gradually for the nation. However, the economy continues to grow at a slow pace. Overall, real gross domestic product (GDP) growth in 2014 is expected to be 2.6 percent and is expected to increase to 3 percent in 2015. Real GDP is being supported by increasing consumption as people return to work. The national unemployment rate recently fell to 5.8 percent, the lowest level since July 2008. Jobs are being added, although there continue to be low rates of participation in the labor force and high numbers of people in part-time work.

The economic expansion is now in its fifth year. However, expansions do not last indefinitely. In the post-war era, the average expansion length is almost five years. Although there are few signs of inflation or tight supply conditions that would trigger a contraction, the U.S. expansion has reached the historical average length of five years and we know from history that another recession is inevitable with the potential for large declines in state and local revenue.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2014

At the state level, when Governor Brown took office in 2011, the state faced a \$26 billion immediate deficit and future annual deficits estimated at roughly \$20 billion. The state's annual deficits have been eliminated through voter-approved temporary taxes, spending cuts, and a recovering economy. The state is now on its most stable footing in more than a decade. Maintaining this stability will require continued fiscal restraint. There are numerous risks – each of which could cost the state hundreds of millions, or even billions of dollars. Since January, for example, the costs of implementing health care reform increased General Fund costs by \$1.2 billion. The cost of future health care commitments is largely unknown. The state has also accumulated more than \$300 billion in retirement, deferred maintenance, and other long term liabilities. These liabilities cannot be ignored and must be kept in mind as new spending needs and desires are identified and advanced.

California's unemployment rate recently dipped to 7.3 percent. The state finally recovered all the jobs lost during the recession. More than 15,517,700 people were on nonfarm payrolls, surpassing the pre-recession employment peak of 15,449,000 in July 2007. California is still tied for the fifth-highest unemployment rate in the nation, coming in lower than only Rhode Island, Mississippi, Nevada and Michigan. Although California has recovered all the jobs lost during the recession, economists caution that it is more of a symbolic milestone. As the state's population grows, more people are entering the workforce. In July 2007, for instance, the unemployment rate was far lower at 5.4 percent.

The County of Santa Barbara is showing slow, steady growth due to consumer spending and tourism growth for the last four years. County employment showed steady improvement with a current unemployment rate of 5.4 percent compared to 6.3 percent at June 2013 and 7.9 percent at June 2012. Real property values, property sales, and new construction are trending upward. County property tax is the most important General Fund tax source and represents about 83 percent of the County's discretionary revenue. For fiscal year 2013-14, overall County property tax growth was the best in four years with countywide locally assessed property taxes increasing \$25 million, a 4.08 percent increase from the prior fiscal year.

The leading indicators of property tax growth are property transfer tax and supplemental property tax. After record highs just a few years ago followed by the low points of the recession, these indicators appear to be trending upward. The County property transfer taxes increased from \$1.3 million to \$3.8 million and supplemental property taxes increased from \$0.7 million to \$2.7 million. Looking forward, it is anticipated that property tax growth will continue to be in the 3 to 4 percent range for 2014-15.

The largest financial challenge for the County is paying down the pension plan liabilities of the retirement system and unfunded retiree medical benefits. The Board of Supervisors and State legislation reduced future benefits for new employees and the Board increased the employee share of contributions for general members but still have not had the opportunity to negotiate with public safety members. The cost of retirement funding is consuming 15 percent of County expenditures and will most likely increase again next year. The employer pension rate for fiscal year 2013-14 increased from 35.9 to 38.4 percent, and will most likely exceed 40 percent for the fiscal year 2014-15 budget.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2014

Over the past year, the City has experienced positive trends in some economic segments led by consumer spending and construction spending. However, such trends were negated by reduced revenues in other areas. In 2013-14, General Fund sales tax receipts, excluding Measure U, were \$18.6 million, 32 percent greater than in 2009-10, the lowest point of the recession. Strong sales of automobiles are a dominant factor in recent increased sales activity. With the average age of vehicles on the road higher than ever, there is substantial pent-up demand for new models. Statewide, auto sales are expected to gain 5.0 percent in calendar year 2015. Construction activity has also increased with 44 single family dwellings and 208 multiple family dwellings receiving permit approval.

Major revenue reductions have occurred in Non-hazardous Hydrocarbon Impacted Soil (NHIS) revenue and interest income. NHIS is projected to generate \$765,000 in 2014-15 versus \$5.5 million in prior years. This is due to permitting delays associated with the Guadalupe Dunes Restoration Project and increased competition from other landfills. Interest income is projected to generate \$600,000 versus \$2.5 million in prior years. This is due to the extremely low interest rate environment and the declining cash balance in the General Capital Projects Fund.

The City adopted the 2014-15 Budget anticipating a \$1.7 million General Fund deficit. To aid in mitigating the forecast deficit, the City eliminated several vacant positions and, prior to hiring, will be evaluating on a case-by-case basis, all future vacant General Fund positions. In most cases, positions are being held vacant to achieve salary savings.

On the expenditure side, staff will continue to hold off and not fill future General Fund vacancies, unless the vacancies are mission critical or essential to City operations. These savings, along with using one-time reserves of \$1.7 million from the Local Economic Augmentation Fund (LEAF) was enough to balance the 2014-15 Budget.

Retirement costs are projected to increase significantly beginning in 2015-16. On April 17, 2013, the CalPERS Board of Directors adopted policy changes as it relates to smoothing and amortization periods. These changes will increase the City's employer rates over a period of five years beginning in 2015-16. The Chief Actuary from CalPERS recommended that CalPERS no longer use a 15-year smoothing period and instead use a direct smoothing method of five years along with a 30-year fixed amortization period. The result of this change will cause the average "miscellaneous" plan to experience a five percent rate increase over five years beginning in 2015-16, and the average "public safety" plan to experience an 8.5 percent increase over the same period of time.

In addition to the smoothing and amortization policy changes, on February 18, 2014, the CalPERS Board adopted changes to the demographic assumption by increasing the mortality rate assumption. The increase in mortality rates will increase the City's employer rates beginning in 2016-17 over a five year period. Employer rates could rise by 9 percent for safety employees and up to 7 percent for miscellaneous employees over the next five year period. **CalPERS is advising employers to brace themselves for significant increases in employer rates.**

These combined changes in CalPERS policy and assumption calculations could result in approximately a \$1 million increase CalPERS pension-related expenses in the General Fund

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2014

over the next two-year period starting in 2015-16 with additional increases anticipated in years 2016-17 through 2020-21.

Major Initiatives for the Fiscal Year

Future Police Department Building

In 2008, the City purchased the Lockheed Martin Building located at 1111 West Betteravia for the future home of the Santa Maria Police Department. The approximate size of that facility is 70,000 square feet and the purchase price was \$13,750,000. The current Santa Maria Police Department is located at 222 East Cook Street, along with an undisclosed off-site facility, is approximately 28,000 square feet. The new facility will allow for consolidation of the Department's operations, leave room for expansion, and provide for a seismically sound Emergency Operations Center.

Over the last few years, the City rented-back the facility to Lockheed Martin and has received approximately \$2.8 million in rental income that has been set-aside to pay for the current seismic retrofit work being conducted as well as for future tenant improvement costs.

Phase I of this project dealt with the seismic retrofit of the facility. The seismic retrofit work was completed in December 2013 and cost approximately \$2.9 million. Phase II of this project consists of tenant improvement work to accommodate the relocation of all Department personnel (excluding dispatch) into this facility from the current Cook Street location and the other off-site location. Phase II began in January 2014 and will be completed in late 2014, and is anticipated to cost approximately \$10.5 million. After Phase II is complete, Phase III will commence. Phase III is relocating dispatch from its current location adjacent to the City Attorney's Office, to the Betteravia Facility; however, Phase III is not anticipated to commence until 2014-15. Staff is currently developing cost estimates for Phase III; however, unlike Phase I and Phase II, the City maybe eligible for State and Federal grant funding to help off-set the costs associated with Phase III.

Phase III will consist of moving all telecommunications, radio equipment and information systems from the basement in the existing Police Department as well as all dispatch personnel and equipment over to the new Betteravia facility. The City has been in discussions with Santa Barbara County representatives as well as representatives from the California Superior Court System regarding their interest in purchasing the existing facility for expansion of the North County Court Complex.

The anticipated cost for Phase II is funded in the 2013-14 Budget and financed through General Capital Project Funds which will significantly draw down these one-time funds.

Financial Policies

The City's General Fund will endeavor to maintain a minimum, unassigned fund balance of at least 25 percent of operating appropriations. These reserves are needed to insulate the General Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in State or Federal legislation, and other unforeseen circumstances.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2014

In 2010-11, the City adopted a General Fund Prudent Reserve under Governmental Accounting Standards Board (GASB) Statement Number 54. The prudent reserve amount is \$19.8 million. Appropriations from the reserve can only be made by formal City Council action and are limited to emergency situations such as:

- An unplanned, major event such as a catastrophic disaster requiring expenditures over five percent of the adopted General Fund Budget.
- Budgeted revenue taken over by another entity.
- A drop in projected/actual revenue of more than five percent of the adopted General Fund revenue budget.

Should the prudent reserve commitment be used, and its level falls below the minimum amount as described herein, the goal is to replenish the fund within three fiscal years.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 24th consecutive fiscal year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both USGAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one fiscal year. Staff believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of staff of the Department of Administrative Services. Each member of the department has the City's sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

CITY OF SANTA MARIA



Rene M. Visé
Director of Administrative Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Santa Maria
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

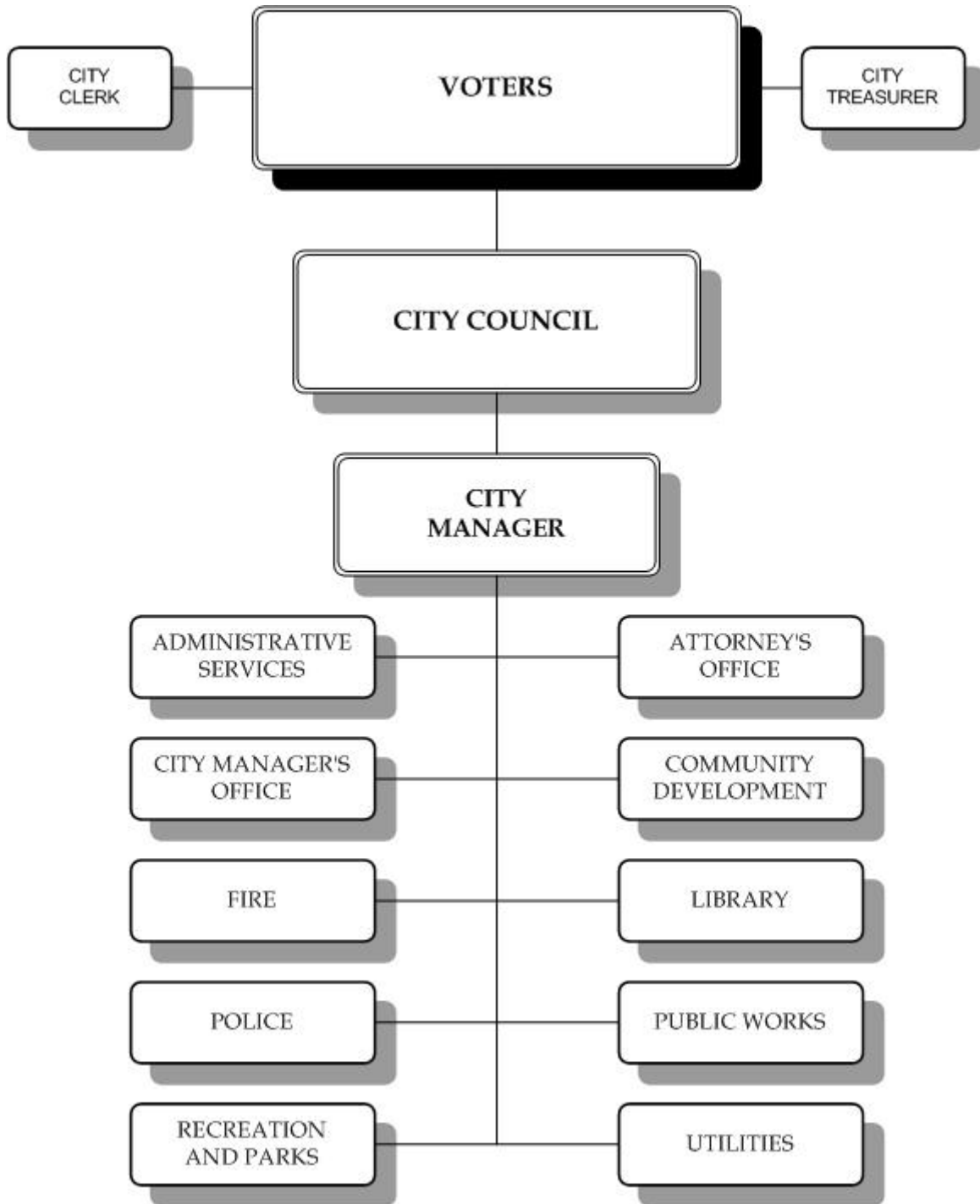
The City received a Certificate of Achievement of Excellence in Financial Reporting for the June 30, 2013 Comprehensive Annual Financial Report (CAFR) from the Government Finance Officers Association. This award is the highest form of recognition in governmental accounting and financial reporting.

This is a coveted award in the municipal financial arena at both the State and National levels, is given to municipalities preparing the CAFR in an exemplary fashion, and is in conformance with national guidelines. **This was the 24th consecutive year that the City has received this award.**

City of Santa Maria

Organizational Chart

For the Fiscal Year Ended June 30, 2014



City of Santa Maria

List of Principal Officers

For the Fiscal Year Ended June 30, 2014

MAYOR

ALICE PATINO

MAYOR PRO TEM

JACK BOYSEN

COUNCILMEMBERS

WILLIE GREEN

BOB ORACH

TERRI ZUNIGA

CITY MANAGER

RICK HAYDON

CITY TREASURER

TERESSA HALL

CITY CLERK

PATTI RODRIGUEZ

CITY DEPARTMENTS AND DEPARTMENT HEADS

Administrative Services	Rene M. Visé
Attorney's Office	Gil Trujillo
City Manager's Office.....	Andrew Tse
City Manager's Office	Rhonda Barnhard
Community Development	Larry Appel
Fire.....	Dan Orr
Library	Mary Housel
Police.....	Ralph Martin
Acting Public Works/Engineering.....	Shad Springer
Recreation and Parks	Alex Posada
Utilities	Rick Sweet





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

2400 PROFESSIONAL PARKWAY, STE. 205
SANTA MARIA, CA 93455
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

INDEPENDENT AUDITORS' REPORT

City Council of the City of Santa Maria
Santa Maria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Maria, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 information of the City of Santa Maria, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2013, the City of Santa Maria Governmental adopted Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

F-1

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page F-5 through F-15, the budgetary comparison information on pages F-89 through F-91, the CalPERS schedules of funding progress on page F-92, and the schedule of funding progress for postemployment benefits other than pensions on page F-93 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 inquires 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.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Maria's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, combining internal service fund financial statements, combining agency funds financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, combining internal service fund financial statements, and combining agency funds 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of the City of Santa Maria'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* in considering the City's internal control over financial reporting and compliance.

Moss, Remy & Hartgen LLP

Santa Maria, California
December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

The management of the City of Santa Maria (City) offer readers, of the City's financial statements, this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal beginning on page I-1 and the City's basic financial statements that begin on page F-17 of this report.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2014, the City's net position (excess of assets over liabilities) was \$445.3 million. Of this amount, \$159.6 million is available to meet the City's ongoing operations.
- During the fiscal year ended June 30, 2014, the City's net position increased by \$11.6 million to \$445.3 million. This increase reflects a decrease in governmental activities of 0.2 percent, effectively breaking even, whereas business-type activities showed an increase of 7.0 percent. The increase in business-type activities reflects a five percent increase in both water and wastewater rates as well as an increase in state water reimbursement fees of \$1.4 million. Capital contributions in the Transit Fund were also greater by \$4.0 million. Federal and State Transit grant revenue was also greater by \$1.0 million.
- The City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2013. The City restated the July 1, 2013 net position to write off unamortized bond issuance costs previously reported as an asset or included in deferred amounts from refundings. The total impact of this change was a \$147 thousand reduction in governmental activities net position and a \$409 thousand reduction in business-type activities net position.
- The City recorded a prior period adjustment to the Transit Fund that increased the beginning net position by \$915 thousand, which resulted from an error in the recording of unearned revenue in prior years. The beginning net position balance in the Water and Wastewater Fund was increased by \$426 thousand due to the inadvertent deletion of a fixed asset in the prior year. A prior period adjustment was also recorded in the General Fund increasing the beginning fund balance by \$266 thousand resulting from an error in the recording of Supplemental Law Enforcement Grant Revenue in prior years.
- On June 1, the City paid off the 2003 Redevelopment Agency Lease Revenue Refunding bonds at \$4.79 million. The City used \$2.6 million in the debt service reserve fund to partially pay off the bonds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.8 million.

B. 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 are comprised of three sections: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to Basic

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Financial Statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of a private-sector business. These statements are reported on the full accrual basis of accounting. Thus, revenues and expenses are reported for some items that will not affect cash flows until future periods.

The Government-wide Financial Statements separate Governmental Activities that are principally supported by taxes and revenues from other agencies, from Business-type Activities that are intended to recover all, or a significant portion of their costs, through user fees and charges. The Governmental Activities of the City include: General Government, Public Safety, Public Works, Community Development, Recreation and Parks and Library. The City's Business-type Activities include: Water and Wastewater utilities, Solid Waste, and Transit.

The Government-wide Financial Statements include not only the City, but all legal entities for which the City is financially accountable. Accordingly, the financial information for the Santa Maria Public Financing Authority (SMPFA) is included as an integral part of the City's financial statements and reported as a blended component unit.

The Statement of Net Position presents information on all of the City's assets and liabilities; the difference between the two is reported as net position. These net position include infrastructure and all assets previously included in the General Fixed Assets Account Group. The liabilities include all obligations previously reported in the General Long-Term Debt Account Group. Evaluating the increases or decreases in the net position over time will serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information on the net cost of each governmental function (activity) during the fiscal year. This statement also identifies the amount of general revenues needed to fully fund each governmental function.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds (General, Special Revenue, Debt Service, and Capital Projects Funds) are used to account for the same functions reported as Governmental Activities in the Government-wide Financial Statements. The City's General Fund and Library Fund are

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considered the major funds and are reported separately on the Fund Financial Statements. All other governmental funds are non-major funds and data is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplemental information in this report. Unlike Government-wide Financial Statements, Fund Financial Statements focus on short-term inflows and outflows of spendable resources. Governmental Funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. This information may be useful in evaluating the City's short-term financing requirements.

The focus of the Fund Financial Statements is narrower than that of the Government-wide Financial Statements. The various fund Balance Sheets and the Statement of Revenues, Expenditures, and Changes in Fund Balances require a reconciliation to facilitate the comparison between Fund Financial Statements and the Government-wide Financial Statements. This reconciliation is required because the Government-wide Financial Statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting. These reconciliations can be found on pages F-31 and F-35, immediately following the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, respectively.

Proprietary Funds are Enterprise and Internal Service 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 water, wastewater, solid waste, and transit operations. Internal Service Funds are used to accumulate and allocate costs internally to various functions. The City uses Internal Service Funds to allocate fleet maintenance and replacement, business equipment, liability and workers' compensation insurance costs.

The Proprietary Fund Financial Statements provide the same type of information as the Government-wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the Water and Wastewater, Solid Waste, Transit, and the Internal Service Funds. The Water and Wastewater, Solid Waste and Transit Funds are considered major funds of the City. All of the Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary Funds are not reflected in the Government-wide and Fund Financial Statements because the resources of those funds are not available to support the City's own programs. Fiduciary Funds are reported in the Financial Section.

Included in fiduciary funds is the Successor Agency Private Purpose Trust Fund (SAPPTF) created upon dissolution of the RDA. The SAPPTF was created to hold the assets of the former

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RDA until they are distributed to other taxing entities in the county after the payment of enforceable obligations.

Notes to Basic Financial Statements. The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information. A budgetary comparison statement for the General Fund and Library Fund, and information regarding the City's progress in funding its obligation to provide pension benefits to its employees is provided as required supplementary information beginning on page F-89. The combining statements referred to earlier in connection with non-major governmental funds and Internal Service Funds are presented immediately following the required supplementary information. The inclusion of the Statistical Section provides useful historical trend data on the City.

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C. GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Statement of Net Position

Net position may serve, overtime, as a useful indicator of a City's financial position. During this fiscal year, net position of the City was \$445.3 million, which is an increase of \$11.6 million from the prior fiscal year including prior period adjustments of \$768 thousand. The increase resulted primarily from a 5 percent increase in water and wastewater rates as well as Transit grants and Transit capital contributions.

The following is the condensed Statements of Net Position as of June 30, 2014 and 2013, expressed in millions.

	Governmental		Business		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 91.8	\$ 89.9	\$ 126.6	\$ 135.1	\$ 218.4	\$ 225.0
Restricted and other assets	5.0	0.9	9.4	9.4	14.4	10.3
Capital assets, net	193.6	195.8	130.2	132.7	323.8	328.5
Total assets	290.4	286.6	266.2	277.2	556.6	563.8
Deferred charge on refunding				5.3		5.3
Total deferred outflow of resources				5.3		5.3
Current Liabilities	16.5	15.4	16.8	17.7	33.3	33.1
Long-term liabilities	14.1	11.8	75.5	78.9	89.6	90.7
Total liabilities	30.6	27.2	92.3	96.6	122.9	123.8
Net Position:						
Net investment in capital assets	185.8	193.2	67.7	66.7	253.5	259.9
Restricted	20.0	16.4	9.4	9.4	29.4	25.8
Unrestricted	54.0	49.8	96.8	109.8	150.8	159.6
Total Net Position	\$ 259.8	\$ 259.4	\$ 173.9	\$ 185.9	\$ 433.7	\$ 445.3

As of June 30, 2014, of the \$445.3 million in net position, the largest portion is \$259.9 million that (58 percent) consists of the City's net investment in capital assets. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City.

An additional portion of the City's net position (five percent) of \$25.8 million represents resources that are subject to external restrictions on how the resources may be used. The remaining balance of unrestricted resources (\$159.6 million) may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$109.8 million is held by the business-type activities and \$49.8 million is by the governmental activities.

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The following condensed summary of net statements of activities (expressed in millions) shows that, during the fiscal year, net position increased by \$11.6 million.

	Governmental		Business		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program revenues:						
Charges for services	\$ 11.4	\$ 14.2	\$ 57.9	\$ 62.6	\$ 69.3	\$ 76.8
Operating grants and contributions	2.8	3.3	4.4	5.3	7.2	8.6
Capital grants and contributions	4.5	8.4	0.2	4.6	4.7	13.0
General Revenues:						
Taxes	49.0	52.5			49.0	52.5
Use of money and property	1.4	1.5	0.8	1.3	2.2	2.8
Intergovernmental revenues	0.4	0.5			0.4	0.5
Other	0.3	0.5			0.3	0.5
Total revenues	<u>69.8</u>	<u>80.9</u>	<u>63.3</u>	<u>73.8</u>	<u>133.1</u>	<u>154.7</u>
Expenses						
General government	7.8	8.2			7.8	8.2
Public safety	31.9	34.4			31.9	34.4
Public works	15.7	18.3			15.7	18.3
Library	3.8	3.4			3.8	3.4
Community development	5.3	4.8			5.3	4.8
Parks & recreation	13.4	12.9			13.4	12.9
Interest & fiscal charges	0.3	0.2			0.3	0.2
Water & wastewater			34.7	36.2	34.7	36.2
Solid waste			19.7	18.3	19.7	18.3
Public transit			7.5	7.1	7.5	7.1
Total expenses	<u>78.2</u>	<u>82.2</u>	<u>61.9</u>	<u>61.6</u>	<u>140.1</u>	<u>143.8</u>
Increase in net position before transfers	(8.4)	(1.3)	1.4	12.2	(7.0)	10.9
Transfers	1.2	1.1	(1.2)	(1.1)		
Increase (decrease) in net position	<u>(7.2)</u>	<u>(0.2)</u>	<u>0.2</u>	<u>11.1</u>	<u>(7.0)</u>	<u>10.9</u>
Net position - beginning of fiscal year	272.6	259.8	175.1	173.9	447.7	433.7
Prior period adjustments	(5.6)	(0.2)	(1.4)	0.9	(7.0)	0.7
Net position - end of fiscal year	<u>\$ 259.8</u>	<u>\$ 259.4</u>	<u>\$ 173.9</u>	<u>\$ 185.9</u>	<u>\$ 433.7</u>	<u>\$ 445.3</u>

Governmental Activities. Excluding the prior period adjustment, Governmental activities decreased the City's net position by \$0.2 million.

Business-type Activities. Excluding the prior period adjustment, Business-type activities increased the City's net position by \$11.1 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$53.9 million, a decrease of \$6.6 million in comparison to the prior fiscal year. This is primarily due to \$7.6 million in expenditures for the construction of the new police facility.

Approximately 79 percent of this amount (\$41.9 million) constitutes an unrestricted fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is legally restricted by outside parties for a specific purpose.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$36.9 million, of which \$19.8 million was committed for economic stabilization and \$6.2 million assigned for future liabilities associated with post employment benefits. Total fund balance increased by \$266 thousand due to a prior period adjustment concerning an error in recording supplemental law enforcement grant revenue in prior years.

General Fund operations resulted in revenues over expenditures by \$1.9 million. Transfers in were less than transfers out by \$1.9 million. Transfers out included transfers of \$791 thousand to the Local Economic Augmentation Fund (LEAF) and \$769 thousand to the General Capital Projects Fund. Total tax revenues increased by \$2.4 million from the prior year, primarily from increases in sales taxes of \$1.5 million, and an increase in transient occupancy taxes of \$312 thousand. These increases are the result of greater economic activity and a full year of Measure U revenue. Measure U, the quarter cent sales tax increase passed by voters on June 5, 2012, became effective October 1, 2012. Receipts for the fiscal year totaled \$3.8 million versus \$2.6 million in the prior year.

Property tax revenue increased by \$341 thousand over last fiscal year, a 2.3 percent increase. Combined, sales tax and property tax make up approximately 65 percent of General Fund revenues. The City has a teeter agreement with the County whereby the total assessed property tax is remitted to the City with the County retaining the right to delinquencies and penalties. Permit revenue is \$1.2 million greater than last fiscal year due to increased residential and commercial building activity. Charges for services are \$705 thousand greater than the prior year. This is primarily due to increased receipts of non-hazardous impacted sold (NHIS) revenue of \$252 thousand. NHIS is received from oil companies for a fee and is available for use in road beds throughout the City. Any NHIS not utilized for road beds is provided to the Solid Waste Division for use as landfill cover. This is also due to increased Engineering Plan Check and Inspections revenue of \$294 thousand over the prior year.

General Fund expenditures decreased by \$1.3 million (2.4 percent) from \$55.8 million last fiscal year to \$54.5 million in the current fiscal year. Last fiscal year included the one-time pay-off of the Fire side fund pension obligation for \$5.6 million. Excluding this item, expenditures increased by \$4.3 million. Measure U expenditures increased by \$2.4 million as this was the first full fiscal year of the quarter-cent use tax receipts. Measure U public safety expenditures increased by \$2.2 million over the prior year. Expenditures of \$1.86 million were incurred to

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

pay for operations of Fire Station No. 5 and Police Department salaries and benefits were \$1.74 million.

In addition, Fleet Service allocations increased by \$381,000 in fiscal year 2014 from 2013. For the past five years, the General Fund has reduced cost allocations to the Fleet Services Fund to help balance the budget. Remainder of the increase is due to the general increase in operating costs.

The Library Fund accounts for resources used to provide library services to north Santa Barbara County residents in the communities of Santa Maria, Cuyama, Guadalupe, and Orcutt.

The Library Fund incurred operating costs below budget by \$201,000 and revenues were on budget. The Library Fund still recorded a deficit of \$136,000 resulting in a fund balance of \$166,000. Library expenditures continue to outstrip revenues resulting in increasing deficits. Over the past few years, State funding has been on the decline and County funding has been stagnant. The General Fund subsidizes the Library through operating transfers of \$1,438,000. That amount is budgeted to increase in fiscal year 2015 to \$1,538,000 to stem a portion of the deficit.

D. GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budget Comparison

Differences between the original budget and the final amended budget (\$2.0 million increase) resulted primarily from the following:

- Carryover of appropriations to purchase Public Safety equipment for \$470,000.
- Carryover of \$53,000 in Police Department salary savings to fund additional training.
- The Police Department received grants from the State Office of Traffic Safety (OTS) totaling over \$465,000 to conduct DUI, seat belt and unlicensed driver check points.
- The Fire Department received a \$200,000 Cal Humanities Grant for Fire extrication equipment.
- Increase in Administrative Services Budget of \$75,000 for continuation of winding down of Redevelopment Agency activities and pay for Affordable Care Act implementation costs.

Final Budget and Actual Comparison

Total revenues were \$3.5 million (6.6 percent) greater than the final budget primarily due to the following described on the next page:

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

- Property tax receipts were greater by \$295 thousand or 1.9 percent due to increased assessed valuations and partial recapture of Proposition 8 valuations.
- Transient Occupancy Tax receipts were higher by \$287 thousand. Total receipts were \$2,844 thousand versus budget of \$2,557 thousand.
- The City's NHIS revenue has been increasing primarily due to an improving economy and real estate market. Oil companies have become increasingly active in cleaning up their contaminated sites resulting in an increase over budget of \$800 thousand.
- Building permit revenue is greater than budget by \$1.4 million due to commercial, residential and industrial projects moving through the construction process.
- Plan check fees are over forecast by \$332 thousand due to the greater building activity in the City.
- Interest income is under budget by \$241 thousand with revenue at \$779 thousand due to the low interest rate environment. Currently, the City earns less than one-quarter percent on cash required for operations, whereas rates on longer term investments earn approximately 0.947 percent.

Total expenditures and other financing uses were \$3.5 million less than the final budget which is primarily due to the following:

- Administrative Services is under budget by \$257 thousand or 4.4 percent primarily due to a reduction of \$102 thousand in property tax administration fees charged by the County and decreases in NHIS Program related expenses and salary and benefit savings, as a result of staff vacancies.
- Recreation and Parks is under budget by 3.3 percent or \$294 thousand due primarily to salary and benefit savings associated with not immediately filling vacancies coupled with a reduction in contractual service expense accounts.
- Community Development is under budget by \$318 thousand primarily due to staff vacancies as well as reduction in contractual expenditures.
- Public Safety is under budget by \$2,949 thousand primarily due to salary and benefit savings attributed to vacancies.
- The above variances were offset by a reduction in transfers in because the General Fund did not use the \$2.5 million in budgeted transfers in from the Local Economic Augmentation Fund (LEAF) in the fiscal year.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

E. CAPITAL ASSETS

The City's investments in capital assets for governmental and business-type activities as of June 30, 2014 amounted to \$328.5 million. This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the fiscal year ending June 30, 2014 was 1.5 percent (a 1.1 percent increase for governmental activities and 2.0 percent increase for business type activities).

The chart below and Note 4 Capital Assets (page F-68) provide additional detailed information on capital assets. The amounts shown on the following page are expressed in millions.

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 20.2	\$ 20.2	\$ 12.2	\$ 12.2	\$ 32.4	\$ 32.4
Buildings	88.8	86.0	93.0	90.6	181.8	176.6
Equipment	7.1	8.6	21.0	25.2	28.1	33.8
Infrastructure	75.5	70.6			75.5	70.6
Construction in progress	2.0	10.4	3.9	4.7	5.9	15.1
Total net capital assets	\$ 193.6	\$ 195.8	\$ 130.1	\$ 132.7	\$ 323.7	\$ 328.5

Major capital asset activity during the current fiscal year, included the following:

- Net capital assets used in Governmental activities increased by \$2.2 million. Depreciation expense was \$10.4 million and net asset additions were \$12.8 million. Construction in progress increased by \$8.4 million primarily due to the retrofit and tenant improvements to the new police building for \$7.6 million. The City also completed various park improvements for \$137 thousand. Fleet asset additions were \$5.2 million versus deletions of \$2.9 million. The Water Fund recorded capital expenditures of \$516 thousand for work on the expansion of the secondary water system from Elks Field to Adam basin. The Wastewater Fund replaced sewer lines on Pine Street for \$122 thousand. The Solid Waste Fund recorded capital expenditures of approximately \$463 thousand for the Los Flores Development Plan and \$202 thousand on landfill closure.

F. LONG-TERM DEBT

At fiscal year end, the City had \$102.1 million in bonds and other long-term debt outstanding. The detail of this \$102.1 million is shown on the following page. Detailed information is shown in the Notes to Basic Financial Statements, beginning on page F-73.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Activities	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Bonds/COP's	\$ 4.8		\$ 60.1	\$ 63.8	\$ 64.9	\$ 63.8
Accrued closure costs			13.5	13.8	13.5	13.8
Capital leases	2.5	\$ 2.2	2.5	2.2	5.0	4.4
CEC loan		0.5				0.5
Claims payable	8.1	8.1	2.7	2.7	10.8	10.8
Compensated absences	4.7	4.7	0.8	0.8	5.5	5.5
OPEB Liability	1.9	2.3	0.4	0.5	2.3	2.8
Land Purchase Obligation	0.5	0.5			0.5	0.5
Total	<u>\$ 22.5</u>	<u>\$ 18.3</u>	<u>\$ 80.0</u>	<u>\$ 83.8</u>	<u>\$ 102.5</u>	<u>\$ 102.1</u>

The City's governmental debt decreased by \$4.2 million to \$18.3 million. Principal payments of \$4.8 million were offset by the California Energy Commission loan issuance of \$500 thousand. The City paid off the bonds two years early on June 1, 2014. The bonds were scheduled to be paid off on June 1, 2016. The other post employment liability (OPEB) also increased by \$391 thousand and compensated absences increased by \$20 thousand. Claims liability decreased by \$40 thousand. The City's business activity debt increased by \$3.6 million primarily due to the adoption of GASB 65, which resulted in the removal of deferred amounts from refunding which increased the debt outstanding. The increase was partially offset by the principal payments on the Water and Wastewater Revenue Bonds and capital lease. Accrued closure costs increased \$316 thousand. Claims liability remained level.

G. REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate accountability for the money the City receives. If you have questions about this report or need additional financial information, contact the City's Department of Administrative Services at (805) 925-0951 extension 215.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Santa Maria
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 82,033,007	\$ 102,937,826	\$ 184,970,833
Restricted cash and investments with fiscal agents	908,425	5,745,411	6,653,836
Receivables (net)	9,450,775	7,623,180	17,073,955
Loans receivable	4,747,894		4,747,894
Deposit with CCWA		4,297,377	4,297,377
Deposits	238,168	45,000	283,168
Prepaid items	101,703	17,158,402	17,260,105
Inventory	28,661	28,660	57,321
Internal balances	(6,683,206)	6,683,206	
Total current assets	<u>90,825,427</u>	<u>144,519,062</u>	<u>235,344,489</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable	42,976,697	16,960,741	59,937,438
Depreciable, net	152,835,293	115,691,954	268,527,247
Total noncurrent assets	<u>195,811,990</u>	<u>132,652,695</u>	<u>328,464,685</u>
Total Assets	<u>286,637,417</u>	<u>277,171,757</u>	<u>563,809,174</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding		5,345,918	5,345,918
Total Deferred Outflow of Resources		<u>5,345,918</u>	<u>5,345,918</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,774,917	1,979,969	7,754,886
Accrued payroll	382,902	75,171	458,073
Unearned revenue	2,850,910	10,747,645	13,598,555
Debt due within one year	6,432,432	4,917,985	11,350,417
Total current liabilities	<u>15,441,161</u>	<u>17,720,770</u>	<u>33,161,931</u>
Noncurrent liabilities:			
Due in more than one year	11,805,319	78,935,723	90,741,042
Total noncurrent liabilities	<u>11,805,319</u>	<u>78,935,723</u>	<u>90,741,042</u>
Total Liabilities	<u>27,246,480</u>	<u>96,656,493</u>	<u>123,902,973</u>
NET POSITION			
Net Investment in capital assets	<u>193,188,601</u>	<u>66,652,413</u>	<u>259,841,014</u>
Restricted for:			
Road maintenance	6,152,546		6,152,546
Landscape maintenance	2,641,782		2,641,782
Debt service	278,199	9,412,562	9,690,761
Community services	5,906,166		5,906,166
Capital improvements	877,803		877,803
Public safety	533,759		533,759
Total restricted	<u>16,390,255</u>	<u>9,412,562</u>	<u>25,802,817</u>
Unrestricted	<u>49,812,081</u>	<u>109,796,207</u>	<u>159,608,288</u>
Total Net Position	<u>\$ 259,390,937</u>	<u>\$ 185,861,182</u>	<u>\$ 445,252,119</u>

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs:	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,220,874	\$ 2,423,426		
Public safety	34,401,081	1,729,547	\$ 814,282	\$ 2,387,212
Public works	18,229,879	3,234,109	1,048,788	5,956,758
Library	3,436,077	221,400	1,003,253	73,224
Community development	4,764,190	2,568,397		
Recreation and parks	12,937,541	3,998,766	403,032	
Interest and fiscal charges	170,296			
Total governmental activities	82,159,938	14,175,645	3,269,355	8,417,194
Business-type activities:				
Water and wastewater	36,180,592	42,216,665		
Solid waste	18,326,043	19,542,919	57,896	
Public transit	7,154,550	876,105	5,281,207	4,582,352
Total business-type activities	61,661,185	62,635,689	5,339,103	4,582,352
Total primary government	\$ 143,821,123	\$ 76,811,334	\$ 8,608,458	\$ 12,999,546
General Revenues				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Transient occupancy taxes				
Other taxes				
Use of money and property				
Other revenues				
Intergovernmental revenues - unrestricted				
Transfers				
Total general revenues and transfers				
Changes in net position				
Net position at beginning of fiscal year				
Prior period adjustments				
Net position at beginning of fiscal year - restated				
Net position at end of fiscal year				

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Total	Governmental Activities	Business-type Activities	Total
\$ 2,423,426	\$ (5,797,448)		\$ (5,797,448)
4,931,041	(29,470,040)		(29,470,040)
10,239,655	(7,990,224)		(7,990,224)
1,297,877	(2,138,200)		(2,138,200)
2,568,397	(2,195,793)		(2,195,793)
4,401,798	(8,535,743)		(8,535,743)
	(170,296)		(170,296)
25,862,194	(56,297,744)		(56,297,744)
42,216,665		\$ 6,036,073	6,036,073
19,600,815		1,274,772	1,274,772
10,739,664		3,585,114	3,585,114
72,557,144		10,895,959	10,895,959
\$ 98,419,338	(56,297,744)	10,895,959	(45,401,785)
	14,830,943		14,830,943
	30,028,789		30,028,789
	4,106,820		4,106,820
	2,844,497		2,844,497
	653,275		653,275
	1,459,225	1,252,361	2,711,586
	553,197		553,197
	460,847		460,847
	1,072,788	(1,072,788)	
	56,010,381	179,573	56,189,954
	(287,363)	11,075,532	10,788,169
	259,842,548	173,853,161	433,695,709
	(164,248)	932,489	768,241
	259,678,300	174,785,650	434,463,950
\$	259,390,937	\$ 185,861,182	\$ 445,252,119



FUND FINANCIAL STATEMENTS

Governmental Funds Financial Statements

Proprietary Funds Financial Statements

Fiduciary Funds Financial Statements



GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

General Fund - The General Fund is used to account for resources that are not required legally or by sound financial management to be accounted for in another fund.

Library Fund - The Library Fund accounts for resources used to provide library services to north county residents in the communities of Santa Maria, Cuyama, Guadalupe, and Orcutt.

Non-major Governmental Funds - Non-major Governmental Funds are the aggregate of all the non-major governmental funds.

City of Santa Maria

BALANCE SHEET

Governmental Funds

June 30, 2014

	Major Funds		Non-major Governmental Funds
	General	Library	
ASSETS:			
Cash and investments	\$ 41,985,470	\$ 176,120	\$ 19,943,061
Cash with fiscal agent			278,199
Accounts receivable	2,076,997	2,141	3,082,008
Accrued revenue receivable	4,071,186		128,762
Prepays	10,208	9,133	
Loans receivable	389,318		4,358,576
Advances receivable			138,307
Deposits	103,168		
Total assets	\$ 48,636,347	\$ 187,394	\$ 27,928,913
LIABILITIES:			
Accounts payable	\$ 3,353,847	\$ 5,211	\$ 2,248,844
Due to other funds			3,250,000
Accrued payroll	342,902	15,244	20,792
Unearned revenue	2,562,368	1,200	287,342
Advances payable	5,086,173		922,840
Total liabilities	11,345,290	21,655	6,729,818
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - loans receivable	389,318		4,358,576
Total deferred inflows of resources	389,318		4,358,576
FUND BALANCES:			
Nonspendable:			
Prepays	10,208	9,133	
Restricted for:			
Road maintenance			6,152,546
Community development			1,198,330
Library		156,606	
Education			183,521
Public safety			533,759
Drainage			297,717
Landscape maintenance			2,641,782
Park acquisition			307,279
Park development			272,807
Debt service			278,199
Committed to:			
Economic stabilization	19,800,000		
Assigned to:			
Post employment benefits	6,248,027		
Capital projects			5,409,355
Unassigned:	10,843,504		(434,776)
Total fund balances	36,901,739	165,739	16,840,519
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,636,347	\$ 187,394	\$ 27,928,913

See Accompanying Notes to Basic Financial Statements.

Total
Governmental
Funds

\$ 62,104,651
278,199
5,161,146
4,199,948
19,341
4,747,894
138,307
103,168

\$ 76,752,654

\$ 5,607,902
3,250,000
378,938
2,850,910
6,009,013

18,096,763

4,747,894

4,747,894

19,341

6,152,546

1,198,330

156,606

183,521

533,759

297,717

2,641,782

307,279

272,807

278,199

19,800,000

6,248,027

5,409,355

10,408,728

53,907,997

\$ 76,752,654



City of Santa Maria

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

Fund balances of governmental funds \$ 53,907,997

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Net capital assets of \$7,750,194 (\$21,328,498 less depreciation of \$13,578,304) allocated from internal service funds are included in the capital asset information below.

Capital assets	\$ 163,777,165	
Infrastructure	181,858,498	
Internal service assets	21,328,498	
Accumulated depreciation	<u>(171,152,171)</u>	195,811,990

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position. Capital assets of the internal service funds are included in total capital assets above. 12,850,618

Long-term liabilities are not due and payable in the current fiscal period and, therefore, not reported in the funds. Long-term liabilities of \$10,310,189 allocated from internal service funds are included in the above internal service fund adjustments.

California Energy Commission loan	\$ (498,110)	
Long-term debt	(459,947)	
Compensated absences	(4,685,877)	
Other post employment benefits	<u>(2,283,628)</u>	(7,927,562)

Certain revenues in the governmental funds are deferred because the revenues are not collected within the prescribed time period after fiscal year-end. However, the revenues are included on the accrual basis used in the government-wide statements. 4,747,894

Net position of governmental activities \$ 259,390,937

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

For the Fiscal Year Ended June 30, 2014

	Major Funds		Non-major Governmental Funds
	General	Library	
REVENUES:			
Taxes	\$ 44,582,143		\$ 7,878,874
Permits, fines and forfeitures	2,418,307		299,301
Revenues from use of money and property	1,021,336	\$ 28,128	432,685
Aid from governmental agencies	2,030,234	1,003,253	5,521,968
Charges for current services	6,028,385	126,711	5,878,625
Contributions			1,976,386
Other revenues	311,112	4,784	223,932
Total revenues	56,391,517	1,162,876	22,211,771
EXPENDITURES:			
Current:			
General government	7,650,954		
Community development	2,572,124		1,332,336
Public safety	32,789,482		105,331
Recreation and parks	8,402,474		3,323,709
Public works	2,338,877		1,949,891
Library	52,850	2,737,443	
Capital outlay	682,182		18,686,807
Debt service:			
Principal			4,675,000
Interest and fiscal charges			138,828
Total expenditures	54,488,943	2,737,443	30,211,902
REVENUES OVER (UNDER) EXPENDITURES	1,902,574	(1,574,567)	(8,000,131)
OTHER FINANCING SOURCES (USES):			
Proceeds from loan			498,110
Transfers in	4,397,848	1,438,660	3,979,675
Transfers out	(6,300,525)		(2,886,098)
Total other financing sources (uses)	(1,902,677)	1,438,660	1,591,687
NET CHANGE IN FUND BALANCES	(103)	(135,907)	(6,408,444)
FUND BALANCES:			
Beginning of fiscal year	36,636,064	301,646	23,531,005
Prior period adjustment	265,778		(282,042)
Beginning fund balances, restated	36,901,842	301,646	23,248,963
End of fiscal year	\$ 36,901,739	\$ 165,739	\$ 16,840,519

See Accompanying Notes to Basic Financial Statements.

Total Governmental Funds	
\$	52,461,017
	2,717,608
	1,482,149
	8,555,455
	12,033,721
	1,976,386
	539,828
	<u>79,766,164</u>
	7,650,954
	3,904,460
	32,894,813
	11,726,183
	4,288,768
	2,790,293
	19,368,989
	4,675,000
	138,828
	<u>87,438,288</u>
	<u>(7,672,124)</u>
	498,110
	9,816,183
	<u>(9,186,623)</u>
	<u>1,127,670</u>
	<u>(6,544,454)</u>
	60,468,715
	<u>(16,264)</u>
	<u>60,452,451</u>
\$	<u><u>53,907,997</u></u>



City of Santa Maria

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

Net changes in fund balances - total governmental funds	\$ (6,544,454)
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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 are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current fiscal period and the loss on disposal of capital assets during the current fiscal period.

Capital outlay	\$ 12,816,849	
Depreciation	(10,425,162)	
Loss on disposal of capital assets	<u>(139,600)</u>	2,252,087

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net revenue of the internal service funds is reported with governmental activities. (289,232)

Issuance of long-term debt including capital advances, compensated absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any affect on net position. Also, governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items. 3,939,326

Certain revenues in the governmental funds are unearned because the revenues are not collected within the prescribed time period after fiscal year-end. However, the revenues are included on the accrual basis used in the government-wide statements. 354,910

Change in net position of governmental activities	<u>\$ (287,363)</u>
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See Accompanying Notes to Basic Financial Statements.



PROPRIETARY FUNDS FINANCIAL STATEMENTS

Water and Wastewater Fund - The Water and Wastewater Fund is used to account for the activities associated with the transmission and distribution of potable water by the City to its users and the transmission, pumping, and treatment of the City's wastewater.

Solid Waste Fund - The Solid Waste Fund accounts for the activities associated with collection and disposal of rubbish and recyclable materials.

Transit Fund - The Transit Fund accounts for resources to provide transit services to the City and surrounding areas.

Internal Service Funds - The Internal Service Funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the department of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

City of Santa Maria
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2014

	Enterprise Funds	
	Water and Wastewater	Solid Waste
ASSETS:		
Current Assets:		
Cash and investments	\$ 27,871,474	\$ 56,704,863
Accounts receivable, net	4,164,403	256,532
Other receivables	323,980	1,284,598
Due from other funds		
Inventory		
Deposits		
Advances receivable		5,870,706
Prepaid items	17,158,402	
Total current assets	49,518,259	64,116,699
Noncurrent Assets:		
Restricted Assets:		
Deposit with CCWA	4,297,377	
Restricted cash and investments	5,115,185	
Total restricted assets	9,412,562	
Capital Assets:		
Non-depreciable assets	8,139,126	4,235,525
Depreciable assets, net	80,313,028	15,932,039
Total capital assets, net	88,452,154	20,167,564
Total noncurrent assets	97,864,716	20,167,564
Total assets	147,382,975	84,284,263
DEFERRED OUTFLOW OF RESOURCES:		
Deferred charge on refunding	5,345,918	
Total deferred outflow of resources	5,345,918	
LIABILITIES:		
Current Liabilities:		
Accounts payable	555,734	543,484
Accrued payroll	33,375	36,856
Unearned revenue	103,269	
Debt due within one year	3,403,940	356,603
Total current liabilities	4,096,318	936,943
Noncurrent Liabilities:		
Compensated absences payable	52,235	58,052
OPEB liability	242,853	212,620
Claims payable		
Accrued closure and postclosure care costs		13,830,590
Long-term debt - due in more than one year	60,753,774	
Total noncurrent liabilities	61,048,862	14,101,262
Total liabilities	65,145,180	15,038,205
NET POSITION:		
Net investment in capital assets	24,624,216	20,167,564
Restricted cash for CCWA water purchase and debt refunding	9,412,562	
Unrestricted	53,546,935	49,078,494
Total net position	\$ 87,583,713	\$ 69,246,058

Adjustment to reflect the consolidation of Internal Service Fund activities to related Enterprise Funds

Net position of business-type activities

See Accompanying Notes to Basic Financial Statements.

Transit	Total Enterprise Funds	Internal Service Funds
\$ 9,932,838	\$ 94,509,175	\$ 28,357,007
742,796	5,163,731	132,443
808,109	2,416,687	
		3,250,000
		57,321
		180,000
	5,870,706	
	17,158,402	82,362
11,483,743	125,118,701	32,059,133
	4,297,377	
	5,115,185	1,260,452
	9,412,562	1,260,452
4,405,624	16,780,275	712,018
14,029,864	110,274,931	12,635,665
18,435,488	127,055,206	13,347,683
18,435,488	136,467,768	14,608,135
29,919,231	261,586,469	46,667,268
	5,345,918	
	5,345,918	
771,909	1,871,127	275,859
1,706	71,937	7,198
10,644,376	10,747,645	
13,051	3,773,594	3,929,425
11,431,042	16,464,303	4,212,482
2,125	112,412	14,566
15,359	470,832	45,117
		7,497,758
	13,830,590	
	60,753,774	3,735,830
17,484	75,167,608	11,293,271
11,448,526	91,631,911	15,505,753
18,435,488	63,227,268	9,020,799
	9,412,562	
35,217	102,660,646	22,140,716
\$ 18,470,705	175,300,476	\$ 31,161,515
	10,560,706	
	\$ 185,861,182	

City of Santa Maria

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
OPERATING REVENUES:			
Operating revenues:			
Charges for current services	\$ 40,065,751	\$ 19,415,056	\$ 784,397
Other	1,728,911	127,863	91,708
Total operating revenues	41,794,662	19,542,919	876,105
OPERATING EXPENSES:			
Salaries, wages and benefits	4,043,839	4,412,439	281,326
Materials and supplies	2,190,269	217,521	4,171,559
Equipment maintenance and operation	1,762,608	4,014,468	1,667,975
Depreciation	4,427,543	1,208,270	906,134
Contracts and services	3,382,263	8,802,564	108,852
Subtotal operating expenses	15,806,522	18,655,262	7,135,846
State water payments:			
State water payments DWR	14,552,646		
State water payments CCWA	3,042,083		
Subtotal state water payments	17,594,729		
Total operating expenses	33,401,251	18,655,262	7,135,846
OPERATING INCOME (LOSS)	8,393,411	887,657	(6,259,741)
NON-OPERATING REVENUES (EXPENSES):			
Local, state and federal grants		57,896	5,281,207
Interest income	333,089	833,040	81,206
Interest expense	(2,348,828)		
Amortization expense	(425,260)		
Gain (loss) on sale of equipment	(86,758)		
Other	194,564		
Total nonoperating revenues (expenses)	(2,333,193)	890,936	5,362,413
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	6,060,218	1,778,593	(897,328)
Capital contributions			4,582,352
Transfers in			
Transfers out	(551,990)	(518,370)	(113,560)
Change in net position	5,508,228	1,260,223	3,571,464
NET POSITION:			
Beginning of fiscal year	82,058,361	67,985,835	13,983,876
Prior period adjustments	17,124		915,365
Beginning net position restated	82,075,485	67,985,835	14,899,241
End of fiscal year	\$ 87,583,713	\$ 69,246,058	\$ 18,470,705

Adjustment to reflect the consolidation of Internal Service Fund activities to related Enterprise Funds

Change in net position of business-type activities

See Accompanying Notes to Basic Financial Statements.

Total	
Enterprise Funds	Internal Service Funds
\$ 60,265,204	\$ 10,602,941
1,948,482	93,800
<u>62,213,686</u>	<u>10,696,741</u>
8,737,604	886,732
6,579,349	1,886,020
7,445,051	1,599,873
6,541,947	2,546,214
12,293,679	4,081,073
<u>41,597,630</u>	<u>10,999,912</u>
14,552,646	
3,042,083	
<u>17,594,729</u>	
59,192,359	10,999,912
<u>3,021,327</u>	<u>(303,171)</u>
5,339,103	
1,247,335	19,806
(2,348,828)	(108,211)
(425,260)	
(86,758)	(24,308)
194,564	454,878
<u>3,920,156</u>	<u>342,165</u>
6,941,483	38,994
4,582,352	1,259,655
	791,000
(1,183,920)	(236,640)
<u>10,339,915</u>	<u>1,853,009</u>
	29,308,506
	<u>29,308,506</u>
	<u>\$ 31,161,515</u>
735,618	
<u>\$ 11,075,533</u>	

City of Santa Maria

STATEMENT OF CASH FLOWS

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for current services	\$ 41,995,311	\$ 19,667,854	\$ 1,764,493
Payments for goods and services	(25,134,584)	(12,859,324)	(5,522,340)
Payments to employees	(4,036,164)	(4,323,731)	(275,880)
Net cash provided by (used for) operating activities	12,824,563	2,484,799	(4,033,727)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Federal and state transportation grants		57,896	5,281,207
Transfers in from other funds			
Transfers out to other funds	(551,990)	(518,370)	(113,560)
Net cash provided by (used for) noncapital activities	(551,990)	(460,474)	5,167,647
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(1,373,570)	(1,093,488)	(3,556,740)
Loan principal payments			
Capital contributions			4,582,352
Certificate principal payments	(1,307,736)		
Proceeds from sale of assets			
Interest expense payments	(3,321,627)		
Net cash provided by (used for) capital and related financing activities	(6,002,933)	(1,093,488)	1,025,612
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest on investments	333,089	833,040	81,206
Loan repayments		576,536	
Net cash provided by investing activities	333,089	1,409,576	81,206
Net increase (decrease) in cash and cash equivalents	6,602,729	2,340,413	2,240,738
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	30,681,307	54,364,450	7,692,100
End of fiscal year	\$ 37,284,036	\$ 56,704,863	\$ 9,932,838
Reconciliation of cash and investments per the statement of net position:			
Total cash and investments per the statement of net position	\$ 27,871,474	\$ 56,704,863	\$ 9,932,838
Total restricted cash and investments per the statement of net position	9,412,562		
Cash and cash equivalents, June 30, 2014	\$ 37,284,036	\$ 56,704,863	\$ 9,932,838

See Accompanying Notes to Basic Financial Statements.

Total		Internal	
Enterprise		Service Funds	
Funds			
\$ 63,427,658	\$ 10,929,395		
(43,516,248)	(7,759,742)		
(8,635,775)	(867,123)		
<u>11,275,635</u>	<u>2,302,530</u>		
5,339,103	791,000		
(1,183,920)	(236,640)		
<u>4,155,183</u>	<u>554,360</u>		
(6,996,598)	(4,357,529)		
4,582,352	(578,116)		
(1,307,736)	432,854		
(2,348,827)	(108,211)		
<u>(6,070,809)</u>	<u>(4,611,002)</u>		
1,247,335	19,806		
576,536			
<u>1,823,871</u>	<u>19,806</u>		
<u>11,183,880</u>	<u>(1,734,306)</u>		
<u>92,737,857</u>	<u>31,351,765</u>		
<u>\$ 103,921,737</u>	<u>\$ 29,617,459</u>		
\$ 94,509,175	\$ 28,357,007		
9,412,562	1,260,452		
<u>\$ 103,921,737</u>	<u>\$ 29,617,459</u>		

City of Santa Maria
STATEMENT OF CASH FLOWS
Proprietary Funds, continued
For the Fiscal Year Ended June 30, 2014

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 8,393,411	\$ 887,657	\$ (6,259,741)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	4,427,543	1,208,270	906,134
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	200,649	124,935	729,839
Decrease (increase) in inventory			
Decrease (increase) in prepaid items	(243,152)		
Increase (decrease) in accounts payable	38,436	(140,947)	426,046
Increase (decrease) due to other funds			
Increase (decrease) in accrued payroll	10,661	13,868	103
Increase (decrease) in claims payable			
Increase (decrease) in postclosure costs		316,176	
Increase (decrease) deferred revenue			158,549
Increase (decrease) in compensated absences payable	39,256	34,534	2,669
Increase (decrease) in OPEB liability	(42,241)	40,306	2,674
Total adjustments	4,431,152	1,597,142	2,226,014
Net cash provided by (used for) operating activities	\$ 12,824,563	\$ 2,484,799	\$ (4,033,727)
NON CASH ACTIVITY:			
Contributed capital assets			\$ 4,582,352
Amortization of deferral on refunding and bond premium	\$ 426,184		
Accretion discount	720,694		

See Accompanying Notes to Basic Financial Statements.

Total Enterprise Funds	Internal Service Funds
\$ 3,021,327	\$ (303,171)

6,541,947	2,546,214
1,055,423	(17,346)
	(33,996)
(243,152)	12,302
323,535	(119,314)
	250,000
24,632	2,537
	(51,769)
316,176	
158,549	
76,459	9,098
739	7,975
<u>8,254,308</u>	<u>2,605,701</u>
<u>\$ 11,275,635</u>	<u>\$ 2,302,530</u>

\$ 4,582,352	\$ 1,259,655
426,184	
720,694	



FIDUCIARY FUNDS FINANCIAL STATEMENTS

Agency Funds - Agency Funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. These funds are used to account for assets held in an agency capacity for others, therefore, cannot be used to support the City's programs.

Private-Purpose Trust Fund - Private Purpose Trust Funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments.



City of Santa Maria

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

ASSETS	Private Purpose Trust Fund	Total Agency Funds
Cash and investments	\$ 412	\$ 4,190,085
Accounts receivable		8,391
Total Assets	<u>\$ 412</u>	<u>\$ 4,198,476</u>
LIABILITIES		
Accounts payable		
Trust deposits		\$ 4,198,476
Total Liabilities		<u>\$ 4,198,476</u>
NET POSITION		
Held in trust for other taxing entities	<u>\$ 412</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Fund
ADDITIONS	
Interest income	\$ 21
Total Additions	<u>21</u>
DEDUCTIONS	
Tax increment reimbursement	
Total Deductions	
Net change in position	21
Net position beginning of the year	391
Net position end of the year	<u>\$ 412</u>

See Accompanying Notes to Basic Financial Statements.



City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Santa Maria (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The City was incorporated on September 12, 1905, under the laws of the State of California. Santa Maria is a charter city, and operates under a Council-Manager form of government, which includes an elected mayor and a four-member council. As required by USGAAP, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the government's operations, so data from these units are combined with data of the primary government. The following entity is reported as a blended component unit:

Santa Maria Public Financing Authority: City officials govern the Santa Maria Public Financing Authority (the "Authority"). Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public facilities.

The City participates in the two following intergovernmental joint ventures:

The Local Government Finance Joint Powers Authority: The Local Government Finance Joint Powers Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement dated July 15, 1986. The Authority was created to provide a method of pooled financing for interested agencies throughout the State. The governing board is comprised of representatives from participants across the State. In August 1989, the Authority provided financing proceeds and the resulting debt service obligation to various participants. By agreement, each participant assumed all responsibility with regard to its issue. All debt issued by participants has been paid or defeased. Financial statements of the Joint Powers Authority may be obtained by contacting the California Statewide Communities Development Authority at 2033 North Main Street, Suite 700, Walnut Creek, CA 94596.

Central Coast Water Authority (CCWA): CCWA is a joint powers authority organized on August 1, 1991, comprised of eight cities and special districts that are responsible for the creation and maintenance of water resources in portions of Santa Barbara County. The purpose of the CCWA is to provide financing, construction, operation, and maintenance of certain local non-State owned facilities required to deliver water from the State Water Project (SWP) to certain water purveyors and users in Santa Barbara County. The City has an ongoing financial responsibility pursuant to a Water Supply Agreement between the City and CCWA; however, the City does not have an equity interest.

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The Board of Directors (Board) is comprised of one representative from each participating entity. Votes on the Board are apportioned among the entities based upon each entity's pro-rata share of the water provided by the project. Each participant is required to pay CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Agreement (including capital, operation, maintenance, power, and replacement costs of the DWR facilities), debt service on CCWA bonds, and all CCWA operating and administrative costs.

In November 1996, CCWA sold \$198,015,000 of revenue bonds at a true cost of 5.55 percent to defease the CCWA 1992 revenue bonds for \$177,120,000. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. All outstanding Series B bonds were redeemed on October 1, 1998 pursuant to the call provisions in the Indenture of Trust. The Series B bonds were called with amounts transferred from the Construction Fund and Reserve fund.

On September 28, 2006, CCWA issued Series 2006A refunding revenue bonds in the amount of \$123,190,000 which refunded the outstanding \$142,985,000 Series 1996 A revenue bonds. The 2006A revenue bonds were issued at a true interest cost of 4.24 percent and were issued to reduce the CCWA's total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million.

The City's Water and Wastewater Fund makes direct contributions for its share of project expenditures and has no direct liability for any bonded debt of the CCWA. The City is responsible for 38 to 43 percent of system costs based on various pools of expenditures.

Financial Statements for CCWA may be obtained by contacting the Central Coast Water Authority at 255 Industrial Way, Buellton, CA 93427.

B. Basis of Accounting and Measurement Focus

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

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 (GASB).

Government-wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the revenues are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34, in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, Internal Service Fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are available when the revenues 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 revenues are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

compensated absences and claims and judgments, are recorded only when payment is due.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after fiscal year-end) are recognized when due. Property taxes, charges for services, and interest associated with the current fiscal period are all considered susceptible to accrual and as such 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 when received by the government.

The City reports the following major governmental funds:

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

Library: This fund accounts for resources used to provide library services to north Santa Barbara County residents in the communities of Santa Maria, Cuyama, Guadalupe, and Orcutt.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental and business-type activities in the government-wide financial statements.

The Proprietary Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which the revenues are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The principal operating revenues of the Water and Wastewater Fund are charges to customers for sales and services. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund, such as cost of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as non-operating expenses.

The major proprietary funds the City reports are shown below:

Water and Wastewater Fund: The Water and Wastewater Fund is used to account for resources used to provide water and sewer services to the City.

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Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Solid Waste Fund: The Solid Waste Fund is used to account for solid waste collection and disposal.

Transit Fund: The Transit Fund accounts for resources to provide transit services to the City and surrounding areas.

The City reports the following internal service funds as proprietary funds:

Fleet Services Fund: The Fleet Services Fund is used to finance the operations, maintenance, and timely replacement of the City's fleet of vehicles and related equipment.

Business Equipment Fund: The Business Equipment Fund is used to finance and account for the maintenance and replacement of business equipment used by City departments.

Insurance Fund: The Insurance Fund provides and charges other City funds for liability, property, and workers' compensation insurance.

Fiduciary Fund Financial Statements

The City's fiduciary funds, Treasurer's Trust, Twitchell Management Authority, and Maintenance Annuity Fund, combine in an Agency Fund Statement of Assets and Liabilities. Because these funds are custodial in nature (assets equal liabilities), a measurement of results of operations is not shown. The agency funds are accounted for on the accrual basis of accounting. The Treasurer's Trust Fund accounts for deposits held for others, while the Maintenance Annuity Fund accounts for developer deposits earning interest income for the purpose of subsidizing property tax revenue on annexed property. The Twitchell Management Authority Fund accounts for the financial transactions of a court-mandated committee that monitors and manages the groundwater basin.

The Successor Agency Private Purpose Trust Fund was established upon dissolution of the Redevelopment Agency Fund (RDA) and is responsible for winding down the affairs of the former RDA including payment of enforceable obligations and disposal of assets.

C. Cash and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investments, with original maturities of three months or less, to be cash equivalents.

Certain proceeds of the City's Water and Wastewater Fund revenue bonds, as well as certain resources set aside for repayment, are classified as restricted assets on the balance sheet statement of net position, because their use is limited by applicable bond covenants. The City has classified additional assets as restricted to comply with laws and other agreements.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City's investments with fiscal agents required by bond indentures are stated at cost, which approximate fair value.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

D. Interfund Transactions

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

E. Assets Held for Resale

Should the City have assets held for resale, those assets would be recorded at the lower of cost or market, but not greater than the net realizable value. An amount equal to the carrying value of land would be reserved in fund balance of governmental funds because such assets are not available to finance the City's current operations.

F. Capital Assets

Capital assets are defined as property, plant, equipment, and infrastructure assets (roads, sidewalks, drainage systems, lighting systems, etc.). Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. These assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The City's policy has set the capitalization threshold for reporting capital assets as follows:

Property, Plant, and Equipment	\$	5,000
Infrastructure Capital Assets		50,000

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful lives of the assets, as follows:

Equipment	5 to 20 years
Buildings and Improvements	10 to 70 years
Infrastructure:	
Medians	25 years
Pavement	25 years
Traffic signals	25 years
Off-road trails	40 years
Cabling	40 years
Curbs and gutters	50 years
Sidewalks	50 years
Storm drain lines	50 years
Bridges	75 years

The City has included the value of all infrastructure in its government-wide statements.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment are depreciated in the proprietary funds using the straight-line method over the following estimated useful lives as follows:

Water and Wastewater and Solid Waste Funds:	
Facilities and Improvements	25-50 years
Equipment	6-15 years
Transit Fund:	
Facilities and Improvement	25-50 years
Equipment	3-7 years
Buses	7 years
Fleet Service Fund:	
Equipment	3-10 years
Vehicles	5 years
Business Equipment Fund:	
Equipment	3-10 years

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For the Fiscal Year Ended June 30, 2014

G. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

H. Unearned Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. A typical transaction recorded as unearned revenues in the government-wide financial statements is the prepaid charges for services.

In the Governmental Fund Financial Statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unearned revenue is recorded are grants received but not yet earned or available.

I. Compensated Absences

Compensated absences are recorded in accordance with GASB. It is the City's policy to record the cost of annual vacation, compensatory time, and fringe benefits as earned. City employees accrue vacation and sick leave in varying amounts. Compensatory time is recorded as time earned by City employees. In the event of termination, employees are reimbursed for the total value of their accumulated vacation days and compensatory time. Sick leave benefits are not vested to the employee; however, the City has a sick leave incentive program, which will compensate employees at a rate of 50 percent for accrued sick leave between a floor and ceiling amount. The maximum sick hours subject to be paid is Police - 680 hours, Fire - 608 hours, and 360 hours - General and Management employees upon regular retirement or death. The City accrued amounts for the sick leave incentive program using historical trends and other relevant data.

The City records compensated absences in the governmental funds as expenditures for the amount accrued during the fiscal year that would normally be liquidated with expendable, available financial resources. The remainder of the liability is recorded as long-term debt. The individual governmental funds report a liability for compensated absences only if the debt matured at fiscal year-end, i.e. unused reimbursable leave outstanding as the result of an employee's resignation or retirement. The proprietary funds accrue compensated absences in the period they are earned and are recorded as long-term liabilities in the applicable funds.

J. Post-Employment Benefits

In addition to pension benefits described in Note 8-A, the City provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from the City and enrolled in an insurance program under the California Public Employees' Medical and Hospital Act. Currently, 121 retirees meet the eligibility requirements. The City is required by CALPERS to

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

contribute \$119 per month, the balance of premiums, which average \$592 per month, are paid by retirees. This fiscal year expenditure of \$170,004 was recognized for post-retirement health insurance contributions. Post-employment benefits are provided on a pay-as-you-go basis.

K. 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 position. Bond premiums and discounts and deferred amounts on refunding are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

As a result of the City's adoption of GASB Statement No. 65 during the fiscal year ended June 30, 2014, bond issuance costs are expensed as incurred. The cumulative effect of the change was to decrease the June 30, 2013 net position of governmental activities by \$147,984 and the net position of business-type activities by \$408,551. Additionally, the City now reports deferred amounts from refunding of debt separately from assets and liabilities in its Statement of Net Position.

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 the 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.

L. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

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

Unrestricted - This amount is all resources that do not meet the definition of "net investment in capital assets" or "restricted."

M. Use of Restricted/Unrestricted Resources

When an expense incurred for purposes for which both restricted and unrestricted resources are available, the City's policy is to apply restricted resources first.

N. Fund Equity

The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental

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Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

funds. The fund balances are classified as non-spendable, restricted, committed, assigned and unassigned.

Non-spendable fund balance represents amounts that are not in a spendable form such as inventories, prepaid items and loans receivable. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose.

Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the City Council adoption of resolutions committing fund balance. It also includes contractual obligations for which existing resources have been committed. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an adopted City Council resolution.

The City Council has adopted, by resolution, a Prudent Reserve Fund for economic emergencies in which the City Council may, at its discretion, set aside all or any part of a surplus generated in the General Fund resulting from the excess of revenues over expenditures. An appropriation from the Prudent Reserve Fund would require an approved resolution by a two-thirds vote of the City Council and are limited to emergency situations. Examples of such emergencies include, but are not limited to: covering expenses arising from a natural disaster, to replacing revenue taken over by another entity, or to a drop in actual/projected revenue of more than five percent of the General Fund adopted revenue budget.

Amounts in the Assigned Fund classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution the authority to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. Additional action normally does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

O. Property Tax Calendar

The State of California Constitution Article XIII A, provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters approved an additional amount for debt. Assessed value is calculated at 100 percent of

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

market value as defined by Article XIIA, and may be increased by no more than two percent per year unless the property is sold, transferred, or improved.

Santa Barbara County assesses properties, bills for, collects, and distributes property taxes on the basis of the taxing jurisdiction’s tax rate percentage, subject to individual tax jurisdiction’s adjustments as may be allowed for voter-approved debt, as follows:

	Secured	Unsecured
Lien date	January 1	January 1
Lien date	July 1	July 1
Due dates	50% - November 1	July 1
50% - February 1	August 31	
Delinquent as of April 10 (for February)	December 10 (for November)	

The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

P. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Q. Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. The site covers 247 acres.

According to its revised operating plan filed with the State, portions of the landfill site will be closed on a “rolling closure” basis, with final closure anticipated by the year 2020. The City is required to report a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each statement of net position date.

The \$13.8 million reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 81.8 percent of the estimated capacity of the landfill. The City will recognize remaining estimated costs of \$6.0 million in closure and postclosure care as the remaining estimated capacity is filled. The total costs of \$19.8 million are based on what it would cost to perform all closure and postclosure care in fiscal year 2013-14. The City expects to close the landfill by the year 2020. Inflation and changes in technology and/or regulations may result in higher costs.

The City is required by State and Federal laws to provide assurance that the closure will be completed and postclosure requirements met. Assurance with regard to postclosure costs has been met by a pledge of the General Fund sales tax revenues should the Solid Waste Fund be

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

unable to perform in accordance with the requirements.

R. Budgetary Data

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for all General and Special Revenue Funds. The budget, adopted by the City Council, is for a two-fiscal year period. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion any time during the two-year fiscal period. The City Manager is authorized to transfer the budgeted funds among departments or functions within the same fund without seeking approval by the City Council. The level at which expenditures may not legally exceed appropriations is therefore established at the fund level.

Appropriations, remaining at the end of the first fiscal year, are eligible to be carried forward to the second fiscal year. All appropriations lapse at the end of the two-fiscal year period to the extent that appropriations have not been expended or encumbered. Lease contracts entered into by the City are subject to annual review by the City Council; hence, lease contracts are legally one-fiscal year contracts. These one-fiscal year contracts have an option for renewal for an additional fiscal year.

Budgetary comparison is provided in the accompanying financial statements for the General Fund and Special Revenue Funds. Budgeted revenue and expenditure amounts shown represent the City's originally adopted budget and the budget adjusted for supplemental appropriations. Budget amounts, as adjusted, reported for Governmental Funds of the City, are adopted on a basis consistent with USGAAP. Effective fiscal control for debt service funds is achieved through bond indenture provisions and other management controls. While budgets are prepared for City Capital Projects Funds, capital projects generally extend beyond one fiscal year and are controlled at the project level.

S. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has one item which qualifies for reporting in this category; refer to Note 6 for a detailed listing of the deferred outflows of resources the City has recognized.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance by the District that is applicable to a future reporting period. The City has one item that which qualifies for reporting in this category; refer to Note 7 for a detailed listing of deferred inflows of resources the City has recognized.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

T. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this Statement is to properly classify certain items that were previously reported as assets and liabilities as deferred outflows and deferred inflows of resources. Implementation of GASB 65 resulted in the write-off of bond issuance costs. The cumulative effect of the change was to decrease the June 30, 2013 net position of governmental activities by \$147,984 and the net position of business-type activities by \$408,551. Additionally, the City now reports deferred amounts from refunding of debt separately from assets and liabilities in its Statement of Net Position.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year-ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and 62, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. Implementation of GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year-ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." The Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50, "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statement No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No.70

For the fiscal year-ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GAB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., non-exchange financial guarantees). Implementation of GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year-ended June 30, 2014.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

2. CASH AND INVESTMENTS

A. Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 184,970,833
Cash and investments held by bond trustee	6,653,836

Fiduciary funds:

Cash and investments	<u>4,190,497</u>
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Total cash and investments	<u><u>\$ 195,815,166</u></u>
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Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 16,590
Deposits with financial institutions	5,675,611
Investments	<u>190,122,965</u>

Total cash and investments	<u><u>\$ 195,815,166</u></u>
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B. Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the City's Investment Policy. The table also identifies certain provisions of the City's Investment Policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the City's Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bonds/Notes	N/A	None	None
Federal Agency Issues	5 years	None	None
Municipal Obligations	5 years	30%	5%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit (NCD)	5 years	30%	5%
Medium-Term Corporate Notes (MTN)	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million
Mutual Funds	N/A	20%	None

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

C. Investments Authorized by Debt Agreements

Provisions of the debt agreements, rather than the general provisions of the City's investment policy, govern investments of debt proceeds held by bond trustees. The following table identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	None	None	None
Federal Agency Issues	None	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

D. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to declines in the fair value by employing a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise. The City has no formal policy on interest rate risk. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
U.S. Treasury Bonds/Notes	\$ 55,404,676	\$ 3,410,719	\$28,943,124	\$ 23,050,833	\$ -
Federal Agency Issues	26,416,703		4,404,709	22,011,994	
Negotiable Certificates of Deposit (NCD)	14,746,178	4,753,667	9,992,511		
Medium-Term Corporate Notes (MTN)	40,926,125	5,579,547	5,101,354	30,245,224	
Local Agency Investment Fund (LAIF)	45,975,086	45,975,086			
Money Market Funds	361	361			
Held by fiscal agent:					
Money Market Funds	6,653,836	6,653,836			
Total	\$ 190,122,965	\$ 66,373,216	\$48,441,698	\$ 75,308,051	\$ -

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

E. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments do not include investments that are highly sensitive to interest rate fluctuations beyond those indicated in the information provided on previous pages.

F. Disclosures Relating to Credit Risk

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

At the time of the purchase of the investments listed above, all investments were rated A or higher. The City's policy has been to buy investments for the long term and to hold those investments to maturity.

Investment Type	Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End				Not Rated
				AAA	AA+,AA, AA-	A+, A, A-	BBB+, BB+, BB	
U.S. Treasury Bonds/Notes	\$ 55,404,676	N/A			\$ 55,404,676			
Federal Agency Issues	26,416,703	N/A			26,416,703			
Negotiable Certificates of Deposit	14,746,178	A			2,499,013	\$ 12,247,165		
Medium-Term Corporate Notes	40,926,125	A		\$ 572,345	18,384,675	21,969,105		
Local Agency Investment Fund	45,975,086	N/A						\$ 45,975,086
Money Market Funds	361			361				
Held by fiscal agent:								
Money Market Funds	6,653,836	A		6,653,836				
Total	\$ 190,122,965		\$ -	\$ 7,226,542	\$ 102,705,067	\$ 34,216,270	\$ -	\$ 45,975,086

G. Concentration of Credit Risk

The City's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented five percent or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FNMA	Federal Agency Issues	\$ 18,532,732

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

H. Custodial Credit Risk

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

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Bonds/Notes	\$ 55,404,676
Corporate Medium Term Notes	40,926,125
Federal Agency Issues	26,416,703
Certificates of Deposit	14,746,178

The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2014, none of the City's deposits with financial institutions in excess of Federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2014, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

I. Investment in State Investment Pool

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

3. RECEIVABLES

The receivables as of fiscal year-end for the governmental and business-type activities, which include individual major funds, non-major funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are shown as follows:

Government accounts receivables:

<u>Governmental</u>	<u>Accounts Receivable</u>	<u>Accrued Revenues</u>	<u>Loans Receivable</u>	<u>Totals</u>
General Fund	\$ 2,076,997	\$ 4,071,186	\$ 389,318	\$ 6,537,501
Library Fund	2,141			2,141
Nonmajor Funds	3,082,008	128,762	4,358,576	7,569,346
Internal Service	89,681			89,681
Totals	<u>\$ 5,250,827</u>	<u>\$ 4,199,948</u>	<u>\$ 4,747,894</u>	<u>\$14,198,669</u>

Business-type receivables:

<u>Business-type</u>	<u>Accounts Receivable</u>	<u>Other</u>	<u>Gross Receivables</u>	<u>Uncollectible Allowance</u>	<u>Net Total Receivables</u>
Water and Wastewater	\$ 4,296,027	\$ 323,980	\$ 4,620,007	\$ (131,624)	\$ 4,488,383
Solid Waste	303,181	1,284,598	1,587,779	(46,649)	1,541,130
Transit	742,796	808,109	1,550,905		1,550,905
Internal Service	42,762		42,762		42,762
Totals	<u>\$ 5,384,766</u>	<u>\$ 2,416,687</u>	<u>\$ 7,801,453</u>	<u>\$ (178,273)</u>	<u>\$ 7,623,180</u>

4. CAPITAL ASSETS

A. Government-wide Financial Statements

A summary of changes in capital assets activity for the City's governmental activities for the fiscal year-ended June 30, 2014, is on the following page:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Governmental Activities:	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014
Non-depreciable capital assets:				
Land	\$ 20,234,646			\$ 20,234,646
Construction in progress	1,922,565	\$ 10,403,706	\$ (1,922,565)	10,403,706
Right of Way Infrastructure	12,338,345			12,338,345
Total non-depreciable capital assets	34,495,556	10,403,706	(1,922,565)	42,976,697
Depreciable capital assets:				
Buildings and Improvements	130,667,686	269,323		130,937,009
Equipment	21,794,076	3,348,385	(1,612,159)	23,530,302
Infrastructure	169,249,221	718,000	(447,068)	169,520,153
Total depreciable capital assets	321,710,983	4,335,708	(2,059,227)	323,987,464
Less accumulated depreciation:				
Buildings and improvements	(41,899,406)	(3,049,328)		(44,948,734)
Equipment	(14,659,508)	(1,815,976)	1,598,862	(14,876,622)
Infrastructure	(106,087,722)	(5,559,858)	320,765	(111,326,815)
Total accumulated depreciation	(162,646,636)	(10,425,162)	1,919,627	(171,152,171)
Total depreciable capital assets, net	159,064,347	(6,089,454)	(139,600)	152,835,293
Governmental activities capital assets, net	\$ 193,559,903	\$ 4,314,252	\$ (2,062,165)	\$ 195,811,990

Fund Financial Statements

A summary of changes in capital assets activity, by type, for the City's governmental activities for the fiscal year-ended June 30, 2014, is as follows:

Net Capital Assets By Type:	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014
Capital Assets	\$ 111,716,488	\$ 7,417,637	\$ (1,604,012)	\$ 117,530,113
Internal Service Fund Assets	6,343,571	1,738,473	(331,850)	7,750,194
Infrastructure Assets	75,499,844	(4,841,858)	(126,303)	70,531,683
Net Capital Assets by Type	\$ 193,559,903	\$ 4,314,252	\$ (2,062,165)	\$ 195,811,990

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government wide Statement of Net Position.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Business-Type Capital Assets

A summary of changes in capital assets activity for the City's business-type activities for the fiscal year ended June 30, 2014, is as follows:

Business-type Activities:	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014
Non-depreciable capital assets:				
Land	\$ 12,226,027			\$ 12,226,027
Construction in progress	3,895,075	\$ 4,734,714	\$ (3,895,075)	4,734,714
Total non-depreciable capital assets	16,121,102	4,734,714	(3,895,075)	16,960,741
Depreciable capital assets:				
Buildings and improvement	150,806,996	1,748,698	(221,753)	152,333,941
Equipment and vehicles	41,341,663	7,454,734	(3,054,836)	45,741,561
Total depreciable capital assets	192,148,659	9,203,432	(3,276,589)	198,075,502
Less accumulated depreciation for:				
Building and improvements	(57,762,569)	(4,235,609)	134,995	(61,863,183)
Equipment and vehicles	(20,360,796)	(3,139,527)	2,979,958	(20,520,365)
Total accumulated depreciation	(78,123,365)	(7,375,136)	3,114,953	(82,383,548)
Total depreciable capital assets, net	114,025,294	1,828,296	(161,636)	115,691,954
Business-type activities capital assets, net	\$ 130,146,396	\$ 6,563,010	\$ (4,056,711)	\$ 132,652,695

A summary of changes in capital assets activity, by type, for the City's business-type activities for the fiscal year ended June 30, 2014, is as follows:

Net Capital Assets By Type:	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014
Water and Wastewater	\$ 91,065,144	\$ (2,474,825)	\$ (138,165)	\$ 88,452,154
Solid Waste	20,282,345	3,410,826	(3,525,607)	20,167,564
Transit	14,869,517	3,654,921	(88,950)	18,435,488
Internal Service Fund Assets	3,929,390	1,972,088	(303,989)	5,597,489
Net Capital Assets by Type	\$ 130,146,396	\$ 6,563,010	\$ (4,056,711)	\$ 132,652,695

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

C. Depreciation Expense

Depreciation expense of \$17,800,300 was charged to the following functions:

	Governmental Activities	Business-type Activities	Total
General Government	\$ 104,760		\$ 104,760
Public Safety	555,724		555,724
Public Works	5,586,049		5,586,049
Community Development	859,730		859,730
Library	642,088		642,088
Recreation and Parks	963,786		963,786
Internal Service Funds	1,713,025	\$ 833,189	2,546,214
Water and Wastewater		4,427,543	4,427,543
Solid Waste		1,208,270	1,208,270
Public Transit		906,134	906,134
	<u>\$ 10,425,162</u>	<u>\$ 7,375,136</u>	<u>\$ 17,800,298</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and From Other Funds

The Due To and From Other Funds are as follows:

Fund	Due From Other Funds	Due to Other Funds
Non-major Governmental Funds		\$ 3,250,000
Internal Service Fund	\$ 3,250,000	
Total	<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>

The outstanding balances among funds results from cash advances to non-major funds to correct cash deficits at fiscal year-end. The cash deficits are largely the result of time lags between the dates that expenditures are incurred and cash payments are received, such as occurs in grant funds. The City expects the amounts due the Insurance Internal Service Fund to be collected in the subsequent fiscal year.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

B. *Advances Payable/Receivable*

On October 31, 2012, the Solid Waste Collection advanced the General Fund \$5,572,242. The advance was used to prepay the CalPERS Side Fund for the Fire Safety Pension Plan. Beginning in fiscal year 2014, the General Fund will pay the Solid Waste Collection Fund annual payments of \$653,237 over ten years for repayment of the advance.

On October 31, 2012, the Solid Waste Collection Fund advanced the General Capital Projects Fund \$875,000 to pay the matching portion of the levee construction project. Beginning in fiscal year 2014, the General Fund will transfer the annual payments of \$106,130 to the General Capital Projects Fund for payment to the Solid Waste Collection Fund. Payments are scheduled for nine years.

On July 1, 2013, the Southwest Landscape District advanced the Stowell Parking and Lighting District \$155,831 to pay for resurfacing the Stowell Center parking lot. Beginning in fiscal year 2014, the Stowell Parking and Lighting District will transfer the annual payments of \$22,199 to the Southwest Landscape District. Payments are scheduled for eight years.

C. *Transfers In and Out*

The transfers in and out between funds are shown below:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,397,848	\$ 6,300,525
Library Fund	1,438,660	
Non-major Governmental Funds	3,979,675	2,886,098
Water and Wastewater Fund		551,990
Solid Waste Fund		518,370
Transit Fund		113,560
Internal Service Funds	791,000	236,640
Total	<u>\$ 10,607,183</u>	<u>\$ 10,607,183</u>

Interfund transfers are used to (1) move revenues from funds required by statute or budget to collect, to the funds required by statute or budget to expend; (2) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to cover negative cash balances in the funds.

6. DEFERRED OUTFLOWS OF RESOURCES

At June 30, 2014, deferred outflows of resources, in the statement of net position, consisted of the following:

	<u>Business Type</u>
Deferred charge on refunding	<u>\$ 5,345,918</u>

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

7. DEFERRED INFLOWS OF RESOURCES

At June 30, 2014, deferred inflows of resources, reported on the Balance Sheet – Governmental Funds, consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
Unavailable loans receivable	\$ 389,318	\$ 4,358,576

8. LONG-TERM DEBT

Below is a summary of the City's bonds, certificates of participation, and long term liability transactions for the fiscal year ended June 30, 2014:

A. Governmental Activities

The changes in the governmental funds long-term debt for the fiscal year ended June 30, 2014 are shown below:

<u>Liabilities</u>	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>	<u>Due within one year</u>
Bonds payable	\$ 4,675,000		\$ (4,675,000)		
Add:					
Premium	399,988		(399,988)		
Less: deferred amounts on refunding	(257,199)		257,199		
Total bonds payable	<u>4,817,789</u>		<u>(4,817,789)</u>		
Compensated absences	4,727,259	\$ 3,041,643	(3,021,591)	\$ 4,747,311	\$ 3,513,010
OBEB liability	1,917,171	520,266	(128,487)	2,308,950	
Property purchase obligation	482,585		(22,638)	459,947	23,318
Claims payable	8,098,818	1,214,746	(1,253,573)	8,059,991	2,436,673
CEC loan payable		498,110		498,110	163,904
Capital lease payable	2,452,500		(289,058)	2,163,442	295,527
Total	<u>\$ 22,496,122</u>	<u>\$ 5,274,765</u>	<u>\$ (9,533,136)</u>	<u>\$ 18,237,751</u>	<u>\$ 6,432,432</u>

Lease Revenue Refunding Bonds Payable

The City issued \$23,460,000 of refunding revenue bonds with an average interest rate of 3.8 percent to advance refund \$26.5 million of outstanding 1993 revenue bonds with an average interest rate of 5.1 percent. Payments are due in annual installments ranging from \$2,682,325 to \$1,205,112 through June 1, 2016. On June 1, 2014, the City paid off the remaining bonds.

CEC Loan

The City received a one percent energy efficiency loan from the California Energy Commission (CEC). The amount of the loan was \$498,110 and was used to partially retrofit existing street

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

lights with energy efficient lighting. The loan term is three years with semi-annual payments of \$84,601.

Compensated Absences

The General Fund was primarily responsible for the liquidation of \$3,021,591 outstanding compensated absences during fiscal year 2013-14. The \$4,747,311 of outstanding compensated absences at June 30, 2014, is also primarily the responsibility of the General Fund over the long term.

OPEB Liability

The General Fund was primarily responsible for the addition of “other post employment benefits” (OPEB) liabilities of \$520,266 during 2013-14. Over the long term, the \$2,308,950 of outstanding OPEB at June 30, 2014, is also primarily the responsibility of the General Fund.

Arbitrage

The Tax Reform Act of 1986 (Act), substantially revised the treatment to be afforded to arbitrage earnings on invested bond proceeds and now requires the City to remit excess arbitrage earnings to the Internal Revenue Service. Certain of the City’s debt and interest earned on the proceeds, thereon, fall under the requirements of the Act. The City has made the necessary arbitrage rebate calculations. As of June 30, 2014, the City incurred no rebate liability for the Bonds.

Property Purchase Obligation

On August 27, 2003, the City entered into a Real Property Purchase Agreement for the acquisition of property required in connection with a new City Library project. Yearly payments of \$37,680, which includes principal and interest at 3.003 percent, in addition to a final payment of \$425,000 will continue through September 26, 2016.

B. Business-type Activities

On the following page is a summary of the changes in the business-type activities long-term debt for the fiscal year ended June 30, 2014:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Long-term Liabilities	Balance 7/1/2013	Additions	Deletions	Reclassification	Balance 6/30/2014	Due within one year
Certificate of participation payable 1997 A & B	\$ 5,826,602		\$ (1,307,736)		\$ 4,518,866	\$ 1,228,586
Add: Accretion	8,832,907	\$ 720,694	(1,767,264)		7,786,337	1,846,414
2012 A/B Bonds	50,119,493				50,119,493	
Add: Accretion	669,125		(41,905)		627,220	(27,613)
Less:						
Deferred by refunding	(3,604,125)		366,051	\$ 3,238,074		
Deferred by refunding 2012	(2,203,655)		95,811	2,107,844		
2012 Bond premium	820,602		(35,678)		784,924	35,678
2012 Underwriter's discount	(204,749)			204,749		
2012 Costs of issuance	(203,802)			203,802		
Total COP's	60,052,398	720,694	(2,690,721)	5,754,469	63,836,840	3,083,065
Compensated absences	845,893	775,661	(776,008)		845,546	727,169
OBEB liability	404,846	115,457	(29,677)		490,626	
Claims payable	2,699,606	404,915	(417,857)		2,686,664	812,224
Accrued closure costs	13,514,414	316,176			13,830,590	
Capital lease payable	2,452,500		(289,058)		2,163,442	295,527
Total	\$ 79,969,657	\$ 2,332,903	\$ (4,203,321)	\$ 5,754,469	\$ 83,853,708	\$ 4,917,985

Local Water and Wastewater Revenue Refunding Bonds issued June 19, 2012:

On June 19, 2012, the City issued \$50,119,493 Water and Wastewater 2012A/B Revenue Refunding Bonds (Bonds) with interest rates ranging from 3 percent to 5 percent to current refund prior Certificates of Participation (COPS) with interest rates ranging from 5 percent to 7.4 percent and a par value of \$38,320,394. The prior COPS mature annually on August 1 between 2013 and 2022. The Bonds were issued at a premium of \$856,280 and, after paying issuance costs of \$212,663 and underwriter's discount of \$213,651, the net proceeds were \$50,549,459. The net proceeds from the issuance of the bonds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are due. The current refunding met the requirements of an in-substance defeasance and the COPS were removed from the City's government-wide financial statements. As a result of the current refunding, the City reduced its current debt annual service by approximately \$2,000,000 through 2027, which resulted in an economic gain of \$3,067,050. As of June 30, 2014, \$35,904,735 of defeased COPS are still outstanding.

Payments on the Bonds are due in annual level installments of approximately \$4.63 million through February 1, 2036, with interest averaging 4.36 percent. The early optional redemption on the 2012 bonds is February 1, 2022 with no early redemption premium.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Debt Service Requirements to Maturity- Business-type Activities:

The annual requirements to amortize outstanding long-term debt of the City's business-type activities as of June 30, 2014, excluding amounts for claims payable, and compensated absences, including interest payments are shown below:

Fiscal Year Ending June 30,	Certificate of Participation (1997)		Water & Wastewater Revenue Refunding Bonds (2012 A/B)	
	Principal *	Interest *	Principal *	Interest *
2015	\$ 1,228,586	\$ 1,846,415		\$ 1,554,363
2016	1,153,156	1,921,844		1,554,362
2017	1,081,262	1,993,738		1,554,362
2018			\$ 2,928,477	1,700,885
2019			2,565,035	2,067,678
2020-2024	1,055,862	5,094,137	6,662,516	10,330,946
2025-2029			14,117,140	9,027,360
2030-2034			15,236,325	7,912,975
2035-2036			8,610,000	651,000
Total debt service payments	<u>\$ 4,518,866</u>	<u>\$ 10,856,134</u>	<u>\$ 50,119,493</u>	<u>\$ 36,353,931</u>

*The principal payment does not include accreted interest. Accreted interest is included as interest in the debt service schedule.

Capital Lease

On March 22, 2013, the City entered into three lease agreements with Suntrust Equipment Finance Corporation for the acquisition of vehicles and equipment for the Fleet Services Fund for \$4,905,000. The three leases have terms of seven, ten and twelve years with interest rates ranging from 2.14 to 2.68 percent. Payments are due semi-annually under the terms of the lease agreement. At June 30, 2014, the outstanding balance was \$4,326,884.

Lease debt service payments to maturity are shown on the following page:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30,	Payments
2015	\$ 686,327
2016	686,327
2017	686,327
2018	686,327
2019	686,327
2020-2024	1,216,275
2025-2028	83,450
Total payments	4,731,360
Less: amount representing interest	(404,476)
Present value of minimum lease payments	<u>\$ 4,326,884</u>

9. INDIVIDUAL FUND INFORMATION

A. Excess of Expenditures over Appropriations

The following individual non-major special revenue funds reported expenditures exceeding budget:

Fund	Amount Over Budget
Traffic Safety	\$ 5,101
Federal and State Asset Forfeiture	74,980
Public Access Television	21,685

B. Deficit Fund Equity

The non-major special revenue funds with a deficit fund balance at June 30, 2014, are shown as follows:

Fund	Deficit Fund Balance
Stowell Parking and Lighting	\$ (34,705)
Street Grant	(400,071)

The deficit results from timing issues regarding grant funding and property tax receipts.

C. Water and Wastewater Fund

The Water and Wastewater Fund has long-term commitments to purchase water from the State Water Project. The Fund has contracted for 16,200 acre-feet of water per year plus a "drought

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

buffer” of 1,620 acre-feet per year at costs estimated between \$12 and \$20 million per year through 2035. The estimated State Water payments for each of the next five fiscal years, are summarized as follows:

Fiscal Ending June 30	Amount
2015	\$ 19,126,575
2016	19,506,299
2017	19,887,205
2018	20,037,493
2019	19,980,180

10. EMPLOYEES’ RETIREMENT PLANS

A. Pension Plan

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

Funding Policy: Participants are required to contribute eight percent (nine percent for public safety employees) of their annual covered salary. The City pays the full-time employee portion of the CalPERS contributions in the amounts of eight percent for miscellaneous employees; and nine percent for public safety employees. On April 19, 2011, the City adopted a two-tier retirement system for all employees hired after July 1, 2011. Safety employees hired after that date are required to contribute the employee’s nine percent and miscellaneous employee’s are required to contribute their eight percent. The third tier program was implemented in January 2013 following the passage of AB 340 by the California Legislature. Employees hired after December 31, 2012 who were not previously enrolled in the CalPERS system elsewhere or who have had a break in service of at least 6 months are required to be enrolled in this retirement program which provides a benefit level that is lower than the first two tiers. Members participating in the 3rd tier retirement benefit program pay the required member contribution of 12.25 percent for Fire Safety employees, 12.00 percent for Police Safety employees and 6.75 percent for miscellaneous employees.

For fiscal year 2013-14, the City contribution rate is 28.462 percent for Police, 27.877 percent for Fire, and 18.611 percent for miscellaneous for tier 1 employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS. For fiscal year 2013-14, tier 2 rates were the same as tier 1.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Fire Safety Employee Plan Change: Effective July 1, 2003, the City's Fire Safety Employee Plan became a member of CalPERS Safety three percent at 50 Risk Pool, a cost-sharing multiple employer defined benefit pension plan. CalPERS regulations require that public agency plans with less than a 100 active members participate in a risk pool. After joining a risk pool, a plan cannot, at a future date, request to leave the risk pool structure and become a stand-alone plan. Therefore, even if the City were to exceed 100 members active members in the future, the Fire Safety Employee Plan will remain in the risk pool. On October 31, 2012, the City paid to CalPERS \$5,572,242 toward its unfunded liability.

Police Safety Employee Plan Change: Effective July 1, 2011, the City's Police Safety Employee Plan became a member of CalPERS Safety three percent at 50 Risk Pool, a cost-sharing multiple-employer defined pension plan. CalPERS regulations require that public agency plans with less than a 100 active members participate in a risk pool. After joining a risk pool, a plan cannot, at a future date, request to leave the risk pool structure and become a stand-alone plan. Therefore, even if the City were to exceed 100 members active members in the future, the Police Safety Employee Plan will remain in the risk pool.

Annual Pension Cost: For fiscal year 2014, the City's annual pension cost of \$10.5 million for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions are unchanged from the prior fiscal year and include: (a) 7.50 percent investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service; and (c) 2.00 percent per fiscal year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS initial unfunded actuarial accrued liability was amortized as a level percentage of projected payrolls on a closed basis. 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 plans are amortized over an open 30-year period, which results in an amortization of 6 percent of unamortized gains and losses each year. If the plan had an accrued liability exceeding the actuarial value of plan assets, then the amortization payment of the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. On the following page is a schedule of employer contributions (in thousands) for pension benefits.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

Safety Police Plan

6/30/2012	\$ 3,345	100%
6/30/2013	2,852	100%
6/30/2014	3,163	100%

Safety Fire Plan

6/30/2012	\$ 2,019	100%
6/30/2013	1,736	100%
6/30/2014	1,770	100%

Miscellaneous Plan

6/30/2012	\$ 5,197	100%
6/30/2013	4,954	100%
6/30/2014	5,553	100%

Funding Status and Progress: The funded status of the Public Safety Plans and the Miscellaneous Plan (in thousands) as of June 30, 2013, the plans most recent actuarial valuation date is shown below.

	<u>Police Safety Employee Plan</u>	<u>Fire Safety Employee Plan</u>	<u>Miscellaneous Employee Plan</u>
Accrued liability (AL)	\$ 98,593	\$ 45,463	\$ 172,775
Market value of plan assets	74,150	35,248	126,315
Unfunded liability (UL)	\$ 24,443	\$ 10,215	\$ 46,460
Funded ratio (market value of plan assets/UL)	75.2%	77.5%	73.1%
Covered payroll (active plan members)	\$ 8,234	\$ 4,582	\$ 20,665
UL as a percentage of covered payroll	296.9%	222.9%	224.8%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

B. Defined Contribution Pension Plan

All 19-hour limited-service employees and employees not covered by CalPERS are covered by the Public Agency Retirement System (PARS), pursuant to the requirements of 3121 (b)(7)(F) of the Internal Revenue Service code. PARS is a Defined Contribution Plan qualifying under 401(a) and 501 of the Internal Revenue Service code. The Plan is administered by the

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

government and Plan provisions may only be amended by City Council action. The authority for establishing or amending contributions requirements is from the Internal Revenue Code Section 3120 (b)(7)(F).

Contributions of 7.5 percent of covered compensation are made by the employees. Contributions of \$47,387 were made during the fiscal year-ending June 30, 2014. The total amount of covered compensation was \$631,827. All eligible employees covered by the plan are fully vested and may withdraw 100 percent of the value of employee's account upon separation from the City or reaching the age of 70½. City liabilities are limited to the amount of current contributions.

The account summary, below, reports the additions and distributions during fiscal year 2013-14:

Beginning Balance		\$ 299,162
Plus:		
Contributions	\$ 47,387	
Year-to-Date Earnings	<u>2,077</u>	
Subtotal		49,464
Less:		
Year-to-date expenses	6,538	
Distributions	<u>73,400</u>	
Subtotal		<u>79,938</u>
Ending Balance		<u><u>\$ 268,688</u></u>

11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The City provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from the City and enrolled in an insurance program under the California Public Employees' Medical and Hospital Care Act (PEMHCA). The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the California Public Employees Retirement Agency. Copies of the CalPERS annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: PEMHCA determines the amount contributed by the City toward retiree health insurance. Currently, the City is required to contribute \$119 per month toward the cost of the retiree health insurance, which is the same amount contributed toward active employee health insurance. The balance of the premium, averaging approximately \$592 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. The contribution amount is calculated by using the annual consumer price index increase. During fiscal year 2013-14, expenditures of \$170,004 were recognized for post-retirement health insurance contributions on a pay-as-you-go basis.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

The City is required to record 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 on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 1.5 percent of annual covered payroll.

Annual OPEB Cost: For fiscal year-ended June 30, 2014, the City contributed \$170,004 for pay as you-go premiums to the Plan. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference the ARC, amortization and contributions, as presented below:

	Net OPEB Obligation Calculation
Annual Required Contribution (ARC)	\$ 689,010
Amortization of Net OPEB Liability	(134,426)
Interest on Net OPEB Liability	92,979
Annual OPEB Cost	<u>647,563</u>
Contributions made:	
City share of current year premiums paid	<u>170,004</u>
Contributions less than the ARC	477,559
Net OPEB Obligation at June 30, 2013	<u>2,322,017</u>
Net OPEB Obligation at June 30, 2014	<u><u>\$ 2,799,576</u></u>

The City's ARC and actual contributions for the years-ended June 30 are set forth below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Net OPEB Obligation	% of Annual OPEB Cost Contributed
06/30/10	\$ 475,593	\$ 113,530	\$ 1,219,531	24%
06/30/11	\$ 511,847	\$ 126,153	\$ 1,605,225	25%
06/30/12	\$ 512,243	\$ 143,305	\$ 1,974,163	28%
06/30/13	\$ 506,685	\$ 158,831	\$ 2,322,017	31%
06/30/14	\$ 647,563	\$ 170,004	\$ 2,799,576	26%

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013, is shown on the following page:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2014

12. RISK MANAGEMENT

The City is partially self-insured for workers' compensation and liability claims and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since July 1, 1978.

The City and the Santa Maria Public Finance Authority property are covered for all risks, per occurrence of \$1,000,000,000 through the California Public Entity Property Program. Various unique risks, (i.e., boilers, machinery, and data processing equipment) are fully insured. The City contracts for liability insurance with Exclusive Risk Management Authority of California providing excess liability insurance of \$25 million per claim in excess of the City's self-insured retention of \$250,000.

The City maintains a \$500,000 self-insured retention (SIR) for workers' compensation claims. The Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Insurance Authority provides insurance in excess of the City's SIR, and \$2 million in employer liability. The City's Insurance Fund is financed through contributions made by the City's General and Proprietary funds.

Third party administration provides data on estimated claim liabilities (paid and reserves). As of June 30, 2014, the estimated outstanding liability was \$9,476,888 for workers' compensation and \$1,269,767 for general liability. Such amounts have been accrued in the accompanying combined financial statements' Internal Service Insurance Fund. At June 30, 2014, the estimated liability for claims payable is \$10,746,655. The City's liability for claims payable is based on claims reserves established by the claims administrators and actuarial studies. The claims liability includes an allowance for incurred, but not reported losses.

Insurance Claims Payable

	<u>2012-13</u>	<u>2013-14</u>
Claims payable at July 1	\$ 9,392,105	\$ 10,798,424
Claims incurred during the fiscal year	2,297,805	1,619,661
Payments on claims during the fiscal year	<u>(891,486)</u>	<u>(1,671,430)</u>
Claims and judgments payable at June 30	<u>\$ 10,798,424</u>	<u>\$ 10,746,655</u>

13. STABILIZATION RESERVE

The General Fund established an Economic Stabilization (Prudent Reserve) account for use in economic emergencies. The City Council adopted a resolution committing \$19,800,000 for this purpose. Appropriations from these reserves can only be made by formal City Council action in emergency situations. Examples of such emergencies include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures over five percent of the General Fund adopted budget.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- Budgeted revenue taken over by another entity.
- Drop in projected/actual revenue of more than five percent of the General Fund adopted revenue budget.

14. PRIOR PERIOD ADJUSTMENTS

Four prior period adjustments occurred in major funds. In fiscal year 2014, the City adopted GASB 65 resulting in the write-off of bond issuance costs for both the Governmental and Business-type activities. The Governmental Activities beginning net position was reduced by \$147,984 for the write-off of bond issuance costs and the Business-type Activities beginning net position was reduced by \$408,551. In the Water and Wastewater Fund, a fixed asset was inadvertently recorded as a disposal in the prior year. A prior period adjustment to correct the error resulted in an increase in beginning net position of \$425,675. In addition, an error occurred in the prior year in recording of unearned revenue in the Transit Fund. This resulted in an understatement of revenue by \$915,365 in the prior year. Also, the General Fund beginning fund balance was increased by the error in the recording of Supplemental Law Enforcement Grant revenue in prior years. This resulted in an increase in the General Fund beginning fund balance by \$265,778 and decrease in the Supplemental Law Enforcement Grant of \$282,042.

The impact of the prior period adjustments on the Statement of Activities is shown below:

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Beginning net position	\$ 259,842,548	\$ 173,853,161	\$ 433,695,709
Total prior period adjustments	<u>(164,248)</u>	<u>932,489</u>	<u>768,241</u>
Beginning net position, restated	<u>\$ 259,678,300</u>	<u>\$ 174,785,650</u>	<u>\$ 434,463,950</u>

The impact of the prior period adjustments on the individual fund is as follows:

	General Fund	Supplemental Law Enforcement Service Grant	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Beginning fund balance	\$ 36,636,064	\$ 280,810	\$ 60,468,715
Correction in recording of deferred revenues for the Supplemental Law Enforcement Grant at 7/1/13	<u>265,778</u>	<u>(282,042)</u>	<u>(16,264)</u>
Beginning fund balance, restated	<u>\$ 36,901,842</u>	<u>\$ (1,232)</u>	<u>\$ 60,452,451</u>

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	<u>Water & Wastewater Fund</u>	<u>Transit Fund</u>	<u>Total Proprietary Funds</u>
Beginning net position	\$ 82,058,361	\$ 13,983,876	\$ 164,028,072
Adoption of GASB 65 resulting in write off of bond issuance costs and bond premium at 7/1/2013	(408,551)		(408,551)
Restore Wastewater Clarifier disposed of in error at 7/1/13	425,675		425,675
Correction of recording of unearned revenue at 7/1/13		915,365	915,365
Beginning net position, restated	<u>\$ 82,075,485</u>	<u>\$ 14,899,241</u>	<u>\$ 164,960,561</u>

15. RECONCILIATION - ENTERPRISE NET POSITION

The proprietary fund statement of revenues, expenses, and changes in fund net position includes a reconciliation between *net position total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of activities. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$735,618 difference are shown below:

Internal receivable representing charges less than cost to business-type activities - current fiscal year.	<u>\$ 735,618</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities.	<u>\$ 735,618</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is December 1, 2014.



Required Supplementary Information

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2014

1. BUDGETARY INFORMATION

The following are budget comparison schedules for the General Fund:

Budget Comparison Schedule, General Fund

For the Fiscal Year Ended June 30, 2014

	Budget Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES:				
Taxes	\$ 43,847,810	\$ 43,847,810	\$ 44,582,143	\$ 734,333
Permits, fines and forfeitures	1,003,800	1,003,800	2,418,307	1,414,507
Revenues from use of money and property	1,212,460	1,235,460	1,021,336	(214,124)
Aid from governmental agencies	1,576,190	2,092,340	2,030,234	(62,106)
Charges for current services	4,499,950	4,623,130	6,028,385	1,405,255
Other revenue	82,700	82,700	311,112	228,412
Total revenues	52,222,910	52,885,240	56,391,517	3,506,277
EXPENDITURES:				
Current:				
General government	7,876,200	7,999,230	7,650,954	(348,276)
Community development	2,825,590	2,890,270	2,572,124	(318,146)
Public Safety	35,402,740	35,738,041	32,789,482	(2,948,559)
Recreation and parks	8,613,840	8,696,180	8,402,474	(293,706)
Public Works	2,450,390	2,458,700	2,338,877	(119,823)
Library		70,640	52,850	(17,790)
Capital outlay		1,309,439	682,182	(627,257)
Debt service				
Principal	2,312,140	2,564,664		(2,564,664)
Interest	466,330	217,916		(217,916)
Total expenditures	59,947,230	61,945,080	54,488,943	(7,456,137)
REVENUES OVER (UNDER) EXPENDITURES	(7,724,320)	(9,059,840)	1,902,574	10,962,414
OTHER FINANCING SOURCES (USES):				
Transfers in	6,707,470	6,707,470	4,397,848	(2,309,622)
Transfers out	(2,280,270)	(2,299,370)	(6,300,525)	(4,001,155)
Total other financing sources (uses)	4,427,200	4,408,100	(1,902,677)	(6,310,777)
Net change in fund balance	\$ (3,297,120)	\$ (4,651,740)	(103)	\$ 4,651,637
FUND BALANCE:				
Beginning of fiscal year			36,636,064	
Prior period adjustment			265,778	
Beginning fund balance, restated			36,901,842	
End of fiscal year			\$ 36,901,739	

See Accompanying Note to Required Supplementary Information.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2014

1. BUDGETARY INFORMATION

The following are budget comparison schedules for the Library Fund:

Budget Comparison Schedule, Library Fund

For the Fiscal Year Ended June 30, 2014

	Budget Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES:				
Revenues from use of money and property	\$ 25,940	\$ 25,940	\$ 28,128	\$ 2,188
Aid from governmental agencies	850,000	996,881	1,003,253	6,372
Charges from governmental agencies	103,760	132,560	126,711	(5,849)
Other revenue	6,890	6,890	4,784	(2,106)
Total revenues	986,590	1,162,271	1,162,876	605
EXPENDITURES:				
Current:				
Library	2,808,900	2,938,868	2,737,443	(201,425)
Total expenditures	2,808,900	2,938,868	2,737,443	(201,425)
REVENUES OVER (UNDER) EXPENDITURES	(1,822,310)	(1,776,597)	(1,574,567)	202,030
OTHER FINANCING SOURCES (USES):				
Transfers in	1,438,660	1,438,660	1,438,660	
Total other financing sources (uses)	1,438,660	1,438,660	1,438,660	
Net change in fund balance	\$ (383,650)	\$ (337,937)	(135,907)	\$ 202,030
FUND BALANCE:				
Beginning of fiscal year			301,646	
End of fiscal year			\$ 165,739	

See Accompanying Note to Required Supplementary Information.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Continued For the Fiscal Year Ended June 30, 2014

2. MODIFICATION TO ADOPTED BUDGET (Note to Required Supplementary Information)

The City Council is responsible for the adoption of the City's two fiscal year budget. As of the effective date of the budget, the proposed expenditure amounts reported in the City's two fiscal year budget, become appropriations to City departments. The City Council has the authority to amend the budget by motion during the two-year period, while the City Manager is authorized to transfer the budgeted funds among departments or functions within the same fund without seeking approval by the City Council. However, any revisions altering the total fund balance must be approved by the City Council.

Remaining appropriations at the end of the first fiscal year of the two fiscal year budget are eligible to be carried forward to the second fiscal year. At the end of the second fiscal year, all appropriations lapse unless encumbered. Because lease contracts are subject to annual review by the City Council, these contracts are legally one year contracts with an option for renewal for another fiscal year.

The City's originally adopted budget and the budget amended for supplemental appropriations during the course of the fiscal year are reported in the Required Supplementary Information. Budget amounts reported for governmental funds of the City are adopted on a basis consistent with USGAAP.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Continued

For the Fiscal Year Ended June 30, 2014

3. DEFINED PENSION PLAN

The following table provides required supplementary information regarding the City's CalPERS Plan:

Schedule of Funding Progress (in thousands)

Valuation Date	Market Value of Assets	Accrued Liability	Unfunded Liability (UL) (Excess Assets)	Funded Status	Annual Covered Payroll	UL as a % of Covered Payroll
6/30/09						
Misc.	\$ 84,972	\$ 138,457	\$ 53,485	61.4%	\$ 21,681	247 %
Police	49,478	80,922	31,444	61.1%	9,685	325 %
*Fire						
Total	<u>\$ 134,450</u>	<u>\$ 219,379</u>	<u>\$ 84,929</u>	<u>61.3%</u>	<u>\$ 31,366</u>	<u>271 %</u>
6/30/10						
Misc.	\$ 96,080	\$ 146,896	\$ 50,816	65.4%	\$ 21,707	234 %
Police	56,448	83,662	\$ 27,214	67.5%	9,265	294 %
*Fire						
Total	<u>\$ 152,528</u>	<u>\$ 230,558</u>	<u>\$ 78,030</u>	<u>66.2%</u>	<u>\$ 30,972</u>	<u>252 %</u>
6/30/11						
Misc.	\$ 115,275	\$ 156,767	\$ 41,492	73.5%	\$ 21,163	196 %
Police	68,349	90,399	\$ 22,050	75.6%	8,837	250 %
Fire	27,801	40,913	\$ 13,112	68.0%	4,336	302 %
Total	<u>\$ 211,425</u>	<u>\$ 288,079</u>	<u>\$ 76,654</u>	<u>73.4%</u>	<u>\$ 34,336</u>	<u>223 %</u>
6/30/12						
Misc.	\$ 113,599	\$ 165,324	\$ 51,725	68.7%	\$ 20,388	254 %
Police	67,118	94,379	27,261	71.1%	8,418	324 %
Fire	27,408	42,775	15,367	64.1%	4,224	364 %
Total	<u>\$ 208,125</u>	<u>\$ 302,478</u>	<u>\$ 94,353</u>	<u>68.8%</u>	<u>\$ 33,030</u>	<u>286 %</u>
6/30/13						
Misc.	\$ 126,315	\$ 172,775	\$ 46,460	73.1%	\$ 20,665	225 %
Police	74,150	98,593	24,443	75.2%	8,234	297 %
Fire	35,248	45,463	10,215	77.5%	4,582	223 %
Total	<u>\$ 235,713</u>	<u>\$ 316,831</u>	<u>\$ 81,118</u>	<u>74.4%</u>	<u>\$ 33,481</u>	<u>242 %</u>

*Fire - The City's Fire employees were combined into CalPERS risk pool. The City is not reported separately, therefore, GASB Statement Number 27 does not require the City to report the pool funding status. In fiscal year 2011, CalPERS began reporting the City separately from the pool

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Concluded For the Fiscal Year Ended June 30, 2014

4. SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT HEALTHCARE COSTS

The following table provides required supplementary information regarding the City's postemployment healthcare benefits.

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/08	\$ 0	\$ 3,332,851	\$ 3,332,851	0.0%	\$ 30,596,487	10.9%
6/30/09	\$ 0	\$ 4,143,411	\$ 4,143,411	0.0%	\$ 34,380,964	12.1%
6/30/11	\$ 0	\$ 4,539,343	\$ 4,539,343	0.0%	\$ 33,072,086	13.7%
6/30/13	\$ 0	\$ 6,248,027	\$ 6,248,027	0.0%	\$ 33,809,286	18.5%



Supplementary Information

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Traffic Safety Fund – The Traffic Safety Fund is used to account for fines and penalties received from traffic law violations. Funds received are used to support safety operations.

Drainage Districts Fund – The Drainage Districts Fund accounts for resources used to provide drainage in specific areas of the City.

Land Acquisition Tax Fund – The Land Acquisition Tax Fund is used to account for receipts and use of subdivision in-lieu tax for the acquisition of parks.

Growth Mitigation Fund – The Growth Mitigation Fund accounts for the receipt of developer and user fees as approved under the State of California Assembly Bill 1600.

Residential Development Tax Fund – The Residential Development Tax Fund accounts for the development and rehabilitation of parks.

Landscape Maintenance Fund – The Landscape Maintenance Fund accounts for property tax revenues that are restricted to providing landscaping to specific areas in the City.

Stowell Parking and Lighting Assessment Fund – The Stowell Parking and Lighting Assessment Fund is used to account for property tax revenues that are restricted to providing lighting and landscaping to the Stowell Plaza Shopping Center.

Business Attraction Loan Fund – The Business Attraction Loan Fund is used to account for a revolving loan program aimed at attracting new businesses, expanding, and retaining existing businesses in the community.

Supplemental Law Enforcement Service Grant Fund – The Supplemental Law Enforcement Service Grant Fund accounts for resources provided to units of local government to underwrite projects to reduce crime and improve public safety.

Federal and State Asset Forfeiture Fund – The Federal and State Asset Forfeiture Fund is used to account for Federal and State drug assets forfeiture funds received by the City.

Gas Tax Fund and Local Street Fund – The Gas Tax Fund and Local Street Fund account for resources from gas taxes collected by the State; and local projects financed by a ½ cent Santa Barbara County sales tax.

Street Grant Fund – The Street Grant Fund accounts for resources from grants received from Federal and State programs.

Public Access Television Fund – The Public Access Television Fund accounts for resources provided to fund a studio, equipment, and personnel to produce and broadcast television articles in the areas of government, public information, and public access for private citizens.

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

Grant (Non-recurring) Fund - The Non-recurring Grant Fund accounts for one-time significant grants received such federal stimulus monies.

Debt Service Funds

Public Financing Authority Fund - The Public Financing Authority Fund accounts for the debt requirement of the Public Financing Authority.

City Debt Service Fund - The City Debt Service Fund accounts for the debt requirements of the City.

Capital Projects Funds

General Capital Projects - The General Capital Projects Fund is used to account for the purchase and construction of capital assets for the General Fund.

Community Development Fund - The Community Development Fund was established to account for receipts from Community Development Block Grant Funds for special projects in the City.

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2014

	Special Revenue Funds				
	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation	Residential Development Tax
ASSETS:					
Cash and investments		\$ 297,055	\$ 320,260	\$ 824,213	\$ 282,885
Cash with fiscal agent					
Accounts receivable			701		
Accrued revenue receivable	\$ 20,989	687		26,441	541
Loans receivable					
Advances receivable					
Total assets	<u>\$ 20,989</u>	<u>\$ 297,742</u>	<u>\$ 320,961</u>	<u>\$ 850,654</u>	<u>\$ 283,426</u>
LIABILITIES:					
Accounts payable	\$ 3,761	\$ 25	\$ 13,682	\$ 11,874	\$ 10,619
Due to other funds					
Accrued payroll					
Advances payable					
Unearned revenue					
Total liabilities	<u>3,761</u>	<u>25</u>	<u>13,682</u>	<u>11,874</u>	<u>10,619</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - loans receivable					
Total deferred inflows of resources					
FUND BALANCES:					
Restricted:					
Road maintenance					
Community development					
Education					
Public safety	17,228				
Drainage		297,717			
Landscape maintenance					
Park acquisition			307,279		
Park development					272,807
Debt service reserve					
Assigned to:					
Capital projects				838,780	
Unassigned					
Total fund balances	<u>17,228</u>	<u>297,717</u>	<u>307,279</u>	<u>838,780</u>	<u>272,807</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,989</u>	<u>\$ 297,742</u>	<u>\$ 320,961</u>	<u>\$ 850,654</u>	<u>\$ 283,426</u>

Special Revenue Funds				
Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Service Grant	Federal and State Asset Forfeiture
\$ 2,625,071	\$ 103,847	\$ 912,178	\$ 242,962	\$ 514,962
	230	2,105	44,846	1,199
11,503		270,157		
138,307				
<u>\$ 2,774,881</u>	<u>\$ 104,077</u>	<u>\$ 1,184,440</u>	<u>\$ 287,808</u>	<u>\$ 516,161</u>
\$ 126,696	\$ 475	\$ 75	\$ 53	\$ 43
6,403				
	138,307			
			287,342	
<u>133,099</u>	<u>138,782</u>	<u>75</u>	<u>287,395</u>	<u>43</u>
		270,157		
		270,157		
		914,208		
			413	516,118
2,641,782				
	(34,705)			
<u>2,641,782</u>	<u>(34,705)</u>	<u>914,208</u>	<u>413</u>	<u>516,118</u>
<u>\$ 2,774,881</u>	<u>\$ 104,077</u>	<u>\$ 1,184,440</u>	<u>\$ 287,808</u>	<u>\$ 516,161</u>

(continued)

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2014

	Special Revenue Funds			
	Gas Tax	Street Grant	Local Streets	Public Access Television
ASSETS:				
Cash and investments	\$ 2,845,677	\$ 198,283	\$ 3,393,244	\$ 184,388
Cash with fiscal agent				
Accounts receivable	124,962	1,941,508	11,003	759
Accrued revenue receivable			31,446	
Loans receivable				
Advances receivable				
Total assets	<u>\$ 2,970,639</u>	<u>\$ 2,139,791</u>	<u>\$ 3,435,693</u>	<u>\$ 185,147</u>
LIABILITIES:				
Accounts payable	\$ 96,018	\$ 39,862	\$ 144,864	\$ 141
Due to other funds		2,500,000		
Accrued payroll			12,904	1,485
Advances payable				
Unearned revenue				
Total liabilities	<u>96,018</u>	<u>2,539,862</u>	<u>157,768</u>	<u>1,626</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - loans receivable				
Total deferred inflows of resources				
FUND BALANCES:				
Restricted for:				
Road maintenance	2,874,621		3,277,925	
Community development				
Education				183,521
Public safety				
Drainage				
Landscape maintenance				
Park acquisition				
Park development				
Debt service reserve				
Assigned to:				
Capital projects				
Unassigned:		(400,071)		
Total fund balances	<u>2,874,621</u>	<u>(400,071)</u>	<u>3,277,925</u>	<u>183,521</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,970,639</u>	<u>\$ 2,139,791</u>	<u>\$ 3,435,693</u>	<u>\$ 185,147</u>

Special Revenue Funds	
Grant (Non- recurring)	Total Special Revenue Funds
\$ 55,121	\$ 12,800,146
94,879	2,222,192
	91,607
	270,157
	138,307
<u>\$ 150,000</u>	<u>\$ 15,522,409</u>
	\$ 448,188
\$ 150,000	2,650,000
	20,792
	138,307
	287,342
<u>150,000</u>	<u>3,544,629</u>
	<u>270,157</u>
	<u>270,157</u>
	6,152,546
	914,208
	183,521
	533,759
	297,717
	2,641,782
	307,279
	272,807
	838,780
	<u>(434,776)</u>
	<u>11,707,623</u>
<u>\$ 150,000</u>	<u>\$ 15,522,409</u>

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2014

	Debt Service		Capital Projects	
	Public Financing Authority	City Debt Service	General Capital Projects	Community Development
ASSETS:				
Cash and investments			\$ 7,040,166	\$ 102,749
Cash with fiscal agent	\$ 278,199			
Accounts receivable				859,816
Accrued revenue receivable			37,155	
Loans receivable				4,088,419
Advances receivable				
Total assets	<u>\$ 278,199</u>	<u></u>	<u>\$ 7,077,321</u>	<u>\$ 5,050,984</u>
LIABILITIES:				
Accounts payable			\$ 1,722,213	\$ 78,443
Due to other funds				600,000
Accrued payroll				
Advances payable			784,533	
Unearned revenue				
Total liabilities	<u></u>	<u></u>	<u>2,506,746</u>	<u>678,443</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - loans receivable				4,088,419
Total deferred inflows of resources	<u></u>	<u></u>	<u></u>	<u>4,088,419</u>
FUND BALANCES:				
Restricted for:				
Road maintenance				
Community development				284,122
Education				
Public safety				
Drainage				
Landscape maintenance				
Park acquisition				
Park development				
Debt service reserve	\$ 278,199			
Assigned to:				
Capital projects			4,570,575	
Unassigned:				
Total fund balances	<u>278,199</u>	<u></u>	<u>4,570,575</u>	<u>284,122</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 278,199</u>	<u></u>	<u>\$ 7,077,321</u>	<u>\$ 5,050,984</u>

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2014

	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation
REVENUES:				
Taxes				
Permits, fines and forfeitures	\$ 299,301			
Revenues from use of money and property		\$ 3,462	\$ 7,903	\$ 124,866
Aid from governmental agencies				
Charges for current services			122,903	2,738,651
Contributions				
Other	12,502			
Total revenues	311,803	3,462	130,806	2,863,517
EXPENDITURES:				
Current:				
Community development				
Public safety	30,351			
Recreation and parks				
Public works				
Capital outlay			653,302	618,600
Debt service:				
Principal				
Interest and fiscal charges				14,490
Total expenditures	30,351		653,302	633,090
Excess (deficiency) of revenues over expenditures	281,452	3,462	(522,496)	2,230,427
Other financing sources (uses):				
Proceeds from loan				
Transfers in				
Transfers out	(314,820)			
Total other financing sources (uses)	(314,820)			
Net change in fund balances	(33,368)	3,462	(522,496)	2,230,427
FUND BALANCES:				
Beginning of fiscal year	50,596	294,255	829,775	(1,391,647)
Prior period adjustments				
Beginning of fiscal year, restated	50,596	294,255	829,775	(1,391,647)
End of fiscal year	\$ 17,228	\$ 297,717	\$ 307,279	\$ 838,780

Special Revenue Funds					
Residential Development Tax	Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Service Grant	Federal and State Asset Forfeiture
\$ 174,441					
3,676	\$ 36,376	\$ 359	\$ 17,100	\$ 6,311	\$ 6,627
		141		141,228	30,660
	2,645,547	50,011			
	4,874		23,800		
<u>178,117</u>	<u>2,686,797</u>	<u>50,511</u>	<u>40,900</u>	<u>147,539</u>	<u>37,287</u>
					74,980
277,616	3,046,093	15,105			
	357,092	24,927			
		4,675			
<u>277,616</u>	<u>3,403,185</u>	<u>44,707</u>			<u>74,980</u>
(99,499)	(716,388)	5,804	40,900	147,539	(37,693)
	650,710				
	(299,300)	(780)		(145,894)	
	351,410	(780)		(145,894)	
(99,499)	(364,978)	5,024	40,900	1,645	(37,693)
372,306	3,006,760	(39,729)	873,308	280,810	553,811
				(282,042)	
<u>372,306</u>	<u>3,006,760</u>	<u>(39,729)</u>	<u>873,308</u>	<u>(1,232)</u>	<u>553,811</u>
<u>\$ 272,807</u>	<u>\$ 2,641,782</u>	<u>\$ (34,705)</u>	<u>\$ 914,208</u>	<u>\$ 413</u>	<u>\$ 516,118</u>

(continued)

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Non-major Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds			
	Gas Tax	Street Grant	Local Streets	Public Access Television
REVENUES:				
Taxes	\$ 2,923,222		\$ 4,781,211	
Permits, fines and forfeitures				
Revenues from use of money and property	30,918		44,071	\$ 1,776
Aid from governmental agencies		\$ 4,181,028		
Charges for current services			77,994	243,519
Contributions				
Other	65,527	48,247		225
Total revenues	3,019,667	4,229,275	4,903,276	245,520
EXPENDITURES:				
Current:				
Community development				237,645
Public safety				
Recreation and parks				
Public works			1,934,786	
Capital outlay	2,513,366	4,197,439	1,914,279	
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	2,513,366	4,197,439	3,849,065	237,645
Excess (deficiency) of revenues over expenditures	506,301	31,836	1,054,211	7,875
Other financing sources (uses):				
Proceeds from loan			498,110	
Transfers in			238,737	
Transfers out	(668,050)		(1,171,860)	(11,140)
Total other financing sources (uses)	(668,050)		(435,013)	(11,140)
Net change in fund balances	(161,749)	31,836	619,198	(3,265)
FUND BALANCES:				
Beginning of fiscal year	3,036,370	(431,907)	2,658,727	186,786
Prior period adjustments				
Beginning of fiscal year, restated	3,036,370	(431,907)	2,658,727	186,786
End of fiscal year	\$ 2,874,621	\$ (400,071)	\$ 3,277,925	\$ 183,521

Special Revenue Funds	
Grant (Non- recurring)	Total Special Revenue Funds
	\$ 7,878,874
	299,301
	283,445
\$ 13,852	4,366,909
	5,878,625
	155,175
13,852	18,862,329
	251,497
13,852	105,331
	3,323,709
	1,949,891
	10,279,005
	19,165
13,852	15,928,598
	2,933,731
	498,110
	889,447
	(2,611,844)
	(1,224,287)
	1,709,444
	10,280,221
	(282,042)
	9,998,179
\$ -	\$ 11,707,623

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Non-major Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2014

	Debt Service		Capital Projects	
	Public Financing Authority	City Debt Service	General Capital Projects	Community Development
REVENUES:				
Taxes				
Permits, fines and forfeitures				
Revenues from use of money and property		\$ 148,203		\$ 1,037
Aid from governmental agencies				1,155,059
Charges for current services				
Contributions			\$ 1,976,386	
Other			24,589	44,168
Total revenues		148,203	2,000,975	1,200,264
EXPENDITURES:				
Current:				
Community development				1,080,839
Public safety				
Recreation and parks				
Public works				
Capital outlay			8,407,802	
Debt service:				
Principal		4,675,000		
Interest and fiscal charges		119,663		
Total expenditures		4,794,663	8,407,802	1,080,839
Excess (deficiency) of revenues over expenditures		(4,646,460)	(6,406,827)	119,425
Other financing sources (uses):				
Proceeds from loan				
Transfers in		2,215,099	875,129	
Transfers out			(6,330)	(267,924)
Total other financing sources (uses)		2,215,099	868,799	(267,924)
Net change in fund balances		(2,431,361)	(5,538,028)	(148,499)
FUND BALANCES:				
Beginning of fiscal year	\$ 278,199	2,431,361	10,108,603	432,621
Prior period adjustments				
Beginning of fiscal year, restated	278,199	2,431,361	10,108,603	432,621
End of fiscal year	\$ 278,199	\$ -	\$ 4,570,575	\$ 284,122

<u>Total Non-major Governmental Funds</u>	
\$	7,878,874
	299,301
	432,685
	5,521,968
	5,878,625
	1,976,386
	223,932
	<u>22,211,771</u>
	1,332,336
	105,331
	3,323,709
	1,949,891
	18,686,807
	4,675,000
	138,828
	<u>30,211,902</u>
	<u>(8,000,131)</u>
	498,110
	3,979,675
	<u>(2,886,098)</u>
	<u>1,591,687</u>
	<u>(6,408,444)</u>
	23,531,005
	<u>(282,042)</u>
	<u>23,248,963</u>
\$	<u>16,840,519</u>

(concluded)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2014

	Traffic Safety		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures	\$ 372,250	\$ 299,301	\$ (72,949)
Revenues from use of money and property			
Aid from governmental agencies			
Charges for current services			
Other revenues		12,502	12,502
	<u>372,250</u>	<u>311,803</u>	<u>(60,447)</u>
Total revenues			
EXPENDITURES:			
Current:			
Community development			
Public safety	25,250	30,351	5,101
Recreation and parks			
Public works			
Capital outlay			
Debt service			
Interest and fiscal charges			
	<u>25,250</u>	<u>30,351</u>	<u>5,101</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>347,000</u>	<u>281,452</u>	<u>(65,548)</u>
Other financing sources (uses):			
Proceeds from loan			
Transfers in			
Transfers out	(313,500)	(314,820)	(1,320)
	<u>(313,500)</u>	<u>(314,820)</u>	<u>(1,320)</u>
Total other financing sources (uses):			
	<u>(313,500)</u>	<u>(314,820)</u>	<u>(1,320)</u>
Net change in fund balances	<u>\$ 33,500</u>	<u>(33,368)</u>	<u>\$ (66,868)</u>
FUND BALANCES:			
Beginning of fiscal year		50,596	
Prior period adjustments			
Beginning of fiscal year, restated		<u>50,596</u>	
End of fiscal year		<u>\$ 17,228</u>	

Drainage Districts			Land Acquisition Tax		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 3,550	\$ 3,462	\$ (88)	\$ 10,050	\$ 7,903	\$ (2,147)
			12,000	122,903	110,903
<u>3,550</u>	<u>3,462</u>	<u>(88)</u>	<u>22,050</u>	<u>130,806</u>	<u>108,756</u>
			1,035,056	653,302	(381,754)
			<u>1,035,056</u>	<u>653,302</u>	<u>(381,754)</u>
<u>3,550</u>	<u>3,462</u>	<u>(88)</u>	<u>(1,013,006)</u>	<u>(522,496)</u>	<u>490,510</u>
<u>\$ 3,550</u>	<u>3,462</u>	<u>\$ (88)</u>	<u>\$ (1,013,006)</u>	<u>(522,496)</u>	<u>\$ 490,510</u>
	294,255			829,775	
	<u>294,255</u>			<u>829,775</u>	
	<u>\$ 297,717</u>			<u>\$ 307,279</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2014

	Growth Mitigation		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 110,000	\$ 124,866	\$ 14,866
Aid from governmental agencies			
Charges for current services	1,262,950	2,738,651	1,475,701
Other revenues			
	<hr/>	<hr/>	<hr/>
Total revenues	1,372,950	2,863,517	1,490,567
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Capital outlay	3,544,041	618,600	(2,925,441)
Debt service			
Interest and fiscal charges	14,490	14,490	
	<hr/>	<hr/>	<hr/>
Total expenditures	3,558,531	633,090	(2,925,441)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(2,185,581)	2,230,427	4,416,008
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Proceeds from loan			
Transfers in			
Transfers out			
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses):			
	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ (2,185,581)	2,230,427	\$ 4,416,008
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Beginning of fiscal year		(1,391,647)	
Prior period adjustments			
Beginning of fiscal year, restated		(1,391,647)	
		<hr/>	
End of fiscal Year		\$ 838,780	
		<hr/>	

Residential Development Tax			Landscape Maintenance		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 40,000	\$ 174,441	\$ 134,441			
3,000	3,676	676	\$ 21,750	\$ 36,376	\$ 14,626
			2,634,790	2,645,547	10,757
				4,874	4,874
43,000	178,117	135,117	2,656,540	2,686,797	30,257
350,140	277,616	(72,524)	6,550,799	3,046,093	(3,504,706)
			607,300	357,092	(250,208)
350,140	277,616	(72,524)	7,158,099	3,403,185	(3,754,914)
(307,140)	(99,499)	207,641	(4,501,559)	(716,388)	3,785,171
			565,817	650,710	84,893
			(214,407)	(299,300)	(84,893)
			351,410	351,410	
\$ (307,140)	(99,499)	\$ 207,641	\$ (4,150,149)	(364,978)	\$ 3,785,171
	372,306			3,006,760	
	372,306			3,006,760	
	\$ 272,807			\$ 2,641,782	

(continued)

City of Santa Maria
BUDGETARY COMPARISON SCHEDULES
Special Revenue Funds, Continued
For the Fiscal Year Ended June 30, 2014

	Stowell Parking and Lighting		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 500	\$ 359	\$ (141)
Aid from governmental agencies	150	141	(9)
Charges for current services	48,870	50,011	1,141
Other revenues			
Total revenues	<u>49,520</u>	<u>50,511</u>	<u>991</u>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works	17,140	15,105	(2,035)
Capital outlay	59,170	24,927	(34,243)
Debt service			
Interest and fiscal charges	<u>28,500</u>	<u>4,675</u>	<u>(23,825)</u>
Total expenditures	<u>104,810</u>	<u>44,707</u>	<u>(60,103)</u>
Excess (deficiency) of revenues over expenditures	<u>(55,290)</u>	<u>5,804</u>	<u>61,094</u>
Other financing sources (uses):			
Proceeds from loan			
Transfers in			
Transfers out	<u>(780)</u>	<u>(780)</u>	
Total other financing sources (uses):	<u>(780)</u>	<u>(780)</u>	
Net change in fund balances	<u>\$ (56,070)</u>	<u>5,024</u>	<u>\$ 61,094</u>
FUND BALANCES:			
Beginning of fiscal year		(39,729)	
Prior period adjustments		<u>(39,729)</u>	
Beginning of fiscal year, restated		(39,729)	
End of fiscal year		<u>\$ (34,705)</u>	

Business Attraction Loan			Supplemental Law Enforcement Service Grant		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 26,350	\$ 17,100	\$ (9,250)	\$ 2,500	\$ 6,311	\$ 3,811
			60,000	141,228	81,228
<u>79,560</u>	<u>23,800</u>	<u>(55,760)</u>			
<u>105,910</u>	<u>40,900</u>	<u>(65,010)</u>	<u>62,500</u>	<u>147,539</u>	<u>85,039</u>
<u>105,910</u>	<u>40,900</u>	<u>(65,010)</u>	<u>62,500</u>	<u>147,539</u>	<u>85,039</u>
			<u>(100,000)</u>	<u>(145,894)</u>	<u>(45,894)</u>
			<u>(100,000)</u>	<u>(145,894)</u>	<u>(45,894)</u>
<u>\$ 105,910</u>	<u>40,900</u>	<u>\$ (65,010)</u>	<u>\$ (37,500)</u>	<u>1,645</u>	<u>\$ 39,145</u>
	873,308			280,810	
	<u>873,308</u>			<u>(282,042)</u>	
	<u>\$ 914,208</u>			<u>(1,232)</u>	
				<u>\$ 413</u>	

(continued)

City of Santa Maria
BUDGETARY COMPARISON SCHEDULES
Special Revenue Funds, Continued
For the Fiscal Year Ended June 30, 2014

	Federal and State Asset Forfeiture		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 3,600	\$ 6,627	\$ 3,027
Aid from governmental agencies		30,660	30,660
Charges for current services			
Other revenues			
	<hr/>	<hr/>	<hr/>
Total revenues	3,600	37,287	33,687
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Community development			
Public safety		74,980	74,980
Recreation and parks			
Public works			
Capital outlay			
Debt service			
Interest and fiscal charges			
	<hr/>	<hr/>	<hr/>
Total expenditures		74,980	74,980
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	3,600	(37,693)	(41,293)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Proceeds from loan			
Transfers in			
Transfers out			
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses):			
	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ 3,600	(37,693)	\$ (41,293)
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Beginning of fiscal year		553,811	
Prior period adjustments			
Beginning of fiscal year, restated		<hr/>	
		553,811	
End of fiscal year		<hr/>	
		\$ 516,118	
		<hr/>	

Gas Tax			Street Grant		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 2,619,950	\$ 2,923,222	\$ 303,272			
	30,918	30,918	\$ 482,775	\$ 4,181,028	\$ 3,698,253
8,500	65,527	57,027		48,247	48,247
2,628,450	3,019,667	391,217	482,775	4,229,275	3,746,500
4,552,739	2,513,366	(2,039,373)	8,490,690	4,197,439	(4,293,251)
4,552,739	2,513,366	(2,039,373)	8,490,690	4,197,439	(4,293,251)
(1,924,289)	506,301	2,430,590	(8,007,915)	31,836	8,039,751
(658,050)	(668,050)	(10,000)			
(658,050)	(668,050)	(10,000)			
\$ (2,582,339)	(161,749)	\$ 2,420,590	\$ (8,007,915)	31,836	\$ 8,039,751
	3,036,370			(431,907)	
	3,036,370			(431,907)	
	\$ 2,874,621			\$ (400,071)	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2014

	Local Streets		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes	\$ 4,190,260	\$ 4,781,211	\$ 590,951
Permits, fines and forfeitures			
Revenues from use of money and property		44,071	44,071
Aid from governmental agencies			
Charges for current services	80,000	77,994	(2,006)
Other revenues			
Total revenues	<u>4,270,260</u>	<u>4,903,276</u>	<u>633,016</u>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works	2,687,630	1,934,786	(752,844)
Capital outlay	2,432,020	1,914,279	(517,741)
Debt service			
Interest and fiscal charges			
Total expenditures	<u>5,119,650</u>	<u>3,849,065</u>	<u>(1,270,585)</u>
Excess (deficiency) of revenues over expenditures	<u>(849,390)</u>	<u>1,054,211</u>	<u>1,903,601</u>
Other financing sources (uses):			
Proceeds from loan		498,110	498,110
Transfers in	210,000	238,737	28,737
Transfers out	(1,171,860)	(1,171,860)	
Total other financing sources (uses):	<u>(961,860)</u>	<u>(435,013)</u>	<u>526,847</u>
Net change in fund balances	<u>\$ (1,811,250)</u>	<u>619,198</u>	<u>\$ 2,430,448</u>
FUND BALANCES:			
Beginning of fiscal year		2,658,727	
Prior period adjustments			
Beginning of fiscal year, restated		<u>2,658,727</u>	
End of fiscal year		<u>\$ 3,277,925</u>	

Public Access Television			Grant (Non-recurring)		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 1,210	\$ 1,776	\$ 566	\$ 100,000	\$ 13,852	\$ (86,148)
238,450	243,519	5,069			
250	225	(25)			
239,910	245,520	5,610	100,000	13,852	(86,148)
215,960	237,645	21,685	486,709	13,852	(472,857)
			125,834		(125,834)
215,960	237,645	21,685	612,543	13,852	(598,691)
23,950	7,875	(16,075)	(512,543)		512,543
(11,140)	(11,140)				
(11,140)	(11,140)				
\$ 12,810	(3,265)	\$ (16,075)	\$ (512,543)		\$ 512,543
	186,786				
	186,786				
	\$ 183,521			\$ -	

(concluded)



INTERNAL SERVICE FUNDS

Fleet Service Fund - The Fleet Service Fund is used to fund the operation, maintenance, and timely replacement of the City's fleet of vehicles and related equipment.

Business Equipment Fund - The Business Equipment Fund is used to finance and account for the maintenance and replacement of business equipment used by City departments.

Insurance Fund - The Insurance Fund provides and charges other City funds for liability, property, and workers' compensation insurance.

City of Santa Maria

COMBINING STATEMENT OF NET POSITION

Internal Service Funds

June 30, 2014

ASSETS	Fleet Services	Business Equipment	Insurance	Total
Current:				
Cash and investments	\$ 9,605,191	\$ 4,247,593	\$ 14,504,223	\$ 28,357,007
Accounts receivable, net	38,607		93,836	132,443
Deposits			180,000	180,000
Prepaid items		82,362		82,362
Inventory	57,321			57,321
Due from other funds			3,250,000	3,250,000
Total current assets	<u>9,701,119</u>	<u>4,329,955</u>	<u>18,028,059</u>	<u>32,059,133</u>
Noncurrent assets:				
Restricted cash and investments	<u>1,260,452</u>			<u>1,260,452</u>
Total noncurrent assets	<u>1,260,452</u>			<u>1,260,452</u>
Capital assets:				
Construction in progress	360,932	351,086		712,018
Facilities	897,668			897,668
Equipment	23,388,174	8,654,025		32,042,199
Less: accumulated depreciation	<u>(13,451,796)</u>	<u>(6,852,406)</u>		<u>(20,304,202)</u>
Net capital assets	<u>11,194,978</u>	<u>2,152,705</u>		<u>13,347,683</u>
Total assets	<u>22,156,549</u>	<u>6,482,660</u>	<u>18,028,059</u>	<u>46,667,268</u>
LIABILITIES				
Current liabilities:				
Accounts payable	168,922	9,416	97,521	275,859
Accrued payroll	5,738		1,460	7,198
Debt due within one year	<u>648,144</u>		<u>3,281,281</u>	<u>3,929,425</u>
Total current liabilities	<u>822,804</u>	<u>9,416</u>	<u>3,380,262</u>	<u>4,212,482</u>
Noncurrent:				
Compensated absences payable	9,294		5,272	14,566
OPEB liability	34,062		11,055	45,117
Lease payable	3,735,830			3,735,830
Claims payable			<u>7,497,758</u>	<u>7,497,758</u>
Total noncurrent liabilities	<u>3,779,186</u>		<u>7,514,085</u>	<u>11,293,271</u>
Total liabilities	<u>4,601,990</u>	<u>9,416</u>	<u>10,894,347</u>	<u>15,505,753</u>
NET POSITION				
Net investment in capital assets	6,868,094	2,152,705		9,020,799
Unrestricted	<u>10,686,465</u>	<u>4,320,539</u>	<u>7,133,712</u>	<u>22,140,716</u>
Total net position	<u>\$ 17,554,559</u>	<u>\$ 6,473,244</u>	<u>\$ 7,133,712</u>	<u>\$ 31,161,515</u>

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

	Fleet Services	Business Equipment	Insurance	Total
OPERATING REVENUES:				
Charges for current services	\$ 5,804,793	\$ 1,621,198	\$ 3,176,950	\$ 10,602,941
Other revenue	58,764		35,036	93,800
Total operating revenues	5,863,557	1,621,198	3,211,986	10,696,741
OPERATING EXPENSES:				
Salaries, wages and benefits	706,521		180,211	886,732
Materials and supplies	1,749,974	129,367	6,679	1,886,020
Equipment maintenance and operation	908,843	650,017	41,013	1,599,873
Depreciation	1,666,379	879,835		2,546,214
Contracts and services	473,517		3,607,556	4,081,073
Total operating expenses	5,505,234	1,659,219	3,835,459	10,999,912
OPERATING INCOME (LOSS)	358,323	(38,021)	(623,473)	(303,171)
NONOPERATING REVENUES (EXPENSES):				
Interest income	301		19,505	19,806
Other	454,878			454,878
Gain (loss) on sale of equipment	(22,024)	(2,284)		(24,308)
Interest expense	(108,211)			(108,211)
Total nonoperating revenues (expenses)	324,944	(2,284)	19,505	342,165
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	683,267	(40,305)	(603,968)	38,994
Capital contributions	867,688	391,967		1,259,655
Transfers in			791,000	791,000
Transfers out	(120,630)	(10,800)	(105,210)	(236,640)
Change in net position	1,430,325	340,862	81,822	1,853,009
NET POSITION:				
Beginning of fiscal year	16,124,234	6,132,382	7,051,890	29,308,506
End of fiscal year	<u>\$ 17,554,559</u>	<u>\$ 6,473,244</u>	<u>\$ 7,133,712</u>	<u>\$ 31,161,515</u>

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

	Fleet Services	Business Equipment	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for current services	\$ 5,846,116	\$ 1,621,198	\$ 3,462,081	\$ 10,929,395
Payments for goods and services	(3,253,702)	(757,666)	(3,748,374)	(7,759,742)
Payments to employees	(688,650)		(178,473)	(867,123)
Net cash provided by (used for) operating activities	1,903,764	863,532	(464,766)	2,302,530
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in from other funds			791,000	791,000
Transfers out other funds	(120,630)	(10,800)	(105,210)	(236,640)
Net cash provided by (used for) noncapital financing activities	(120,630)	(10,800)	685,790	554,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(4,066,897)	(290,632)		(4,357,529)
Capital lease principal	(578,116)			(578,116)
Capital lease interest	(108,211)			(108,211)
Proceeds from sale of assets	432,854			432,854
Net cash provided by (used for) capital and related financing activities	(4,320,370)	(290,632)		(4,611,002)
CASH FLOW FROM INVESTING ACTIVITIES:				
Interest on investments	301		19,505	19,806
Net cash provided by (used for) investing activities	301		19,505	19,806
Net increase (decrease) in cash and cash equivalents	(2,536,935)	562,100	240,529	(1,734,306)
CASH AND CASH EQUIVALENTS:				
Beginning of fiscal year	13,402,578	3,685,493	14,263,694	31,351,765
End of fiscal year	<u>\$ 10,865,643</u>	<u>\$ 4,247,593</u>	<u>\$ 14,504,223</u>	<u>\$ 29,617,459</u>

(continued)

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds, continued

For the Fiscal Year Ended June 30, 2014

	Fleet Services	Business Equipment	Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 358,323	\$ (38,021)	\$ (623,473)	\$ (303,171)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,666,379	879,835		2,546,214
Changes in assets and liabilities:				
Accounts receivable	(17,441)		95	(17,346)
Inventory	(33,996)			(33,996)
Prepaid expenses		12,302		12,302
Accounts payable	(87,373)	9,416	(41,357)	(119,314)
Accrued payroll	2,003		534	2,537
Due to other funds			250,000	250,000
Claims payable			(51,769)	(51,769)
OPEB liability	6,208		1,767	7,975
Compensated absences payable	9,661		(563)	9,098
Total adjustments	1,545,441	901,553	158,707	2,605,701
Net cash provided by (used for) operating activities	\$ 1,903,764	\$ 863,532	\$ (464,766)	\$ 2,302,530
NON CASH ACTIVITY:				
Contributed capital assets	\$ 867,688	\$ 391,967		\$ 1,259,655

(concluded)



FIDUCIARY FUNDS

Agency Funds:

Treasurer's Trust - The Treasurer's Trust fund accounts for the receipt and disposition of deposits held for others.

Maintenance Annuity Fund - The Maintenance Annuity Fund accounts for developer deposits earning interest income for the purpose of subsidizing property tax revenue on annexed property.

Twitchell Management Authority - The Twitchell Management Authority Fund accounts for the financial transactions of a court-mandated committee that monitors and manages the groundwater basin.



City of Santa Maria

STATEMENT OF ASSETS AND LIABILITIES

Agency Funds

June 30, 2014

Assets	<u>Treasurer's Trust</u>	<u>Maintenance Annuity Fund</u>	<u>Twitchell Mgmt Authority</u>	<u>Total Agency Funds</u>
Cash and investments	\$ 2,784,484	\$ 191,160	\$ 1,214,441	\$ 4,190,085
Accounts receivable			8,391	8,391
Total Assets	<u>\$ 2,784,484</u>	<u>\$ 191,160</u>	<u>\$ 1,222,832</u>	<u>\$ 4,198,476</u>
Liabilities				
Other trust deposits	<u>\$ 2,784,484</u>	<u>\$ 191,160</u>	<u>\$ 1,222,832</u>	<u>\$ 4,198,476</u>
Total Liabilities	<u>\$ 2,784,484</u>	<u>\$ 191,160</u>	<u>\$ 1,222,832</u>	<u>\$ 4,198,476</u>

City of Santa Maria

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended June 30, 2014

<u>Treasurer's Trust</u>	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Assets:				
Cash and investments	\$ 5,174,896	\$ 322,601	\$ 2,713,013	\$ 2,784,484
Accounts receivable	6,068		6,068	
Total assets	<u>\$ 5,180,964</u>	<u>\$ 322,601</u>	<u>\$ 2,719,081</u>	<u>\$ 2,784,484</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 5,180,964	\$ 322,601	\$ 2,719,081	\$ 2,784,484
Total liabilities - trust deposits	<u>\$ 5,180,964</u>	<u>\$ 322,601</u>	<u>\$ 2,719,081</u>	<u>\$ 2,784,484</u>

<u>Maintenance Annuity Fund</u>	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Assets:				
Cash and investments	\$ 191,160			\$ 191,160
Total assets	<u>\$ 191,160</u>			<u>\$ 191,160</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 191,160			\$ 191,160
Total liabilities - trust deposits	<u>\$ 191,160</u>			<u>\$ 191,160</u>

<u>Twitchell Management Authority</u>	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Assets:				
Cash and investments	\$ 818,989	\$ 953,971	\$ 558,519	\$ 1,214,441
Accounts receivable	4,667	8,391	4,667	8,391
Total assets	<u>\$ 823,656</u>	<u>\$ 962,362</u>	<u>\$ 563,186</u>	<u>\$ 1,222,832</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 823,656	\$ 962,362	\$ 563,186	\$ 1,222,832
Total liabilities - trust deposits	<u>\$ 823,656</u>	<u>\$ 962,362</u>	<u>\$ 563,186</u>	<u>\$ 1,222,832</u>
<u>Total Agency Funds</u>	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Assets:				
Cash and investments	\$ 6,185,045	\$ 1,276,572	\$ 3,271,532	\$ 4,190,085
Accounts receivable	10,735	8,391	10,735	8,391
Total assets	<u>\$ 6,195,780</u>	<u>\$ 1,284,963</u>	<u>\$ 3,282,267</u>	<u>\$ 4,198,476</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 6,195,780	\$ 1,284,963	\$ 3,282,267	\$ 4,198,476
Total liabilities - trust deposits	<u>\$ 6,195,780</u>	<u>\$ 1,284,963</u>	<u>\$ 3,282,267</u>	<u>\$ 4,198,476</u>



City of Santa Maria

STATISTICAL NARRATIVE

For the Fiscal Year Ended June 30, 2014

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	S-2
Revenue Capacity	
These schedules contain information to help assess the government's most significant local revenue sources.	S-14
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the City's ability to issue additional debt in the future.	S-22
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	S-30
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	S-37

SOURCES:

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

City of Santa Maria

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$ 148,170,994	\$ 164,037,582	\$ 175,266,893	\$ 182,189,614
Restricted	54,128,546	57,270,454	59,165,908	63,741,146
Unrestricted	31,794,190	28,177,053	31,742,343	34,013,605
Total governmental activities net position	<u>234,093,730</u>	<u>249,485,089</u>	<u>266,175,144</u>	<u>279,944,365</u>
Business-type activities:				
Net investment in capital assets	34,172,030	36,417,715	39,926,984	38,946,983
Restricted		10,293,386	10,366,777	10,425,720
Unrestricted	81,399,676	90,024,778	94,072,663	104,613,628
Total business-type activities net position	<u>115,571,706</u>	<u>136,735,879</u>	<u>144,366,424</u>	<u>153,986,331</u>
Primary government:				
Net investment in capital assets	182,343,024	200,455,297	215,193,877	221,136,597
Restricted	54,128,546	67,563,840	69,532,685	74,166,866
Unrestricted	113,193,866	118,201,831	125,815,006	138,627,233
Total primary government net position	<u>\$ 349,665,436</u>	<u>\$ 386,220,968</u>	<u>\$ 410,541,568</u>	<u>\$ 433,930,696</u>

The City implemented GASB 54 in 2011 which effected the reporting of unrestricted and restricted reserves.

	2009	2010	2011	2012	2013	2014
\$	196,570,092	\$ 201,165,622	\$ 191,139,585	\$ 192,111,417	\$ 185,807,029	\$ 193,188,601
	53,394,252	21,374,294	14,242,819	16,580,945	19,980,316	16,390,255
	30,983,737	54,913,132	64,860,795	63,942,788	54,055,203	49,812,081
	<u>280,948,081</u>	<u>277,453,048</u>	<u>270,243,199</u>	<u>272,635,150</u>	<u>259,842,548</u>	<u>259,390,937</u>
	79,293,638	59,215,521	71,545,818	74,477,063	67,641,499	66,652,413
	10,156,406	9,649,160	9,656,112	9,438,575	9,436,292	9,412,562
	68,311,239	92,438,651	90,913,322	91,124,060	96,775,370	109,796,207
	<u>157,761,283</u>	<u>161,303,332</u>	<u>172,115,252</u>	<u>175,039,698</u>	<u>173,853,161</u>	<u>185,861,182</u>
	275,863,730	260,381,143	262,685,403	266,588,480	253,448,528	259,841,014
	63,550,658	31,023,454	23,898,931	26,019,520	29,416,608	25,802,817
	99,294,976	147,351,783	155,774,117	155,066,848	150,830,573	159,608,288
\$	<u>438,709,364</u>	<u>\$ 438,756,380</u>	<u>\$ 442,358,451</u>	<u>\$ 447,674,848</u>	<u>\$ 433,695,709</u>	<u>\$ 445,252,119</u>

City of Santa Maria
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 7,167,095	\$ 10,838,467	\$ 7,766,992	\$ 9,114,122
Public safety	23,820,953	26,861,561	27,153,605	29,959,234
Public works	17,847,164	23,247,129	23,509,786	19,871,330
Library	2,823,034	(2,540,803)	3,148,153	1,179,798
Community development	2,773,784	5,354,419	4,178,098	5,580,313
Recreation and parks	8,915,152	7,732,441	8,748,523	11,814,315
Interest & fiscal charges	1,155,240	1,012,761	1,172,202	592,818
Total governmental activities expenses	64,502,422	72,505,975	75,677,359	78,111,930
Business-type activities:				
Water and wastewater	25,846,300	25,396,688	30,606,551	31,394,738
Solid Waste	17,632,587	14,719,075	14,851,056	15,828,140
Public transit	3,036,658	4,010,199	4,439,395	4,952,170
Total business-type activities expenses	46,515,545	44,125,962	49,897,002	52,175,048
Total primary government expenses	111,017,967	116,631,937	125,574,361	130,286,978
Program Revenues				
Governmental activities:				
Charges for services:				
General government	8,623,290	7,373,878	7,961,580	8,548,672
Public safety	1,993,990	2,360,254	2,812,013	2,726,261
Public works	4,591,386	5,912,584	4,260,310	3,588,859
Library	1,898,624	484,672	363,131	648,651
Community development	1,138,034	598,555	775,939	533,133
Recreation and parks	1,589,646	1,559,721	1,275,582	1,395,784
Operating grants and contributions	9,779,756	13,583,260	16,600,659	18,423,969
Capital grants and contributions	6,162,270	10,656,453	8,506,395	4,965,521
Total governmental activities revenues	35,776,996	42,529,377	42,555,609	40,830,850
Business-type activities:				
Charges for services:				
Water and wastewater	27,088,908	29,136,959	31,709,915	31,664,089
Solid waste	17,344,393	16,610,624	16,882,214	17,018,873
Public transit	400,279	1,513,204	777,109	5,519,825
Operating grants and contributions	530,849			
Capital grants and contributions	4,648,308	2,785,136	3,235,816	3,926,821
Total business-type activities program revenues	50,012,737	50,045,923	52,605,054	58,129,608
Total primary government program revenues	85,789,733	92,575,300	95,160,663	98,960,458

	2009	2010	2011	2012	2013	2014
\$	11,161,958	\$ 9,018,262	\$ 8,230,946	\$ 7,603,331	\$ 7,818,914	\$ 8,220,874
	31,138,825	29,583,710	29,278,112	29,073,153	31,939,863	34,401,081
	12,464,751	19,850,452	13,518,414	14,991,119	15,698,704	18,229,879
	4,255,495	3,778,788	3,497,409	3,220,926	3,796,528	3,436,077
	3,934,760	4,872,301	4,703,671	5,386,829	5,304,543	4,764,190
	13,764,775	11,549,567	11,932,463	11,028,926	13,350,009	12,937,541
	778,946	722,568	521,500	481,130	301,150	170,296
	<u>77,499,510</u>	<u>79,375,648</u>	<u>71,682,515</u>	<u>71,785,414</u>	<u>78,209,711</u>	<u>82,159,938</u>
	34,782,630	32,761,079	34,916,887	33,459,891	34,657,330	36,180,592
	18,013,667	18,260,204	18,093,584	17,421,849	19,745,844	18,326,043
	5,331,516	5,345,420	6,833,916	7,858,226	7,450,124	7,154,550
	<u>58,127,813</u>	<u>56,366,703</u>	<u>59,844,387</u>	<u>58,739,966</u>	<u>61,853,298</u>	<u>61,661,185</u>
	<u>135,627,323</u>	<u>135,742,351</u>	<u>131,526,902</u>	<u>130,525,380</u>	<u>140,063,009</u>	<u>143,821,123</u>
	7,863,933	4,948,795	2,691,168	2,849,587	2,565,366	2,423,426
	2,896,162	1,771,559	1,372,576	1,710,795	1,156,798	1,729,547
	3,014,599	2,609,280	4,052,970	3,265,217	2,421,122	3,234,109
	491,201	158,627	215,408	210,463	162,508	221,400
	302,321	282,506	1,148,105	819,711	1,348,188	2,568,397
	1,009,008	3,344,401	3,864,146	3,877,914	3,755,716	3,998,766
	12,602,578	2,964,267	2,247,363	2,201,503	2,788,068	3,269,355
	2,650,002	11,327,388	7,654,140	9,323,585	4,527,165	8,417,194
	<u>30,829,804</u>	<u>27,406,823</u>	<u>23,245,876</u>	<u>24,258,775</u>	<u>18,724,931</u>	<u>25,862,194</u>
	33,139,664	31,865,644	33,999,060	36,086,815	38,166,683	42,216,665
	16,796,317	16,674,004	16,751,192	17,124,050	18,480,130	19,542,919
	1,658,181	976,448	1,916,361	1,956,833	1,260,409	876,105
		3,870,297	4,474,802	5,834,863	4,377,283	5,339,103
	8,061,279	4,675,288	5,710,300	1,381,705	178,195	4,582,352
	<u>59,655,441</u>	<u>58,061,681</u>	<u>62,851,715</u>	<u>62,384,266</u>	<u>62,462,700</u>	<u>72,557,144</u>
	<u>90,485,245</u>	<u>85,468,504</u>	<u>86,097,591</u>	<u>86,643,041</u>	<u>81,187,631</u>	<u>98,419,338</u>

Continued

City of Santa Maria

CHANGES IN NET POSITION, Continued

Last Ten Fiscal Years

	2005	2006	2007	2008
Net (expense)/revenue				
Governmental activities	(28,725,426)	(29,976,598)	(33,121,750)	(37,281,080)
Business-type activities	3,497,192	5,919,961	2,708,052	5,954,560
Total primary government net expense	(25,228,234)	(24,056,637)	(30,413,698)	(31,326,520)
General revenues and other changes in net position				
Governmental Activities:				
Taxes				
Property taxes	5,939,368	7,307,768	9,067,171	9,749,641
Sales taxes	17,025,452	16,439,093	17,672,381	18,060,497
Franchise taxes	3,241,690	3,341,810	3,443,105	3,600,993
Transient occupancy taxes	2,237,880	2,220,887	2,373,910	2,393,491
Other taxes	3,016,500	3,227,354	3,099,677	3,469,254
Motor vehicle in-lieu tax	6,495,388	6,574,470	6,937,373	7,291,040
Use of money and property	3,260,601	3,240,223	5,805,704	4,927,456
Other revenues	406,890	233,078	429,121	234,577
Loss on sale of assets				
Intergovernmental revenues - unrestricted	329,709	503,668	512,842	447,845
Extraordinary items				
Contributions				
Transfers	729,160	2,294,130	872,510	872,510
Total governmental activities	42,682,638	45,382,481	50,213,794	51,047,304
Business-type activities:				
Use of money and property	2,679,472	2,251,316	5,481,556	4,428,857
Other revenues				
Loss on sale of assets				
Contributions				
Transfers	(729,160)	(2,294,130)	(872,510)	(872,510)
Total business-type activities	1,950,312	(42,814)	4,609,046	3,556,347
Total primary activities	44,632,950	45,339,667	54,822,840	54,603,651
Change in net position				
Governmental activities	13,957,212	15,405,883	17,092,044	13,766,224
Business-type activities	5,447,504	5,877,147	7,317,098	9,510,907
Total primary government	\$ 19,404,716	\$ 21,283,030	\$ 24,409,142	\$ 23,277,131

1) Beginning in 2010, property tax in-lieu of VLF was included in property tax.

2009	2010	2011	2012	2013	2014
(46,669,706)	(51,968,825)	(48,436,639)	(47,526,639)	(59,484,780)	(56,297,744)
1,527,628	1,694,978	3,007,328	3,644,300	609,402	10,895,959
<u>(45,142,078)</u>	<u>(50,273,847)</u>	<u>(45,429,311)</u>	<u>(43,882,339)</u>	<u>(58,875,378)</u>	<u>(45,401,785)</u>
9,336,050	15,338,302	15,357,803	14,926,979	14,488,973	14,830,943
15,906,435	19,621,992	21,711,665	23,644,020	27,606,191	30,028,789
3,427,069	3,366,190	3,578,754	3,787,686	3,849,977	4,106,820
2,201,546	2,116,310	2,363,467	2,440,980	2,532,032	2,844,497
3,282,414	527,518	733,034	668,699	501,109	653,275
7,136,333	302,938	431,934	49,503		
4,602,199	4,498,446	2,439,648	2,210,175	1,365,203	1,459,225
340,869	682,132	405,292	519,746	316,525	553,197
531,217	474,600	511,728	392,473	358,863	460,847
			(516,788)		
1,237,482	1,615,511	(7,046,991)	1,570,117	1,245,547	1,072,788
<u>48,001,614</u>	<u>48,543,939</u>	<u>40,486,334</u>	<u>49,693,590</u>	<u>52,264,420</u>	<u>56,010,381</u>
3,484,806	3,462,582	1,340,213	1,075,263	823,322	1,252,361
(1,237,482)	(1,615,511)	7,046,991	(1,570,117)	(1,245,547)	(1,072,788)
<u>2,247,324</u>	<u>1,847,071</u>	<u>8,387,204</u>	<u>(494,854)</u>	<u>(422,225)</u>	<u>179,573</u>
<u>50,248,938</u>	<u>50,391,010</u>	<u>48,873,538</u>	<u>49,198,736</u>	<u>51,842,195</u>	<u>56,189,954</u>
1,331,908	(3,424,886)	(7,950,305)	2,166,951	(7,220,360)	(287,363)
3,774,952	3,542,049	11,394,532	3,149,446	187,177	11,075,532
<u>\$ 5,106,860</u>	<u>\$ 117,163</u>	<u>\$ 3,444,227</u>	<u>\$ 5,316,397</u>	<u>\$ (7,033,183)</u>	<u>\$ 10,788,169</u>

Concluded

City of Santa Maria

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years

FY Ended June 30	+Property Tax	*Property Tax In-lieu of VLF	#General Fund Sales Tax	Measure U Use Tax	Other Sales Tax
2005	\$ 5,919,017	\$ 4,545,987	\$ 16,445,600		\$ 7,068,191
2006	7,307,769	5,959,787	17,018,945		8,633,632
2007	9,067,171	6,448,316	17,672,311		8,514,985
2008	9,749,641	6,889,596	18,060,497		7,627,249
2009	9,336,050	6,791,613	15,906,434		6,196,508
2010	8,859,906	6,422,352	14,146,555		5,591,211
2011	8,983,688	6,374,115	15,703,090		6,008,575
2012	8,496,284	6,430,695	16,766,934		6,877,086
2013	8,007,518	6,481,455	18,170,819	\$ 2,616,235	6,819,137
2014	8,242,889	6,588,054	18,553,070	3,767,979	7,704,433

NOTE:

Includes all governmental fund types.

SOURCE:

+Santa Barbara County

*California Franchise Tax Board; VLF Program Commenced in 2005

#California State Board of Equalization

	Franchise Tax	TOT Tax	Other Tax	Total
\$	3,241,690	\$ 2,237,880	\$ 1,689,063	\$ 41,147,428
	3,341,810	2,220,887	1,497,842	45,980,672
	3,443,105	2,373,910	1,125,239	48,645,037
	3,600,994	2,396,491	1,082,894	49,407,362
	3,427,070	2,201,546	711,643	44,570,864
	3,366,190	2,116,310	527,518	41,030,042
	3,578,754	2,363,467	733,034	43,744,723
	3,787,686	2,440,980	668,699	45,468,364
	3,849,977	2,532,032	501,109	48,978,282
	4,106,820	2,844,497	653,275	52,461,017

City of Santa Maria

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2005	2006	2007	2008
General fund				
Reserved	\$ 13,871,989	\$ 14,095,037	\$ 13,881,493	\$ 13,994,214
Unreserved	23,137,842	29,436,230	36,145,698	36,840,884
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>37,009,831</u>	<u>43,531,267</u>	<u>50,027,191</u>	<u>50,835,098</u>
All other governmental funds				
Reserved	10,813,767	8,063,857	13,542,452	6,970,228
Unreserved, reported in:				
Special revenue funds	14,001,624	15,035,784	5,337,762	13,079,640
Capital projects funds	17,400,697	14,525,718	17,065,112	20,320,812
Debt service funds	(13,298,820)	(13,427,071)	(13,560,955)	(13,692,783)
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 28,917,268</u>	<u>\$ 24,198,288</u>	<u>\$ 22,384,371</u>	<u>\$ 26,677,897</u>

*Beginning fiscal year 2010-11, a format change is necessary for GASB Statement Number 54 reporting.

	2009	2010	*2011	2012	2013	2014
\$	14,171,769	\$ 15,125,183				
	39,389,382	39,530,536				
			\$ 14,048,953			\$ 10,208
			19,800,000	\$ 19,800,000	\$ 19,800,000	19,800,000
			6,909,711	6,909,711	6,248,027	6,248,027
			14,045,532	14,039,407	10,588,037	10,843,504
	<u>53,561,151</u>	<u>54,655,719</u>	<u>54,804,196</u>	<u>40,749,118</u>	<u>36,636,064</u>	<u>36,901,739</u>
	4,082,015	2,704,278				
	11,036,074	4,325,076				
	12,541,368	12,722,097				
	(13,815,810)	(13,932,228)				
						9,133
			14,242,819	16,580,944	15,587,331	12,022,546
			12,652,876	13,092,026	10,108,603	5,409,355
			(16,871,539)	(1,705,890)	(1,863,283)	(434,776)
\$	<u>13,843,647</u>	<u>5,819,223</u>	<u>10,024,156</u>	<u>27,967,080</u>	<u>23,832,651</u>	<u>17,006,258</u>

City of Santa Maria

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2005	2006	2007	2008
Revenues				
Taxes	\$ 37,889,066	\$ 41,061,576	\$ 44,102,953	\$ 44,836,981
Permits, fines, and forfeitures	2,048,222	2,864,723	3,020,855	2,258,146
Revenues from use of money and property	3,017,322	3,129,821	5,704,531	4,692,725
Aid from governmental agencies	11,186,274	14,032,852	17,307,547	20,719,295
Charges for current services	16,845,337	12,852,201	13,441,085	14,003,746
Contributions				
Other revenues	1,433,403	3,372,544	1,470,302	1,106,376
Total revenues	<u>72,419,624</u>	<u>77,313,717</u>	<u>85,047,273</u>	<u>87,617,269</u>
Expenditures				
Current:				
General government	5,780,061	6,653,079	7,199,453	7,766,778
Community development	2,728,003	4,459,988	4,158,854	4,756,217
Public safety	23,129,448	25,598,091	26,697,389	29,388,999
Recreation and parks	7,935,893	8,395,466	8,727,125	9,731,596
Public works	4,131,676	4,957,342	4,755,772	4,980,324
Library	1,795,536	1,925,776	2,062,596	2,217,526
Non-departmental				
Capital outlay	16,471,985	22,672,713	24,282,030	21,801,353
Debt service:				
Principal	5,697,256	2,051,788	1,755,000	1,830,000
Interest and fiscal charges	1,126,023	1,043,148	1,356,691	915,550
Total expenditures	<u>68,795,881</u>	<u>77,757,391</u>	<u>80,994,910</u>	<u>83,388,343</u>
Excess of revenues				
over (under) expenditures	<u>3,623,743</u>	<u>(443,674)</u>	<u>4,052,363</u>	<u>4,228,926</u>
Other financing sources (uses)				
Proceeds from loan				
Transfers in	24,949,992	11,397,212	12,660,010	14,946,392
Transfers out	(24,595,832)	(9,103,082)	(11,787,500)	(14,073,882)
Total other financing sources (uses)	<u>354,160</u>	<u>2,294,130</u>	<u>872,510</u>	<u>872,510</u>
Extraordinary Gain (Loss)				
Net change in fund balances	<u>\$ 3,977,903</u>	<u>\$ 1,850,456</u>	<u>\$ 4,924,873</u>	<u>\$ 5,101,436</u>
Debt service as a percentage of				
non-capital expenditures	11.66%	5.44%	4.80%	3.93%

	2009	2010	2011	2012	2013	2014
\$	40,286,816	\$ 41,030,042	\$ 43,744,723	\$ 45,468,364	\$ 48,978,282	\$ 52,461,017
	1,964,835	2,032,625	1,368,214	1,103,627	1,467,439	2,717,608
	3,623,715	3,657,552	2,530,588	2,193,493	1,382,622	1,482,149
	15,426,843	15,424,318	9,690,422	11,020,727	6,623,511	8,555,455
	12,929,787	10,769,671	12,175,204	12,561,301	9,719,735	12,033,721
						1,976,386
	871,480	1,125,411	334,376	527,117	1,347,451	539,828
	75,103,476	74,039,619	69,843,527	72,874,629	69,519,040	79,766,164
	8,262,292	7,067,465	7,182,507	7,206,265	6,970,704	7,650,954
	3,911,112	4,872,363	4,650,157	4,520,096	4,399,670	3,904,460
	29,289,806	28,553,613	27,848,391	28,465,201	30,375,414	32,894,813
	10,269,522	9,982,054	9,757,902	9,661,463	10,740,875	11,726,183
	5,056,695	5,227,336	5,001,666	4,811,965	4,403,858	4,288,768
	3,019,728	3,121,202	2,698,807	2,425,505	2,632,917	2,790,293
					5,572,242	
	24,615,828	22,830,682	7,906,083	11,379,276	11,367,748	19,368,989
	1,920,000	2,010,000	2,110,000	2,215,000	2,325,000	4,675,000
	870,895	790,277	589,810	550,064	370,725	138,828
	87,215,878	84,454,992	67,745,323	71,234,835	79,159,153	87,438,288
	(12,112,402)	(10,415,373)	2,098,204	1,639,794	(9,640,113)	(7,672,124)
						498,110
	11,491,823	12,018,459	9,383,087	10,465,679	9,143,011	9,816,183
	(9,159,426)	(8,462,795)	(8,018,247)	(7,700,839)	(7,750,381)	(9,186,623)
	2,332,397	3,555,664	1,364,840	2,764,840	1,392,630	1,127,670
				(516,788)		
\$	(9,780,005)	\$ (6,859,709)	\$ 3,463,044	\$ 3,887,846	\$ (8,247,483)	\$ (6,544,454)
	4.26%	3.30%	3.99%	4.49%	4.0%	7.1%

City of Santa Maria

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

FY Ended					Personal	Gross
June 30		Land		Improvements	Property	Value
2005	\$	1,742,052,139	\$	2,919,197,802	\$ 310,338,288	4,971,588,229
2006		2,134,358,374		3,331,952,571	348,701,433	5,815,012,378
2007		2,532,797,174		3,736,636,782	349,941,019	6,619,374,975
2008		2,779,359,925		3,929,898,972	359,102,179	7,068,361,076
2009		2,688,233,211		3,897,913,199	374,342,508	6,960,488,918
2010		2,525,129,754		3,749,048,530	403,055,878	6,677,234,162
2011		2,473,964,135		3,808,611,113	391,104,570	6,673,679,818
2012		2,480,988,107		3,974,603,905	410,707,524	6,866,299,536
2013		2,462,825,119		4,246,221,505	427,764,193	7,136,810,817
2014		2,488,902,912		4,338,602,631	452,030,767	7,279,536,310

NOTE:

Valuations are established by the County Assessor of Santa Barbara County, except for property owned by private utility companies, which is valued by the State of California.

For comparison purposes, gross assessed valuations include homeowners and other exemptions. Although these exemptions reduce property tax collections, the revenue loss is reimbursed by the State of California. As such, gross assessed valuation is the revenue base used in establishing property-tax related revenues.

SOURCE:

Santa Barbara County Auditor - Controller

Exemptions	Net Taxable Value	Total Direct Tax Rate
\$ 266,011,261	\$ 4,705,576,968	1.00000%
287,071,107	5,527,941,271	1.00000%
304,933,916	6,314,441,059	1.00000%
313,273,773	6,755,087,303	1.00000%
305,957,101	6,654,531,817	1.00000%
347,561,243	6,329,672,919	1.00000%
388,166,023	6,285,513,795	1.00000%
522,499,674	6,343,799,862	1.00000%
735,584,538	6,401,226,279	1.00000%
769,418,969	6,510,117,341	1.00000%

Santa Maria



City of Santa Maria

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

As of June 30, 2014

Fiscal Year	*City of Santa Maria	*Santa Barbara County	Schools	Other	Total
2005	0.00000%	1.00000%	0.01923%	0.00000%	1.01923%
2006	0.00000%	1.00000%	0.01815%	0.00000%	1.01815%
2007	0.00000%	1.00000%	0.01548%	0.00000%	1.01548%
2008	0.00000%	1.00000%	0.18603%	0.00000%	1.18603%
2009	0.00000%	1.00000%	0.17497%	0.00000%	1.17497%
2010	0.00000%	1.00000%	0.38552%	0.00000%	1.38552%
2011	0.00000%	1.00000%	0.42302%	0.00000%	1.42302%
2012	0.00000%	1.00000%	0.43729%	0.00000%	1.43729%
2013	0.00000%	1.00000%	0.90446%	0.00000%	1.90446%
2014	0.00000%	1.00000%	0.98908%	0.00000%	1.98908%

*Valuations are established by the County Assessor of Santa Barbara County, except for property owned by private utility companies, which is valued by the State of California. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100 percent of full value and subsequently increase at a maximum rate of 2 percent per year. Santa Barbara County collects property taxes and distributes the appropriate amount to each city. Each \$1.00 of property tax is distributed to local government agencies based upon fixed allocation factors.

SOURCE:

California Municipal Statistics, Inc.

City of Santa Maria

PRINCIPAL PROPERTY TAXPAYERS

Current Fiscal Year and the Prior Tenth Fiscal Year

2014			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Windset Farms California, Inc.	\$ 100,758,321	1	1.55%
Okonite Company, Inc.	83,273,384	2	1.28%
MGP 50, LLC	44,726,880	3	0.69%
Santa Maria Land Partners, LLC	44,139,997	4	0.68%
Santa Maria Partners, LLC	32,772,002	5	0.50%
Pini, Dario L	29,837,437	6	0.46%
Country Oaks, LLC	26,100,000	7	0.40%
UAI Real Estate Acquisition, LLC	21,507,260	8	0.33%
The Pictsweet Company	21,310,262	9	0.33%
Lyon Santa Maria, LLC	19,486,536	10	0.30%
Santa Maria Town Center, LLC			
SP Village Green, LLC			
Robert A. Hollingshead Trust			
Mideb Nominees, Inc.			
Betteravia Investment, LLC			
Fook Kheong Chan			
Arbor Ridge			
KW Santa Maria LLC			
	\$ 423,912,079		6.52%

SOURCE:

Hdl Coren Cone

2005

Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 29,904,576	2	0.72%
15,712,959	7	
31,708,260	1	0.67%
24,480,212	3	0.52%
19,301,871	4	0.41%
17,615,390	5	0.37%
16,846,073	6	0.36%
15,358,324	8	0.33%
15,017,261	10	0.32%
15,261,802	9	0.32%
<hr/> \$ 201,206,728 <hr/>		<hr/> 4.02% <hr/>

City of Santa Maria

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

FY Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 6,349,144	\$ 6,349,144	100%	
2006	6,485,547	6,485,547	100%	
2007	7,501,048	7,501,048	100%	
2008	8,170,585	8,170,585	100%	
2009	8,102,791	8,102,791	100%	
2010	7,650,506	7,650,506	100%	
2011	7,516,780	7,516,780	100%	
2012	7,596,097	7,596,097	100%	
2013	7,645,901	7,645,901	100%	
2014	7,805,506	7,805,506	100%	

NOTE:

The City participates in the Santa Barbara County "Teeter Plan". The City is paid the full tax assessment while penalties and interest of any late payments are returned by the County.

SOURCE:

HdL, Coren and Cone - From 2013-14 Preliminary Prop Tax Report (located in vault under CAFR Binders)

Total Collections to Date		
	Amount	Percentage of Levy
\$	6,349,144	100%
	6,485,547	100%
	7,501,048	100%
	8,170,585	100%
	8,102,791	100%
	7,650,506	100%
	7,516,780	100%
	7,596,097	100%
	7,645,901	100%
	7,805,506	100%

City of Santa Maria

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

FY Ended June 30	Governmental Activities			
	Refunding Revenue Bonds	California Energy Commission Loan	Capital Leases	Property Purchase Obligation
2005	\$ 20,520,000		\$ 1,730,758	\$ 641,479
2006	18,840,000		1,122,523	623,612
2007	17,085,000		488,322	847,208
2008	15,255,000		249,485	586,252
2009	13,335,000			566,727
2010	11,325,000			546,616
2011	9,215,000			525,900
2012	7,000,000			504,563
2013	4,675,000		2,452,500	482,585
2014		\$ 498,110	2,163,442	459,947

* Includes deferred amounts that were reclassified due to implementation of GASB 65.

**Personal Income released through 2010 via the Bureau of Economic Analysis

Refunding Revenue Bonds	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Capital Leases			
	\$ 53,410,195	\$ 2,124,524	\$ 78,426,956	19.56%	883
	53,292,039	1,597,780	75,475,954	20.33%	837
	52,728,238	618,167	71,766,935	26.50%	794
	51,718,798	315,824	68,125,359	28.98%	754
	50,640,095		64,541,822	29.40%	697
	48,785,007		60,656,623	31.25%	651
	46,748,931		56,489,831	**33.55%	565
\$ 44,348,219	15,170,766		67,023,548	**29.08%	669
45,392,889	14,659,509	2,452,500	70,114,983	**29.08%	699
45,777,168 *	12,305,203	2,163,442	63,367,312	**29.08%	627

City of Santa Maria

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

FY Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percent of Estimated Taxable Property Value	Per Capita
2004	\$ 22,140,000	\$ 2,786,175	\$ 19,353,825	0.47%	\$ 227
2005	20,520,000	2,789,000	17,731,000	0.38%	200
2006	18,840,000	2,766,658	16,073,342	0.29%	178
2007	17,085,000	2,383,266	14,701,734	0.23%	163
2008	15,255,000	2,403,435	12,851,565	0.19%	142
2009	13,335,000	2,424,574	10,910,426	0.16%	118
2010	11,325,000	2,426,079	8,898,921	0.14%	95
2011	9,215,000	2,430,118	6,784,882	0.11%	68
2012	7,000,000	2,426,844	4,573,156	0.07%	46
2013	4,675,000	2,431,361	2,243,639	0.04%	22
2014	-	-	-	0.00%	-

Source: City of Santa Maria
Santa Barbara County

City of Santa Maria

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Santa Barbara County General Fund Obligations	\$ 65,355,000	10.110%	\$ 6,607,391
Santa Maria-Bonita School District COP	43,443,470	93.494%	40,617,038
Santa Maria Cemetery District COP	820,000	63.594%	521,471
Subtotal, overlapping debt			47,745,900
City of Santa Maria, direct debt			3,121,499
Total direct and overlapping debt			\$ 50,867,399

Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

Source:
California Municipal Statistics, Inc.

City of Santa Maria

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2005	2006	2007	2008
Debt Limit	\$ 186,436,434	\$ 218,062,964	\$ 248,226,562	\$ 265,063,540
Total net debt applicable to limit	23,415,799	21,062,100	18,848,900	16,471,510
Legal Debt Margin	<u>\$ 163,020,635</u>	<u>\$ 197,000,864</u>	<u>\$ 229,377,662</u>	<u>\$ 248,592,030</u>
Total net debt applicable to the limit as a percentage of debt limit	12.56%	9.66%	7.59%	6.21%

Legal Debt Margin Calculation for 2013-14:

Assessed value

Debt limit (3.75 percent of assessed value)

Revenue bonds and other long-term debt

Legal debt margin

	2009		2010		2011		2012		2013		2014
\$	261,018,334	\$	250,396,281	\$	250,262,993	\$	257,486,233	\$	267,630,406	\$	272,982,612
	14,234,903		12,157,195		9,978,883		7,694,949		7,610,085		3,121,499
\$	246,783,431	\$	238,239,086	\$	240,284,110	\$	249,791,284	\$	260,020,321	\$	269,861,113

5.45% 4.86% 3.99% 2.99% 2.84% 1.14%

\$ 7,279,536,310
272,982,612
3,121,499
\$ 269,861,113

City of Santa Maria

PLEGGED-REVENUE COVERAGE

Last Ten Fiscal Years

Water & Wastewater Certificates of Participation						
FY Ended June 30	Water & WW Operating Revenue	Less: Operating Expenses	Transfer (to) from Rate Stabilization	Net Available Revenue	Debt Service	
					Principal	Interest
2005	\$ 30,794,371	\$ 21,460,431		\$ 9,333,940		\$ 1,001,914
2006	30,043,493	19,332,826		10,710,667	\$ 118,156	2,085,672
2007	34,814,990	24,486,047		10,328,943	563,801	2,470,026
2008	33,740,272	25,312,860		8,427,412	900,187	2,873,641
2009	33,887,395	27,634,577		6,252,818	1,078,703	3,617,962
2010	32,909,945	25,802,618		7,107,327	1,855,088	4,218,928
2011	35,194,266	27,945,217		7,249,049	2,036,076	4,590,727
2012	36,164,866	26,334,303		9,830,563	1,991,438	4,640,815
2013	38,071,396	28,207,632		9,863,764	610,497	1,698,026
2014	42,322,315	28,973,708		13,348,607	1,307,736	3,321,627

NOTE:

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

Operating expenses do not include interest, depreciation, or amortization expenses.

Debt service payments on the Certificates of Participation were not required until 2005-06.

	Balance in Rate Stabilization	
Coverage		Account
9.32	\$	4,031,382
4.86		4,189,590
3.40		4,206,333
2.23		4,212,296
1.33		4,258,071
1.17		4,277,459
1.09		4,288,071
1.48		4,299,526
4.27		4,294,795
2.88		4,297,377

City of Santa Maria

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

FY Ended June 30	#Population	+Personal Income	+Per Capita Personal Income	*Median Age
2005	88,793	\$ 14,493,150	\$ 38,313	30
2006	90,204	15,341,976	40,486	31
2007	90,333	19,020,000	47,302	32
2008	91,110	19,740,000	48,693	29
2009	92,542	18,976,000	46,619	29
2010	93,225	18,629,574	43,872	29
2011	100,062	18,629,574	43,872	**29
2012	100,199	18,629,574	43,872	**29
2013	100,306	**19,303,120	**45,219	**29
2014	101,103	20,640,576	47,862	31

SOURCE:

#Department of Finance

+Bureau of Economic Analysis

++Economic Development Department of California

*U.S. Census Bureau

#+California Department of Education and California Community Colleges Chancellor's Office

**Information from Bureau of Economic Analysis last updated November 26, 2012.

#+School Enrollment	++Unemployment Rate
36,385	4.1%
36,817	4.0%
30,299	4.2%
47,734	4.3%
24,917	9.8%
45,869	14.2%
46,563	14.6%
46,563	14.6%
43,367	9.6%
43,367	9.5%

City of Santa Maria

PRINCIPAL EMPLOYERS

Current Fiscal Year and Ten Fiscal Years Ago

*Employer	*2013-14		
	Employees	Rank	Percentage of Total City Employment
*Vandenberg Air Force Base	6,878	1	14.00%
Santa Maria-Bonita School District	1,650	2	3.36%
Marian Medical Center	1,545	3	3.14%
C&D Zodiac Aerospace, Incorporated	1,476	4	3.00%
Allan Hancock College	1,150	5	2.34%
DB Specialty Farms	1,000	6	2.04%
Santa Maria Joint High School District	693	7	1.41%
Windset Farms	667	8	1.36%
City of Santa Maria	648	9	1.32%
Betteravia Farms	450	10	0.92%
*Lockheed Martin Corporation			
Den-Mat Corporation			
Costco			
	16,157		32.89%

SOURCE:

* City of Santa Maria 2014-16 Budget

** Northern Santa Barbara County Economic Outlook 2005

Although outside the City limits, Northern Santa Barbara County Economic Outlook considered Vandenberg Air Force base as a principal employer; whereas the more current survey conducted by the California Economic Forecast excluded employers outside the City limits.

****2004-05**

Employees	Rank	Percentage of Total City Employment
4,782	1	14.21%
1,615	2	4.80%
1,300	3	3.86%
405	9	1.20%
1,200	4	3.57%
		0.00%
629	6	1.87%
587	7	1.74%
967	5	2.87%
585	8	1.74%
270	10	0.80%
12,340		36.66%

City of Santa Maria

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009
Public safety					
Police protection services	162.0	162.0	170.0	172.0	172.0
Fire and emergency services	58.5	58.5	59.0	59.0	63.0
Utilities					
Water distribution services	34.5	34.5	41.5	39.5	40.5
Solid waste collection/disposal services	39.0	39.0	47.0	47.0	48.0
Public ways and facilities					
Streets services	25.5	25.5	24.5	24.5	24.5
Public transit services	2.5	2.5	2.5	2.5	2.5
Recreation and parks					
Recreation and parks services	121.0	121.0	129.0	136.5	136.5
Library					
Library services	38.5	38.5	38.5	49.0	49.0
Community development					
Planning and inspection services	23.0	23.0	30.0	26.0	30.5
Block grant/special project services	4.5	4.5	2.0	2.0	2.0
General government					
Legislative services	5.0	5.0	5.0	5.0	5.0
Legal services	11.5	11.5	12.0	12.0	12.0
Administration	12.0	12.0	12.0	13.5	12.0
Administrative services	18.5	18.5	22.0	25.5	25.5
Engineering and facilities maintenance	24.5	24.5	22.5	22.5	24.5
Special revenue					
Landscaping services	8.0	8.0	4.5	4.5	4.5
Public, education, government television	4.0	4.0	2.0	2.0	2.0
Internal service					
Fleet services	4.5	4.5	5.5	7.5	7.5
Risk Management	1.0	1.0	1.0	1.0	1.0
Total	598.0	598.0	630.5	651.5	662.5

NOTE:

*Employee by Function was not budgeted.

SOURCE: 2014-16 City of Santa Maria Budget

2010	2011	2012	2013	2014
169.0	169.5	169.5	174.0	174.0
60.0	54.0	51.3	63.5	63.5
40.5	41.5	41.5	41.5	41.5
47.0	48.0	48.0	48.0	48.0
24.5	23.5	23.5	23.5	23.5
2.5	2.5	2.5	2.5	3.0
134.0	119.5	121.0	126.0	125.0
46.5	40.0	41.0	42.5	42.5
28.5	26.5	26.5	26.5	26.5
2.0	2.0	2.0	2.0	2.0
5.0	5.0	5.0	5.0	5.0
12.5	11.0	11.0	12.0	12.0
12.0	11.5	12.5	12.5	12.5
24.5	23.5	23.5	23.5	23.5
23.5	21.5	21.5	21.5	22.5
4.5	10.5	10.5	11.5	11.5
2.0	2.0	2.0	2.0	2.0
7.5	8.5	8.5	7.5	8.5
1.0	1.0	1.0	1.0	1.0
647.0	621.5	622.3	646.5	648.0

Santa Maria



City of Santa Maria

OPERATING INDICATORS BY FUNCTION

Last Nine Fiscal Years

Function/Program	2008-10	2010-12	2012-14	2014-16
Police				
Number of stations	1	1	1	1
Calls for service	197,264	187,530	200,000	205,500
Fire and emergency services				
Number of stations	4	5	5	5
Calls for service	17,751	17,453	17,955	18,471
Utilities				
Water production/per acre feet	28,500	26,030	27,000	26,500
Meters Read	492,500	493,836	502,210	504,050
Wastewater treated/mgd	8.30	8.00	8.40	8.80
Solid waste collection and disposal services				
Residential and commercial accounts serviced	36,152	37,594	37,236	37,520
Residential and commercial tons collected	137,427	139,775	142,159	145,600
Average tons received at landfill/day	533	534	534	534
Street Services				
Streetlight maintenance/hours	6,190	3,709	3,771	3,000
Traffic Signal maintenance/hours	3,724	3,543	4,665	4,700
Transit				
Passengers	2,336,848	2,011,445	1,755,286	1,795,923
Miles	1,578,371	1,691,312	1,727,167	1,510,313
Recreation and Parks				
Program registrations	34,570	38,480	38,600	38,720
Facility attendance	2,848,100	3,405,620	3,405,900	3,406,180
*Park acres maintained	772	2,000	2,000	2,000
Trees managed	32,690	38,750	45,720	46,500
Library				
Cardholders	84,500	78,154	66,200	75,000
Materials checked-out	1,132,700	1,017,282	1,026,469	1,045,000
Community development				
Plan checks	2,424	2,592	2,680	2,700
Building permits issued	2,542	2,592	2,680	2,700

NOTE:

Indicators are tracked on a two-year budget cycle.

*Additional park acreage/open space purchased (Santa Maria River Trail and Los Flores Property).

SOURCE: 2014-16 City of Santa Maria Budget

City of Santa Maria

CAPITAL ASSETS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
Police				
Stations	1	1	1	1
Patrol units	41	42	43	41
Fire stations	4	4	4	4
Solid waste				
Refuse collection trucks	19	25	21	24
Highways and streets				
Street miles	206	203	219	220
Streetlights	6,500	6,654	6,600	6,900
Park acreage/Open Space	248	248	248	*772
Water hydrants	2,909	3,000	3,108	4,500
Sewer miles	237	240	240	330

*With the implementation of GPS, the Utilities Department no longer estimates the number of hydrants and sewer miles; these are actual counts.

SOURCE: 2014-16 City of Santa Maria Budget

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
41	41	41	41	43	47
4	4	5	5	5	5
23	23	23	23	23	23
222	224	224	224	224	225
6,900	6,890	7,090	6,708	6,722	6,722
772	2,000	2,000	2,000	2,000	2,000
4,500	*3,280	3,300	3,300	3,350	3,400
529	*200	210	213	218	221

Santa Maria

