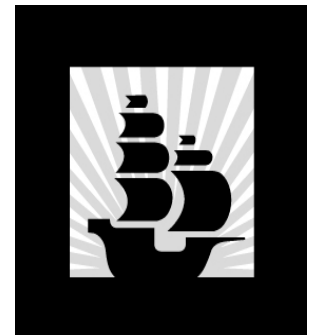


CITY OF SANTA MARIA, CA

2018

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018





**City of Santa Maria
California**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

*Prepared by the Department of Finance
Mary Harvey, Director of Finance*

www.cityofsantamaria.org

Santa Maria



City of Santa Maria
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

INTRODUCTORY SECTION

Letter of Transmittal.....	I - 1
GFOA Certificate of Achievement	I - 8
Organization Chart.....	I - 9
List of Principal Officials	I - 10

FINANCIAL SECTION

Independent Auditors' Report	F - 1
---	--------------

Management's Discussion and Analysis (unaudited)	F - 5
---	--------------

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	F - 21
Statement of Activities	F - 22

Fund Financial Statements:

Balance Sheet – Governmental Funds	F - 28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	F - 31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	F - 32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F - 35
Statement of Net Position – Proprietary Funds	F - 38
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	F - 40
Statement of Cash Flows – Proprietary Funds.....	F - 42
Statement of Fiduciary Net Position – Agency Funds	F - 49
Statement of Changes in Fiduciary Net Position.....	F - 49
Notes to Basic Financial Statements.....	F - 51

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

Budgetary Information – Major Fund:

General Fund	F -101
Library Fund.....	F -102
Growth Mitigation Fund	F -103
Modification to Adopted Budget.....	F -105
Schedule of Changes in the Net OPEB Liability	F -106
Schedule of Change of the Net Pension Liability – Agent Miscellaneous Plan.....	F -107
Schedule of Pension Contributions – Agent Miscellaneous Plan.....	F -108
Schedule of Proportionate Share of the Net Pension Liability – Cost Sharing	F -109
Schedule of Pension Contributions – Cost Sharing Plan.....	F -110

SUPPLEMENTARY INFORMATION

Non-major Funds:

Descriptions of Non-major Governmental Funds.....	F -113
Combining Balance Sheet – Non-major Governmental Funds	F -114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	F -120

Non-major Funds – Budgetary Comparison Schedules:

Traffic Safety	F -126
Drainage Districts	F -127

City of Santa Maria
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

SUPPLEMENTARY INFORMATION, Continued

Land Acquisition Tax	F -127
Residential Development Tax	F -128
Landscape Maintenance.....	F -129
Stowell Parking and Lighting.....	F -130
Business Attraction Loan	F -131
Supplemental Law Enforcement Service Grant	F -131
Federal and State Asset Forfeiture	F -132
Gas Tax	F -133
Street Grant	F -133
Local Streets	F -134
Public Access Television	F -135
Grant (Non-recurring).....	F -135
Description of Internal Service Funds.....	F -137
Combining Statement of Net Position – Internal Service Funds.....	F -138
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	F -139
Combining Statement of Cash Flows – Internal Service Funds	F -140
Description of Fiduciary - Agency Funds	F -143
Statement of Assets and Liabilities	F -145
Statement of Changes in Assets and Liabilities – Agency Funds	F -146

STATISTICAL SECTION (unaudited)

Statistical Narrative	S - 1
Net Position by Component.....	S - 2
Changes in Net Position	S - 4
Governmental Activities Tax Revenues by Source	S - 8
Fund Balances of Governmental Funds	S - 10
Changes in Fund Balances of Governmental Funds.....	S - 12
Assessed and Estimated Actual Value of Taxable Property.....	S - 14
Property Tax Rates – Direct and Overlapping Governments.....	S - 17
Principal Property Taxpayers	S - 18
Property Tax Levies and Collections	S - 20
Ratios of Outstanding Debt by Type	S - 22
Ratios of General Bonded Debt Outstanding	S - 24
Direct of Overlapping Governmental Activities Debt.....	S - 25
Legal Debt Margin.....	S - 26
Pledged-Revenue Coverage	S - 28
Demographic and Economic Statistics	S - 30
Principal Employers – Current Year and Ten Fiscal Years Ago.....	S - 32
Full-Time Equivalent Employees By Function	S - 34
Operating Indicators By Function	S - 37
Capital Assets By Function/Program.....	S - 38



City of Santa Maria

Department of Finance

July 1, 2019

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, 2018.

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 Finance 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, 2017, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018 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, 2018

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 23.2 square miles and a population of 107,356. Santa Maria was the 67th largest city by population of 482 municipalities in California. The next population estimate will become available in May 2020 from the State Department of Finance.

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. With nearly 650 full-time and part-time (32 hours/week) positions, and more than 175 limited-service positions (19 hours/week) the City government is one of the community's largest employers.

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. Councilmembers are elected to four-year staggered terms with two councilmembers elected every two years. The City transitioned to district elections for two of its four City Councilmembers starting in December 2018 after the November election results were certified. Those seats represented District 3 (southwest) and District 4 (southeast). The incumbent Councilmembers who were not up for election in November 2018 will continue to serve all of the City until after the November 2022 election results are certified for District 1 (northwest) and District 2 (northeast). Under the district-based method, voters may elect City Council candidates only from their district. The Mayor's position is still be elected at-large by all voters.

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 directors of the City's departments. The Mayor, City Clerk, and City Treasurer are elected to four-year terms.

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. City expenditures in recent years increased faster than the rise in revenues. This is largely attributed to increasing population and demands for service, and the soaring retirement funding obligations. The City's annual pension payments to CalPERS are \$13.2 million for 2018-19, budgeted at \$17.6 million in 2019-20, and are forecast to escalate to \$19.4 million in 2022-23. The average annual pension payment increase from 2018-19 through 2022-23 is \$1.6 million.

For 10 years in a row, and despite the end of the Great Recession and conservative budgeting, the General Fund faced an accumulating, multimillion-dollar structural deficit, reaching an \$8.5 million General Fund budget gap in 2018-19. The budget-balancing strategy used a combination of exhausting certain one-time reserves, drawing upon economic stabilization reserves for the

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2018

first time outside a recession, expenditure savings by keeping vacant positions unfilled for longer periods, operating reductions in department budgets, and unfunding some positions. Fortunately, the 2019-20 budget includes the recently voter-enacted, Measure U one-cent sales tax revenue that began flowing to the City in May 2018 and is expected to generate \$19.3 million to maintain existing and enhance public safety, youth services and quality of life programs. More than 50 new positions were added as a result of the additional revenue from Measure U. Even with the Measure U revenues, the General Fund has a structural deficit of \$4 million that will be funded through salary savings and use of one-time reserves.

There are positive financial developments. Over the past couple years, the City has experienced positive trends in most economic segments led by consumer spending, construction spending, and increased property values. In 2017, Enos Ranch opened with numerous national retailers. This 113-acre development will bring auto dealers, further cementing Santa Maria as a regional shopping destination. During 2018, Santa Maria saw remarkable growth and development, and more interest and action from regional businesses looking to expand. Santa Maria has a diverse economy based on agriculture, commercial, and manufacturing, in addition to education, health care, tourism, oil production and government.

Sales tax, which can be volatile, is the single largest source of City revenues. A close second is property tax. Starting in 2019-20, the sales tax revenue stream is projected to nearly double because local voters in the November 2018 election enacted an extension and enhancement of Measure U. That approval increased the local sales tax add-on from a quarter-cent to a full cent, generating an estimated \$19 million annually, to maintain and enhance municipal services. However, because sales tax is driven by the health of the economy, the next recession will affect the City's financial condition.

Fourth quarter 2018 sales tax receipts were approximately 8.4 percent or \$1,778,920 greater compared to last fiscal year and receipts through third quarter 2019 were 5.9 percent or \$1,022,260 greater than the same period in 2018. These variances were due to growth in building and construction sales and increase in fuel prices. In addition, the opening of businesses at Enos Ranch contributed to the jump in sales in the general consumer goods, as well as the restaurants and hotels industry groups. Although the City expects to receive a steady stream of sales tax revenue from the Enos Ranch shopping center (on the cover), it is important to note that initially, those revenues were expected to spike for the first six months to a year, before coming down to a more realistic growth level.

Property taxes are collected by Santa Barbara County and are limited to one percent of assessed value on real and personal property. The bulk of these payments are received from Santa Barbara County in December, January, April and May of each year. 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.

Staff constantly explores opportunities to become more efficient, and to secure non-traditional revenue sources. It is a constant challenge to generate revenues sufficient to meet demands. One of the City's innovative revenue streams, Non-Hazardous Impacted Soils (NHIS) has been on the

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2018

decline since peaking at \$5.5 million in 2007-08 and 2008-09. This is attributed to volatility of oil prices, increased competition from other landfills, and the fact that the Guadalupe Dunes Restoration Project has completed its initial phase of work. The revenue estimates from the NHIS program in 2018-29 is \$1.3 million and projections for 2019-20 are \$1 million.

The City began drawing from its “rainy day” fund, the Local Economic Augmentation Fund (LEAF) since 2008-09 to help cover the gap between revenues and expenses in its General Fund. At its peak the LEAF contained \$11.7 million. This fund is forecast to be drawn down by \$2.3 million in 2018-19 and \$1.1 million in 2019-20, leaving a LEAF reserve balance of \$3.1 million. Staff is recommending the City Council authorize building up a Measure U revenues reserve.

Overall, the U.S. economy appears in good shape, and where it goes from here is unclear. Economists do not agree. Some foresee continued mild growth, and some economists and many American are concerned about a recession. The new milestone of 121 months of economic expansion without a recession (June 2009 to July 2019), edged past the 120-month economic cycle (March 1991 to March 2001) that ended when the dot com bubble burst, according to the National Bureau of Economic Research.

Further, the pace of growth has been remarkably slower than its predecessors, according to the lead economist at the University of California, Santa Barbara. The rate of growth of this current expansion is averaging just 2.3 percent growth per year, compared to the 3.6 percent per year growth in the previous record-holding expansion. Only last year, U.S. gross domestic product caught up with estimates of its potential. Further, the 10 previous economic expansions going back to World War II, averaged 4.3 percent per year.

The decade-long expansion mark is boosting speculation about how much longer the recovery may last, and whether the Fed and U.S. government are adequately prepared to fight a recession. Some economists are warning that a significant slowdown in growth, and maybe a recession, are coming. Other economists expect the economy to grow a solid 2 percent to 2.5 percent this year, after expanding at a 3 percent clip in 2018 and 3.1 percent in the first quarter of 2019.

Concern focuses on the impact of trade tensions, and slowing growth in other economies around the globe. A recent poll, by Bankrate, sound that everyday Americans are less positive on the state of the economy than experts. The stark contrast in assessments of the economy highlights the risk of talking ourselves into a recession, a Bankrate analyst said.

The national economy may be weaker than it looks, according to the UCLA Anderson Forecast of June 2019. The Forecast points to weak residential construction, weak investment in homes and apartments, and consumer durables. The effect of the 3.1 percent economic growth in the first quarter of 2019, the Forecast said, increases the recession probabilities from near zero to 15 percent for the next year, and to between 24 percent and 83 percent for the year after that.

California’s economy is in decent shape, overall, but job growth is uneven regionally. Over the 12 months that ended in April, the Bay Area added 97,400 jobs, a 2.5-percent increase in the number of jobs in the region during the one-year period. During that same one-year stretch, California added 271,000 jobs, which means the Bay Area accounted for more than one-third – 36 percent – of all the jobs added statewide.

The Golden State’s low unemployment rate, now at 3.5 percent (May 2019) with a tight labor market, should persist through the next two years, but the state’s generation of new jobs will

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2018

sputter, according to the Forecast. Real personal income is forecast to be 2.9 percent this year, dipping to 1.9 percent in 2020, and rise to 2.1 percent in 2021.

The state's housing market remains soft, and home sales continue to lag behind last year's level. May's statewide median home price was an all-time high of \$611,190, up 1.7 percent from May 2018, according to the California Association of Realtors. Year-to-date statewide home sales were down 6 percent in May. The median home value in Santa Maria as of June 2019 was \$390,800, with a median listing price of \$419,900, according to Zillow. This reflects a steady increase since 2012.

Santa Barbara County-San Luis Obispo County regions, the State, and the Nation are currently at peak employment. The national unemployment rate of 3.4 percent as of May 2019 was the lowest on record dating back 50 years, and California's rate of 3.5 percent also was a record low. Santa Barbara County's jobless rate was 2.9 percent in May 2019, down from a revised 3.5 percent in April, and below the year-ago average of 3.1 percent.

The State recently adopted \$214.8 billion budget that includes a \$21.5 billion surplus. The budget includes the most significant housing and homelessness-related investments in modern history with more than \$2 billion in one-time funds to help with planning grants, housing-related infrastructure, homelessness services, mixed-income loan programs and an expansion of the state's Low Income Housing Tax Credit Program.

At the local level, Santa Barbara County adopted a balanced \$1.14 billion budget for 2019-20. There are no service level reductions for the first time since 2017-18. On the west side of Santa Maria, the new \$111 million Northern Branch Jail along Black Road where construction began in October 2016 is now scheduled to open in January 2020 with 376 inmate beds.

The City of San Luis Obispo adopted a two-year budget that totals \$200 million in 2019-2020 and \$208 million in 2020-2021. City officials are touting the new budget as plan toward paying off the City's unfunded pension liability of \$150 million to CalPERS in 20 years while avoiding approximately \$19 million in interest.

San Luis Obispo County and its cities have some economic challenges ahead, noticeably the impact of the planned Diablo Canyon Power Plant closure in 2025 and the ripple effect to sales tax and property tax revenues. As of April 2018, there were 1,430 full-time regular PG&E employees supporting the plant, and of that about 117 lived in Santa Maria. That did not include the approximately 645 contractors and union employees. In June 2016, PG&E announced plans to close the power plant in 2024/25, and State regulators gave final approval on January 11, 2018. PG&E is the largest single employer in San Luis Obispo County and its power plant has an estimated economic impact of \$800 million to \$1 billion per year.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2018

Major Initiatives for the Fiscal Year

Citywide Communication System

Smart City-Safe City Initiative: The City has deployed new emerging voice and data communications systems in support of its departments and continues to invest in the deployment of new technologies that have the potential of benefiting local businesses, schools, and residents.

One such initiative is the Public-Private Partnership that the City established with WAVE Broadband to build a robust fiber network around the City capable of providing Giga Internet connectivity to government entities, local businesses and school districts. This partnership enabled the City of Santa Maria to become the first true Giga City in the Central Coast, with an initial Internet connectivity capacity of 5 Gigabits per second, which will be soon upgraded to 10 Gigabit connectivity.

WAVE Broadband is now serving two local school districts and a few local businesses with High Speed Fiber Internet connections and its actively expanding its services to other potential clients within the City's boundaries.

Another Smart City initiative being planned for implementation is the provision of free Wi-Fi service onboard a small fleet of SMAT buses; this pilot project will become the foundation for additional mobile Internet connectivity to more bus routes and for public safety applications.

The availability of local fiber-based High-Speed Internet services can also enable the potential growth of Wireless Internet Service Providers that could lease capacity from WAVE to offer wireless Internet connectivity to business and residents that may require lower speeds at a more reasonable price.

These investments are designed to spark substantial economic growth in and around the City as businesses and public services take advantage of this public-private investment

The City's priority is to attract new technology companies and employees to existing companies, and to retain existing businesses.

Energy Efficiency Project: The City is pursuing an energy efficiency project that has potential to generate an estimated \$31 million of total cumulative cash flow over the next 30 years. The City and PG&E identified multiple projects that could provide energy savings and costs savings, along with new revenues, including projects involving landfill gas, wastewater bio-gas, facility lighting, climate control, and irrigation. The estimated savings identified would reduce General Fund expenses by approximately \$1 million each year, generate \$3.5 million in net annual revenue from renewable resources, \$1.8 million in annual post-project positive cash flow, and a cumulative positive cash flow estimated at \$31 million over the term of the project. In November 2018, the City Council authorized the City Manager to proceed with a service agreement with an investment not to exceed \$528,000.

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2018

Financial Policies

The City strives to maintain a minimum General Fund, unassigned fund balance of at least 25 percent of operating appropriations to insulate the General Fund programs and current service levels from large and unanticipated one-time expenditures or a significant revenue reduction due to a change in State or Federal legislation, and other unforeseen circumstances.

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, 2017. This was the 28th 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. Unfortunately, due to staffing shortages and competing priorities the comprehensive annual financial report for the fiscal year ended June 30, 2018, was not complete by GFOA's submittal deadline. However, staff believes that with authorization of new positions, future comprehensive annual financial reports will once again, meet the Certificate of Achievement Program's requirements.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of staff of the Department of Finance. 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



Mary Harvey
Director of Finance



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, 2017

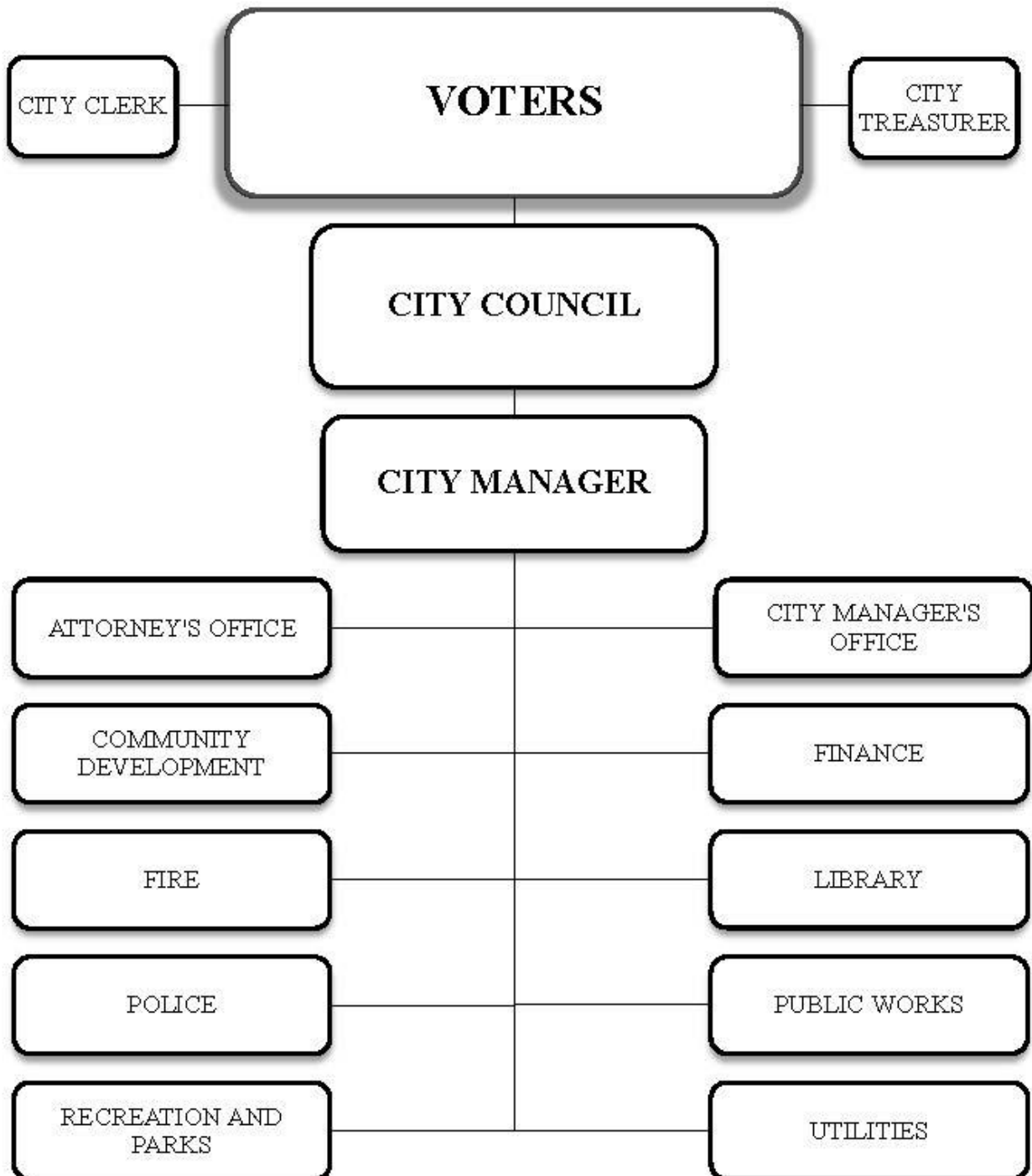
Christopher P. Morill

Executive Director/CEO

City of Santa Maria

Organizational Chart

For the Fiscal Year Ended June 30, 2018



City of Santa Maria

List of Principal Officers

For the Fiscal Year Ended June 30, 2018

MAYOR

ALICE PATINO

MAYOR PRO TEM

JACK BOYSEN

COUNCILMEMBERS

MIKE CORDERO

MICHAEL MOATS MD

ETTA WATERFIELD

CITY MANAGER

JASON STILWELL

CITY TREASURER

TERESSA HALL

CITY CLERK

PATTI RODRIGUEZ

CITY DEPARTMENTS AND DEPARTMENT HEADS

Attorney's Office	Gil Trujillo
City Manager's Office.....	Jason Stilwell
City Manager's Office - Human Resources and Records	Jayne Anderson
Community Development	Chuen Ng
Finance.....	Mary Harvey
Fire.....	Leonard Champion
Library	Mary Housel
Police.....	Phillip Hansen
Public Works/Engineering.....	Steve Kahn
Recreation and Parks	Alex Posada
Utilities	Shad Springer



Moss, Levy & Hartzheim LLP

Certified Public Accountants

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, 2018, 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 general 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, 2018, 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

Changes in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2017, the City of Santa Maria adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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-16, the budgetary comparison information on pages F-101 through F-103, the schedule of changes in total OPEB liability and related ratios and OPEB contributions on page F-106, the schedule of changes of the net pension liability and related ratios on page F-107, the schedule of pension contributions on pages F-108 and F-110, and the schedule of proportionate share of the net pension liability on pages F-109, 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 funds 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 and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2019, 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, Reny & Haulghain LLP

Santa Maria, California
July 1, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018, the City's net position (excess of assets over liabilities) was \$413.6 million. Of this amount, \$119.5 million is available to meet the City's ongoing operations.
- During the fiscal year ended June 30, 2018, the City's net position increased by \$2.2 million to \$413.6 million. This growth reflects a decrease in governmental activities of \$11.5 million or 5.4 percent, and business-type activities showed an increase of \$13.7 million or 6.8 percent. Increases in General Fund revenues from sales tax generated at the new Enos Ranch retail development, property tax growth, and additional grant revenues positively affected net position. The passage of the Senate Bill 1, the Road Repair and Accountability act of 2017, boosted Gas Tax revenues by \$800 thousand, and revenues collected in Growth Mitigation Funds from developers for residential and commercial development projects accounts for \$9.7 million of the governmental activities. These revenue increases were offset by increases of \$12.9 million and \$10.5 million in net pension and OPEB liabilities, respectively. The increase in business-type activities reflects a 5 percent increase in both water and wastewater rates.
- The City's net pension liability and pension inflow of resources increased by \$4.9 million to \$128.3 million. Governmental activities account for \$3.3 million of that increase, whereas \$1.6 million is attributable to business-type activities. Total deferred pension outflows decreased by \$5.3 million to \$35.3 million of which \$4.6 million increased in governmental activities and \$700 thousand decreased in business-type activities.
- The City implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), in the 2018 fiscal year. By implementing the GASB Statement 75, the City recognized liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB plan. City's net OPEB liability and deferred OPEB inflows increased by \$14.7 million to \$19.8 million. Governmental activities account for \$12.1 million of that increase, whereas \$2.6 million is attributable to business-type activities. Total deferred OPEB outflows are at \$500 thousand of which \$400 thousand is applicable to governmental activities and \$100 thousand is for business-type activities.
- The City recorded a prior period adjustment as part of the implementation of GASB Statement 75. This resulted in a prior period adjustment decreasing Governmental Activities beginning net position by \$10,884,109 and Business-type Activities beginning net position by \$2,300,183
- A prior period adjustment was made to record pension deferred outflows in accordance with GASB 82, Pension Issue - An Amendment of GASB Statements No. 68, and No. 73. This negatively affected Governmental Activities and Business-type net positions by \$1,413,449 and \$482,328, respectively
- The beginning net position in Governmental Activities was decreased to correct the beginning lease payable balance to \$2,280,000. The City entered into a lease agreement in January 2017, with the first payment made in the following fiscal year, but the lease was inadvertently omitted from the 2016-17 financial statements.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

- The City recorded a fund balance adjustment in the amount of \$37,156, to decrease the fund balance in the General Capital Projects Fund. The city identified a receivable that was originally recorded as an accrual but was not reversed.
- A prior period adjustment was made that negatively impacts the Growth Mitigation Fund in the amount of \$95,000. This amount represents the first payment of a loan with developer for growth mitigation fees. The developer had previously paid all fees but when those fees were refunded (and loan established), the refund amount was reduced by the first payment of \$95,000.
- A prior period adjustment was recorded that reduced net position in the Insurance Fund by \$125,008. The City was notified that it had deferred liability insurance premiums applicable to prior fiscal years but were paid in the current or future years.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.4 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 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, liabilities and deferred inflows and outflows of resources; the difference 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

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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, General Capital Projects Fund, Library Fund, Growth Mitigation Fund, and Community Development Capital Project Fund are considered 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 and 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.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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 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, Library Fund and Growth Mitigation 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-100. 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.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Statement of Net Position

Net position may serve, over time, as a useful indicator of a City's financial position. During this fiscal year, net position of the City was \$413.6 million, including prior period adjustments of \$17.6 million. Overall net position increased by \$2.2 million compared to the prior fiscal year. This is primarily due to increased receipts of taxes and 5 percent increases in water and wastewater rates.

The following is the condensed Statements of Net Position as of June 30, 2018 and 2017, expressed in millions.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

City of Santa Maria's Statements of Net Assets
As of June 30, 2018 and 2017
(amounts expressed in millions)

	Governmental		Business-type		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 116.9	\$ 126.7	\$ 175.2	\$ 197.8	\$ 292.1	\$ 324.5
Restricted and other assets	2.1	1.6	5.1	5.2	7.2	6.8
Capital assets, net	191.8	192.5	126.3	126.5	318.1	319.0
Total assets	<u>310.8</u>	<u>320.8</u>	<u>306.6</u>	<u>329.5</u>	<u>617.4</u>	<u>650.3</u>
Deferred OPEB contributions		0.4		0.1	-	0.5
Deferred pension contributions	35.3	30.7	5.3	4.6	40.6	35.3
Deferred charge on refunding			4.0	3.5	4.0	3.5
Total deferred outflow of resources	<u>35.3</u>	<u>31.1</u>	<u>9.3</u>	<u>8.2</u>	<u>44.6</u>	<u>39.3</u>
Current liabilities	14.9	14.8	27.1	30.3	42.0	45.1
Long-term liabilities	108.3	133.6	87.0	92.7	195.3	226.3
Total liabilities	<u>123.2</u>	<u>148.4</u>	<u>114.1</u>	<u>123.0</u>	<u>237.3</u>	<u>271.4</u>
Deferred inflow - OPEB		1.7		0.3		2.0
Deferred inflow - pensions	11.7	2.1	1.6	0.5	13.3	2.6
Total deferred inflow of resources	<u>11.7</u>	<u>3.8</u>	<u>1.6</u>	<u>0.8</u>	<u>13.3</u>	<u>4.6</u>
Net Position:						
Net investment in						
capital assets	190.6	189.4	73.9	72.0	264.5	261.4
Restricted	17.2	22.5	10.2	10.2	27.4	32.7
Unrestricted	3.4	(12.2)	116.1	131.7	119.5	119.5
Total Net Position	<u>\$ 211.2</u>	<u>\$ 199.7</u>	<u>\$ 200.2</u>	<u>\$ 213.9</u>	<u>\$ 411.4</u>	<u>\$ 413.6</u>

As of June 30, 2018, the City's net investment in capital assets at \$261.4 million (63.2 percent) is a portion of the \$413.6 million net position. 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 (7.9 percent) of \$32.7 million represents resources that are subject to external restrictions on how the resources may be used. The remaining balance of unrestricted resources of \$119.5 million may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$131.7 million is held by the business-type activities and the governmental activities is showing a deficit of \$12.2 million. This deficit is caused by increases of \$12.9 million and \$10.5 million in net pension and OPEB liabilities, respectively.

The condensed summary of net statements of activities (expressed in millions) on the following page, shows that during the current fiscal year, net position increased by \$19.8 million, which was augmented by the prior period adjustments of \$17.6 million.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

City of Santa Maria's Statements of Activities
For the Fiscal Year Ended June 30, 2018 and 2017
(amounts expressed in millions)

	Governmental		Business-type		Total	
	2017	2018	2017	2018	2017	2018
Revenues						
Program revenues:						
Charges for services	\$ 26.4	\$ 23.3	\$ 70.3	\$ 78.0	\$ 96.7	\$ 101.3
Operating grants and contributions	2.3	4.7	4.4	3.6	6.7	8.3
Capital grants and contributions	2.5	3.1	4.5	7.1	7.0	10.2
General Revenues:						
Taxes	60.1	64.0			60.1	64.0
Use of money and property	0.6	0.6	0.9	0.8	1.5	1.4
Other	3.2	0.2			3.2	0.2
Total revenues	95.1	95.9	80.1	89.5	175.2	185.4
Expenses						
General government	9.5	12.3			9.5	12.3
Public safety	43.9	48.3			43.9	48.3
Public works	10.7	11.7			10.7	11.7
Library	3.2	4.0			3.2	4.0
Community development	4.0	3.1			4.0	3.1
Recreation and parks	14.4	14.5			14.4	14.5
Interest & fiscal charges		0.1				0.1
Water & wastewater			38.1	41.2	38.1	41.2
Solid waste			23.0	22.2	23.0	22.2
Public transit			6.4	8.2	6.4	8.2
Total expenses	85.7	94.0	67.5	71.6	153.2	165.6
Increase in net position before transfers	9.4	1.9	12.6	17.9	22.0	19.8
Transfers	2.6	1.4	(2.6)	(1.4)		
Increase in net position	12.0	3.3	10.0	16.5	22.0	19.8
Net position - beginning of fiscal year	195.4	211.2	190.6	200.2	386.0	411.4
Prior period adjustments	3.8	(14.8)	(0.4)	(2.8)	3.4	(17.6)
Net position - end of fiscal year	\$ 211.2	\$ 199.7	\$ 200.2	\$ 213.9	\$ 411.4	\$ 413.6

Governmental Activities: Excluding the prior period adjustment, governmental activities increased the City's net position by \$3.3 million.

Business-type Activities: Excluding the prior period adjustment, business-type activities increased the City's net position by \$16.5 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.

At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$84.7 million, an increase of \$4.5 million in comparison to the prior fiscal year. This increase is predominantly due to greater taxes and assessments revenue associated with sales tax generated at the new Enos Ranch retail development, an uptick in property tax and additional state and

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

federal grant revenues. The passage of the Senate Bill 1, the Road Repair and Accountability act of 2017, accounts for \$800 thousand increase in Gas Tax.

Approximately 81 percent of this amount (\$68.8 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 \$36.6 million, of which \$19.8 million was committed for economic stabilization, \$165 thousand assigned for unfunded pension liabilities, and \$6.2 million assigned for future liabilities associated with post-employment benefits.

General Fund operations resulted in revenues under expenditures by \$1 million. Transfers in were more than transfers out by \$1.2 million. Transfers out included transfers of \$330 thousand with equal shares going to the Local Economic Augmentation Fund and General Capital Projects Fund per Resolution 2017-136. Total tax revenues increased by \$4.1 million from the prior year, primarily from increases in property taxes of \$1.6 million and sales taxes of \$1.3 million. Measure U use tax receipts increased by \$377 thousand from the prior year. These increases were offset by a decrease in construction and building permits of \$2.7 million.

Property tax revenue increased by \$1.6 million over last fiscal year, a 9.4 percent increase. Combined, sales tax and property tax make up approximately 69 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 \$2.7 million less than last fiscal year due to Enos Ranch retail development and various other residential and commercial building activity occurring in the previous year.

Charges for services in the General Fund are \$507 thousand more than the prior year. Reimbursement for Fire mutual aid support to fight wildland fires increased by \$630 thousand. That increase was offset by a decrease of \$200 thousand in non-hazardous impacted soil (NHIS) revenue. 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.

General Fund expenditures increased by \$1.7 million (2.6 percent) from \$66.7 million last fiscal year to \$68.4 million in the current fiscal year. Public Safety expenditures increased by \$1.3 million due to increased salaries, benefits, and overtime costs, along with operating transfers to the Business Equipment Internal Service Fund. Police regular salaries and benefit costs (excluding overtime) increased by \$33 thousand and was offset by a decrease in overtime costs of \$270 thousand. Fire regular personnel costs increased by \$458 thousand and overtime costs increased by \$250 thousand primarily due to support of wildland fires. Public Safety operating transfers to the Business Equipment Internal Service Fund increased by \$715 thousand for use of the equipment related to the new city-wide radio system as well as other new equipment.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Measure U expenditures increased by \$275 thousand or six percent from the prior year which was result of personnel merit increases.

The City has four other major funds: the General Capital Projects Fund, the Library Fund, the Growth Mitigation Fund, and the Community Development Capital Projects Fund. The General Capital Projects Fund accumulates resources to be used for the construction of capital improvements related to projects for general City benefit. 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, Orcutt, and Los Alamos. The Growth Mitigation Fund accounts for the receipt of developer and user fees as approved under State of California Assembly Bill 1600. The Community Development Capital Projects Fund was established to account for receipts from Community Development Block Grant Funds for special projects in the City.

The General Capital Projects Fund expended \$4.5 million. The current year's larger projects included expenditures of \$913 thousand on the shared 700 megahertz radio system and radio towers, \$785 thousand towards the capital lease payment and installation of the computer-aided dispatch and record management (CAD/RMS) system, renovation costs of \$1.5 million at Buena Vista Park, purchases totaling \$469 thousand for Public Safety equipment.

The Library Fund incurred operating costs in excess of budget by \$556 thousand and revenues exceeded estimates by \$39 thousand. However, the Library Fund recorded a surplus of \$223 thousand resulting in an ending fund balance of \$991 thousand. Intergovernmental revenues, which includes State and County funding, are \$145 thousand or 11.6 percent more than the prior year. Library Fund expenditures of \$3 million exceeded revenues by \$1.5 million. The General Fund subsidizes the Library through operating transfers of \$1.7 million, which was \$53 thousand less than last fiscal year.

The Growth Mitigation Fund recorded receipts of \$9.5 million and expended \$1.5 million. The current year's larger project included expenditures of \$1.4 million to widen a portion of College Drive alongside the Enos Ranch development. A prior period adjustment of \$95,000 was recorded to correct (decrease) the loans receivable balance. Including the adjustment and current year net change in fund balance, the Growth Mitigation has fund balance of \$22.8 million at June 30, 2018.

The Community Development Capital Projects Fund recognized \$1.7 million in revenues, an increase of about 67.8% compared to the prior year. The increase is due to deferred revenues being recognized for the completion of prior year projects. Projects making up the majority of expenditures of \$1.8 million include three residential rehabilitation projects totaling \$479 thousand, upgrades to the Santa Maria Valley Historical Society building of \$118 thousand, and partial funding for Buena Vista Park and Armstrong Park revocations in the amounts of \$594 thousand and \$84 thousand, respectively.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

D. GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budget Comparison

Differences between the original budget and the final amended budget (\$1.0 million increase) resulted primarily from the following:

- Carryover of \$487,000 in the Police Department for Office of Traffic Safety (OTS) Grant expenditures (\$117,900) and Livescan expenditures (\$369,100).
- The Police Department received grants from the State (OTS) totaling \$412,200 to conduct DUI enforcement and driver awareness check points and to fund traffic safety presentations and community events.
- Carryover of \$132,200 and an additional appropriation of \$107,500 for General and Measure U appropriations in the Fire Department to purchase and replace specialized equipment, including an extractor to remove blood borne pathogens from firefighter turnouts and uniforms.
- Carryover of \$12,900 in Public Works for expenditures associated with Storm Water Pollution Prevention Plan.
- Carryover of \$19,500 in Community Development for equipment and supplies related to "Downtown Fridays" weekly event (\$7,100) and costs for outside plan checks (\$12,400).
- Council authorized an appropriation of \$35,000 in City Manager's Office to fund expenses associated with renewing and enhancing the City's existing quarter-cent sales and use tax measure.
- Carryovers of \$18,800 in Recreation and Parks for department equipment ordered but not received prior to fiscal year-end.
- Council authorized additional appropriations totaling \$274,000 in Recreation and Parks to accept a grant funding to establish a tree inventory and planting program (\$259,000) and purchase tasers for park rangers (\$15,000).

Final Budget and Actual Comparison

Total revenues were \$3.4 million (5.3 percent) greater than the final budget primarily due to the following:

- Property tax receipts were greater than budget by \$924,000 or 5.1 percent due to increased assessed valuations and partial recapture of Proposition 8 valuations.
- Sales tax exceeded budget by \$625,000 or 2.4 percent due to retail beginning to open at Enos Ranch development as well as higher fuel prices overall during the year.
- Transient Occupancy Tax (TOT) receipts were 5 percent or \$175,000 less than projections. The shortfall is due to tourism leveling off after showing strong growth since the recession.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

- Building permit revenue is greater than budget by \$457,000 or 16.7 percent primarily due to Enos Ranch retail development and some residential projects moving through the construction process.
- Receipts of \$1.5 million from Non-Hazardous Impacted Soils Program (NHIS) exceeded estimates by \$1.1 million or 284.7 percent. The City takes a very conservative approach when budgeting NHIS revenues due to the unpredictability of the revenue stream. 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.

Total expenditures were \$3.7 million under the final budget which is primarily due to the following:

- General Government is under budget by \$373 thousand or 4 percent primarily due to salary and benefit savings due to changes in personnel and decreases in contractual expenditures.
- Community Development is under budget by \$561 thousand primarily due to staff vacancies and contractual agreements deferred to future years.
- Public Safety is under budget by \$2.4 million primarily due to salary and benefit savings attributed to vacancies.
- Recreation and Parks is over budget by 2.7 percent or \$262 thousand primarily due to increases in operations including new State minimum wage requirements and higher utilities costs.
- Public Works is under budget by \$294 thousand due primarily to salary and benefit savings associated with personnel vacancies.
- Total other financing sources and uses were under budget by \$2.9 million due to:
 - Transfers out is over budget by \$481 thousand primarily due to the transfer of revenues over expenditures of \$165 thousand from the General Fund to both the General Capital Projects Fund and Local Economic Augmentation Fund (LEAF) at year end in accordance with Resolution 2017-136.
 - The above variances were offset by a reduction in transfers in because the General Fund did not use the \$2.6 million in budgeted transfers in from the LEAF in the fiscal year.

E. CAPITAL ASSETS

The City's investments in capital assets for governmental and business-type activities as of June 30, 2018 amounted to \$319 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, 2018 was \$900 thousand or 0.3 percent (a 0.4 percent increase for governmental activities and 0.1 percent increase for business type activities).

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

The chart below and Note 4 Capital Assets (page F-70) provide additional detailed information on capital assets. The amounts shown below are expressed in millions.

City of Santa Maria's Change in Capital Assets
(amounts expressed in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 23.9	\$ 23.9	\$ 13.1	\$ 13.1	\$ 37.0	\$ 37.0
Buildings	91.0	90.8	82.2	81.2	173.2	172.0
Equipment	13.3	13.4	22.9	21.3	36.2	34.7
Infrastructure	58.2	59.7			58.2	59.7
Construction in progress	5.4	4.7	8.1	10.9	13.5	15.6
Total net capital assets	\$ 191.8	\$ 192.5	\$ 126.3	\$ 126.5	\$ 318.1	\$ 319.0

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

- Net capital assets used in governmental activities increased by \$700 thousand. Depreciation expense was \$8.8 million and asset additions were \$14.7 million. Infrastructure assets constructed as part to the Enos Ranch retail development account for \$1.5 million increase in capital assets.
- Construction in progress decreased by \$678 thousand primarily due to completion of two radio towers constructed as part of the city-wide radio project with a total cost of \$1.4 million. Construction in progress additions totaled \$4.4 million and include \$456 thousand incurred for the computer-aided dispatch and records management system (CAD/RMS) for the Police and Fire departments, \$913 thousand for costs incurred for the shared radio system, \$360 thousand for information technology improvements at the police facility on Betteravia, and \$1.5 million for improvements Buena Vista Park. Construction in progress deletions of \$5.1 million include completion of two radio towers constructed as part of the city-wide radio project valued at \$1.4 million, major park renovations at Buena Vista Park at cost of \$1.7 million, and \$611 thousand for fiber optic loop at the police.
- Net capital assets used in business-type activities increased by \$149 thousand. Depreciation expense was \$7.4 million and asset additions were \$9.0 million. The Water and Wastewater Fund recorded water and sewer line improvements valued at \$2 million, donated by developers of the Enos Ranch retail center, incurred expenses associated with building a biofilter at Jim May Park for \$95 thousand in construction in process, and expended \$268 thousand on various water and wastewater system improvements. The Solid Waste Fund recorded capital expenditures of approximately \$1.5 million for the Los Flores Development Plan, \$182 thousand on landfill closure and \$340 thousand for replacement of refuse containers. The Transit Fund recorded \$970 thousand for one bus and five vans, \$1.4 million for replacement buses in construction in progress, and \$200 thousand for bus stop improvements.

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

- Fleet asset additions were \$2.1 million versus deletions of \$1.1 million. The increase of \$1 million is primarily due to the partial payment of \$670 thousand for a fire truck and the replacement of six police vehicles totaling \$270 thousand.

F. LONG-TERM DEBT

At fiscal year end, the City had \$237.7 million in bonds and other long-term debt outstanding. The detail of this \$237.7 million as well as prior year amounts are shown below. Detailed information is also shown in Notes to Basic Financial Statements, beginning on page F-76.

City of Santa Maria's Change in Long-Term Debt
(amounts expressed in millions)

Activities	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Bonds/COP's	\$ -	\$ -	\$ 56.2	\$ 53.5	\$ 56.2	\$ 53.5
Accrued closure costs			15.8	16.6	15.8	16.6
Capital leases	1.2	3.0	1.3	0.9	2.5	3.9
Claims payable	10.8	10.9	3.6	3.7	14.4	14.6
Compensated absences	4.6	4.8	0.7	0.8	5.3	5.6
OPEB Liability	4.2	14.7	0.9	3.1	5.1	17.8
Net pension obligation	94.5	107.4	15.5	18.3	110.0	125.7
Total	\$ 115.3	\$ 140.8	\$ 94.0	\$ 96.9	\$ 209.3	\$ 237.7

The City's governmental debt increased by \$25.5 million primarily due to an increase of \$12.9 million in net pension obligation and \$10.5 million in net Other Post-Employment Benefits (OPEB) liability. Excluding the net pension obligation and OPEB liability, governmental debt increased by \$2.1 million to \$18.7 million, which is attributable to an increase of \$2.3 million to correct lease payable balances that was offset by payments of \$500 thousand, increase of \$100 thousand in liability and worker's compensation claims payable as well as an increase of \$200 thousand in compensated absences.

Excluding the recording of business activity net pension obligation of \$18.3 million and OPEB liability of \$3.1 million, the City's business activity debt decreased by \$2.1 million primarily due to principal payments on the Water and Wastewater Revenue Bonds and capital leases totaling \$3.3 million. These decreases were partially offset by an increase in accrued closure costs by \$800 thousand, claims payable for liability and worker's compensation by \$100 thousand, and compensated absences by \$100 thousand.

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 Finance at (805) 925-0951 extension 2215.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Santa Maria
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 112,417,978	\$ 156,004,711	\$ 268,422,689
Restricted cash and investments with fiscal agents	1,646,199	5,204,728	6,850,927
Receivables, net	9,841,375	13,521,726	23,363,101
Loans receivable	7,590,640		7,590,640
Deposits	145,500	59,650	205,150
Deposits with CCWA		5,023,400	5,023,400
Prepaid items	170,025	19,683,345	19,853,370
Inventory	40,859	40,859	81,718
Internal balances	(3,513,284)	3,513,284	
Total current assets	<u>128,339,292</u>	<u>203,051,703</u>	<u>331,390,995</u>
Noncurrent assets:			
Nondepreciable capital assets	41,011,011	24,035,191	65,046,202
Net depreciable capital assets	151,470,382	102,459,869	253,930,251
Total noncurrent assets	<u>192,481,393</u>	<u>126,495,060</u>	<u>318,976,453</u>
Total assets	<u>320,820,685</u>	<u>329,546,763</u>	<u>650,367,448</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding		3,498,468	3,498,468
Deferred OPEB	414,432	88,458	502,890
Deferred pension	30,716,470	4,580,832	35,297,302
Total deferred outflows of resources	<u>31,130,902</u>	<u>8,167,758</u>	<u>39,298,660</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	4,576,741	2,723,027	7,299,768
Accrued wages and benefits	1,202,333	209,924	1,412,257
Unearned revenue	1,803,061	23,164,657	24,967,718
Debt due within one year	7,203,899	4,247,058	11,450,957
Total current liabilities	<u>14,786,034</u>	<u>30,344,666</u>	<u>45,130,700</u>
Noncurrent liabilities:			
Accrued closure costs		16,596,068	16,596,068
OPEB liability	14,669,396	3,113,402	17,782,798
Net pension liability	107,412,563	18,262,259	125,674,822
Debt due in more than one year	11,539,152	54,694,244	66,233,396
Total noncurrent liabilities	<u>133,621,111</u>	<u>92,665,973</u>	<u>226,287,084</u>
Total liabilities	<u>148,407,145</u>	<u>123,010,639</u>	<u>271,417,784</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred OPEB	1,668,298	328,897	1,997,195
Deferred pension	2,136,725	441,872	2,578,597
Total deferred inflows of resources	<u>3,805,023</u>	<u>770,769</u>	<u>4,575,792</u>
NET POSITION:			
Net investment in capital assets	189,458,099	72,018,707	261,476,806
Restricted for:			
Capital improvements	10,606,632		10,606,632
Community services	1,901,384		1,901,384
Debt service	278,199	10,228,128	10,506,327
Landscape maintenance	1,495,918		1,495,918
Public safety	388,251		388,251
Road maintenance	7,797,767		7,797,767
Total restricted	<u>22,468,151</u>	<u>10,228,128</u>	<u>32,696,279</u>
Unrestricted	(12,186,831)	131,686,278	119,499,447
Total net position	<u>\$ 199,739,419</u>	<u>\$ 213,933,113</u>	<u>\$ 413,672,532</u>

City of Santa Maria
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions/Programs:	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 12,266,896	\$ 495,929	\$ 241,141	\$ -
Community development	3,119,011	3,451,177	32,565	1,671,932
Public safety	48,324,704	3,648,786	2,498,655	843,361
Recreation and parks	14,478,319	6,241,176	506,618	420
Public works	11,746,844	9,178,147		622,157
Library services	3,967,988	273,705	1,396,085	
Interest and fiscal charges	80,643			
Total governmental activities	93,984,405	23,288,920	4,675,064	3,137,870
Business-type Activities:				
Water and wastewater	41,201,174	52,430,634	501,689	1,961,133
Solid waste	22,240,599	24,737,812	82,289	
Public transit	8,185,311	854,882	3,022,241	5,171,279
Total business-type activities	71,627,084	78,023,328	3,606,219	7,132,412
Total primary government	\$ 165,611,489	\$ 101,312,248	\$ 8,281,283	\$ 10,270,282

General Revenues

Taxes:

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Other taxes

Use of money and property

Other revenues

Transfers

Total general revenues and transfers

Change 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 year

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Total	Governmental Activities	Business-Type Activities	Total
\$ 737,070	\$ (11,529,826)	\$ -	\$ (11,529,826)
5,155,674	2,036,663		2,036,663
6,990,802	(41,333,902)		(41,333,902)
6,748,214	(7,730,105)		(7,730,105)
9,800,304	(1,946,540)		(1,946,540)
1,669,790	(2,298,198)		(2,298,198)
	(80,643)		(80,643)
31,101,854	(62,882,551)		(62,882,551)
54,893,456		13,692,282	13,692,282
24,820,101		2,579,502	2,579,502
9,048,402		863,091	863,091
88,761,959		17,134,875	17,134,875
\$ 119,863,813	(62,882,551)	17,134,875	(45,747,676)
	19,169,310		19,169,310
	35,522,904		35,522,904
	4,776,273		4,776,273
	3,525,322		3,525,322
	892,397		892,397
	632,145	847,958	1,480,103
	213,030	24,694	237,724
	1,435,447	(1,435,447)	
	66,166,828	(562,795)	65,604,033
	3,284,277	16,572,080	19,856,357
	211,258,612	200,174,796	411,433,408
	(14,803,470)	(2,813,763)	(17,617,233)
	196,455,142	197,361,033	393,816,175
	\$ 199,739,419	\$ 213,933,113	\$ 413,672,532



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.

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

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

Community Development Capital Project Fund: This fund was established to account for receipts from Community Development Block Grant Funds for special projects in the City.

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, 2018

	Major Funds			
	General	General Capital Projects	Library	Growth Mitigation
ASSETS:				
Cash and investments	\$ 35,560,482	\$ 8,229,061	\$ 1,028,011	\$ 21,940,837
Cash with fiscal agent		1,368,000		
Accounts receivable	7,477,391	310,385	3,576	152,399
Loans receivable	251,866			759,543
Advances receivable				
Prepaid items	39,560		7,172	
Deposits	6,750			
Total assets	<u>\$ 43,336,049</u>	<u>\$ 9,907,446</u>	<u>\$ 1,038,759</u>	<u>\$ 22,852,779</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 1,080,797	\$ 1,143,127	\$ 10,809	\$ 11,347
Advances payable	2,991,633	406,180		
Accrued wages and benefits	1,097,125		35,534	
Unearned revenue	1,298,793		1,200	
Due to other funds				
Total liabilities	<u>6,468,348</u>	<u>1,549,307</u>	<u>47,543</u>	<u>11,347</u>
Deferred Inflows of Resources:				
Deferred revenue	251,866			
Total deferred inflows of resources	<u>251,866</u>			
Fund Balances:				
Nonspendable:				
Prepaid items	39,560		7,172	
Restricted for:				
Community development				
Debt service				
Drainage				
Education				
Landscape maintenance				
Library			984,044	
Park acquisition				
Park development				
Public safety				
Road maintenance				
Committed for:				
Economic stabilization	19,800,000			
Assigned for:				
Capital projects		8,358,139		22,841,432
Post employment benefits	6,248,027			
Unfunded pension benefits	165,450			
Unassigned	10,362,798			
Total fund balances	<u>36,615,835</u>	<u>8,358,139</u>	<u>991,216</u>	<u>22,841,432</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,336,049</u>	<u>\$ 9,907,446</u>	<u>\$ 1,038,759</u>	<u>\$ 22,852,779</u>

Community Development Capital Projects	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 16,922,810	\$ 83,681,201
	278,199	1,646,199
762,877	960,699	9,667,327
6,472,859	106,372	7,590,640
	62,793	62,793
	5,344	52,076
		6,750
<u>\$ 7,235,736</u>	<u>\$ 18,336,217</u>	<u>\$ 102,706,986</u>
\$ 140,107	\$ 1,864,154	\$ 4,250,341
	62,793	3,460,606
	59,676	1,192,335
	503,068	1,803,061
461,885		461,885
<u>601,992</u>	<u>2,489,691</u>	<u>11,168,228</u>
<u>6,472,859</u>	<u>106,372</u>	<u>6,831,097</u>
<u>6,472,859</u>	<u>106,372</u>	<u>6,831,097</u>
	5,344	52,076
160,885	431,642	592,527
	278,199	278,199
	307,233	307,233
	218,180	218,180
	1,492,918	1,492,918
		984,044
	2,011,376	2,011,376
	1,805,909	1,805,909
	388,251	388,251
	7,797,767	7,797,767
		19,800,000
	1,003,335	32,202,906
		6,248,027
		165,450
		10,362,798
<u>160,885</u>	<u>15,740,154</u>	<u>84,707,661</u>
<u>\$ 7,235,736</u>	<u>\$ 18,336,217</u>	<u>\$ 102,706,986</u>



City of Santa Maria

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

June 30, 2018

Total fund balances - governmental funds \$ 84,707,661

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are not current financial resources and, therefore, are not reported in the governmental funds. Net capital assets of \$12,121,864 (\$28,869,879 less accumulated depreciation of \$16,748,015) allocated from internal service funds are included in the information below.

Capital assets at historical cost	\$ 399,110,916	
Accumulated depreciation	(206,629,523)	
Net capital assets		192,481,393

Long-term liabilities are not due and payable in the current fiscal period and, therefore, are not reported in the governmental funds. Long-term liabilities of \$12,680,717 allocated from internal service funds are included in the information below.

Compensated absences	\$ 4,768,917	
OPEB liability	14,669,396	
Claims payable	10,950,840	
Capital lease payable	3,023,294	
Net pension liability	107,412,563	
Total long-term liabilities		(140,825,010)

Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds. Deferred outflows of resources of \$155,740 and deferred inflows of resources of \$28,887 allocated from internal service funds are included in the information below.

Deferred outflows of resources relating to OPEB	\$ 414,432	
Deferred outflows of resources relating to pensions	30,716,470	
Deferred inflows of resources relating to OPEB	(1,668,298)	
Deferred inflows of resources relating to pensions	(2,136,725)	
Net		27,325,879

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. 6,831,097

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. Assets and liabilities of the internal service funds not mentioned above is: 29,218,399

Total net position - governmental activities \$ 199,739,419

City of Santa Maria

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Major Funds			
	General	General Capital Projects	Library	Growth Mitigation
REVENUES:				
Taxes and assessments	\$ 55,531,265	\$ -	\$ -	\$ -
Permits, fines and forfeitures	3,194,729			
Use of money and property	349,334		45,874	167,311
Intergovernmental revenues	1,945,214		1,396,085	
Charges for current services	6,153,370		75,186	9,362,699
Other revenues	183,846		6,354	
Total revenues	67,357,758		1,523,499	9,530,010
EXPENDITURES:				
Current:				
General government	8,990,251			
Community development	3,140,829			
Public safety	43,220,511			
Recreation and parks	10,034,054			
Public works	2,647,766			
Library	77,692		2,908,116	
Capital outlay	290,405	4,233,487	77,826	1,535,531
Debt service:				
Principal		197,752		
Interest and fiscal charges		78,168		
Total expenditures	68,401,508	4,509,407	2,985,942	1,535,531
Excess of revenues over (under) expenditures	(1,043,750)	(4,509,407)	(1,462,443)	7,994,479
OTHER FINANCING SOURCES (USES):				
Transfers in	4,806,910	1,335,871	1,685,500	
Transfers out	(3,615,998)			
Total other financing sources (uses)	1,190,912	1,335,871	1,685,500	
NET CHANGE IN FUND BALANCES	147,162	(3,173,536)	223,057	7,994,479
Fund balances - July 1, 2017	36,468,673	11,568,831	768,159	14,941,953
Prior period adjustments		(37,156)		(95,000)
Fund balances - July 1, 2017, restated	36,468,673	11,531,675	768,159	14,846,953
Fund balances - June 30, 2018	\$ 36,615,835	\$ 8,358,139	\$ 991,216	\$ 22,841,432

Community Development Capital Projects	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 11,763,973	\$ 67,295,238
	360,157	3,554,886
(2,635)	72,261	632,145
1,671,932	2,799,703	7,812,934
7,877	725,870	16,325,002
	4,337	194,537
<u>1,677,174</u>	<u>15,726,301</u>	<u>95,814,742</u>
	257,790	9,248,041
743,563	1,279,362	5,163,754
	78,538	43,299,049
	3,390,603	13,424,657
	3,271,893	5,919,659
		2,985,808
146	6,284,183	12,421,578
		197,752
	2,475	80,643
<u>743,709</u>	<u>14,564,844</u>	<u>92,740,941</u>
<u>933,465</u>	<u>1,161,457</u>	<u>3,073,801</u>
	2,187,365	10,015,646
<u>(1,073,852)</u>	<u>(3,784,496)</u>	<u>(8,474,346)</u>
<u>(1,073,852)</u>	<u>(1,597,131)</u>	<u>1,541,300</u>
<u>(140,387)</u>	<u>(435,674)</u>	<u>4,615,101</u>
301,272	16,175,828	80,224,716
		(132,156)
<u>301,272</u>	<u>16,175,828</u>	<u>80,092,560</u>
<u>\$ 160,885</u>	<u>\$ 15,740,154</u>	<u>\$ 84,707,661</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, 2018

Net changes in fund balances - total governmental funds \$ 4,615,101

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 outlay exceeds depreciation in the current fiscal period and the loss on disposal of capital assets during the current fiscal period.

Capital outlay	\$ 9,592,406	
Depreciation	(8,875,918)	
Loss on disposal of capital asset	(51,493)	
Net capital assets		664,995

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. This amount is the net affect of these differences in the treatment of long-term debt and related items. 138,904

In governmental funds, other post employment benefit (OPEB) costs are recognized when the payment is made. In the statement of activities, OPEB costs are determined based on the accrual basis. This amount is the net change on net OPEB liability, deferred outflows of resources and deferred inflows of resources under the accrual basis. (831,229)

In governmental funds, pension costs are recognized when the payment is made. In the statement of activities, pension costs are determined based on the accrual basis. This amount is the net change on net pension liability, deferred outflows of resources and deferred inflows of resources under the accrual basis. (6,563,441)

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. 2,356,275

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. 2,903,672

Change in net position - governmental activities \$ 3,284,277



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.

Proprietary Funds

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2018

	Enterprise Funds	
	Water and Wastewater	Solid Waste
ASSETS:		
Current assets:		
Cash and investments	\$ 62,003,710	\$ 64,887,608
Accounts receivable, net	6,441,544	2,397,387
Other receivables	319,484	334,995
Advances receivables		3,397,813
Deposits	13,400	
Prepaid items	19,628,340	29,613
Inventory		
Due from other funds		
Total current assets	88,406,478	71,047,416
Noncurrent assets:		
Restricted assets:		
Deposit with CCWA	5,023,400	
Restricted cash and investments	5,204,728	
Total restricted assets	10,228,128	
Capital assets:		
Nondepreciable assets	10,343,928	6,518,947
Depreciable assets, net	70,063,129	13,525,277
Total net capital assets	80,407,057	20,044,224
Total noncurrent assets	90,635,185	20,044,224
Total assets	179,041,663	91,091,640
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge on refunding	3,498,468	
Deferred OPEB	51,367	30,103
Deferred pension	2,168,571	2,101,676
Total deferred outflows of resources	5,718,406	2,131,779
LIABILITIES:		
Current liabilities:		
Accounts payable	870,179	1,135,524
Accrued wages and benefits	93,138	102,375
Unearned revenue		250
Debt due within one year	2,517,499	349,697
Total current liabilities	3,480,816	1,587,846
Noncurrent liabilities:		
COP bond payable	51,255,134	
Compensated absences	74,002	109,042
OPEB liability	1,440,538	1,455,847
Claims payable		
Accrued closure care costs		16,596,068
Capital lease payable		
Net pension liability	8,645,373	8,378,685
Total noncurrent liabilities	61,415,047	26,539,642
Total liabilities	64,895,863	28,127,488
DEFERRED INFLOWS OF RESOURCES:		
Deferred OPEB	142,369	164,779
Deferred pension	209,182	202,730
Total deferred inflows of resources	351,551	367,509
NET POSITION:		
Net investment in capital assets	26,871,749	20,044,224
Restricted	10,228,128	
Unrestricted	82,412,778	44,684,198
Total net position	\$ 119,512,655	\$ 64,728,422

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

Net position of business-type activities

Transit	Total Enterprise Funds	Internal Service Funds
\$ 19,505,948	\$ 146,397,266	\$ 38,344,222
33,539	8,872,470	244,809
3,924,016	4,578,495	
	3,397,813	
	13,400	185,000
22,050	19,680,003	121,291
		81,718
		461,885
<u>23,485,553</u>	<u>182,939,447</u>	<u>39,438,925</u>
	5,023,400	
	5,204,728	
	<u>10,228,128</u>	
6,741,844	23,604,719	1,130,847
<u>13,666,681</u>	<u>97,255,087</u>	<u>16,626,269</u>
<u>20,408,525</u>	<u>120,859,806</u>	<u>17,757,116</u>
<u>20,408,525</u>	<u>131,087,934</u>	<u>17,757,116</u>
<u>43,894,078</u>	<u>314,027,381</u>	<u>57,196,041</u>
	3,498,468	
3,579	85,049	7,746
159,182	4,429,429	302,806
<u>162,761</u>	<u>8,012,946</u>	<u>310,552</u>
549,332	2,555,035	494,392
6,809	202,322	17,600
23,164,407	23,164,657	
15,814	2,883,010	4,774,990
<u>23,736,362</u>	<u>28,805,024</u>	<u>5,286,982</u>
	51,255,134	
4,931	187,975	11,352
93,136	2,989,521	283,500
		10,510,042
	16,596,068	
		1,236,303
634,607	17,658,665	1,207,188
<u>732,674</u>	<u>88,687,363</u>	<u>13,248,385</u>
<u>24,469,036</u>	<u>117,492,387</u>	<u>18,535,367</u>
11,613	318,761	24,419
15,355	427,267	29,209
<u>26,968</u>	<u>746,028</u>	<u>53,628</u>
20,408,525	67,324,498	15,875,026
	10,228,128	
(847,690)	126,249,286	23,042,572
<u>\$ 19,560,835</u>	<u>203,801,912</u>	<u>\$ 38,917,598</u>
	10,131,201	
	<u>\$ 213,933,113</u>	

City of Santa Maria

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
OPERATING REVENUES:			
Charges for current services	\$ 52,430,634	\$ 24,737,812	\$ 854,882
Other revenues		6,203	
Total operating revenues	<u>52,430,634</u>	<u>24,744,015</u>	<u>854,882</u>
OPERATING EXPENSES:			
Salaries, wages and benefits	5,955,348	5,966,296	461,702
Materials and supplies	2,052,172	304,130	32,813
Equipment maintenance and operation	5,106,710	4,201,970	3,117,189
Contracts and services	3,454,104	11,096,789	113,162
State water payments:			
State water payments to DWR	15,181,203		
State water payments to CCWA	3,442,725		
Depreciation	3,602,681	1,175,950	1,384,772
Total operating expenses	<u>38,794,943</u>	<u>22,745,135</u>	<u>5,109,638</u>
Operating income (loss)	<u>13,635,691</u>	<u>1,998,880</u>	<u>(4,254,756)</u>
NONOPERATING REVENUES (EXPENSES):			
Local, state and federal grants	501,689	82,289	3,022,241
Interest income	632,126	170,715	45,117
Amortization expense	(425,260)		
Gain (loss) on sale of equipment			
Interest expense	(2,038,238)		
Noncapitalized costs and planning studies			(1,147,148)
Contributed capital to other agency			(1,927,875)
Total nonoperating revenues (expenses)	<u>(1,329,683)</u>	<u>253,004</u>	<u>(7,665)</u>
Income (loss) before capital contributions and transfers	<u>12,306,008</u>	<u>2,251,884</u>	<u>(4,262,421)</u>
Capital contributions	1,961,133		5,171,279
Transfers in			
Transfers out	(590,870)	(595,080)	(155,490)
Change in net position	<u>13,676,271</u>	<u>1,656,804</u>	<u>753,368</u>
NET POSITION:			
Beginning of fiscal year	107,114,914	64,383,824	18,892,762
Prior period adjustments	(1,278,530)	(1,312,206)	(85,295)
Beginning of fiscal year - restated	105,836,384	63,071,618	18,807,467
End of fiscal year	<u>\$ 119,512,655</u>	<u>\$ 64,728,422</u>	<u>\$ 19,560,835</u>

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

Change in net position of business-type activities

Total Enterprise Funds	Internal Service Funds
\$ 78,023,328	\$ 16,519,247
6,203	36,985
<u>78,029,531</u>	<u>16,556,232</u>
12,383,346	762,647
2,389,115	1,695,401
12,425,869	2,104,729
14,664,055	5,812,283
15,181,203	
3,442,725	
6,163,403	3,915,629
<u>66,649,716</u>	<u>14,290,689</u>
<u>11,379,815</u>	<u>2,265,543</u>
3,606,219	
847,958	
(425,260)	
	121,339
(2,038,238)	
(1,147,148)	
(1,927,875)	(54,683)
<u>(1,084,344)</u>	<u>66,656</u>
10,295,471	2,332,199
7,132,412	1,861,857
	165,450
(1,341,440)	(365,310)
<u>16,086,443</u>	<u>3,994,196</u>
	35,288,001
	(364,599)
	<u>34,923,402</u>
	<u>\$ 38,917,598</u>
485,637	
<u>\$ 16,572,080</u>	

City of Santa Maria

STATEMENT OF CASH FLOWS

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for current services	\$ 50,893,776	\$ 23,891,130	\$ 1,164,660
Payments for goods and services	(30,491,499)	(14,192,249)	(3,263,334)
Payments to employees	(3,501,604)	(4,208,361)	(300,455)
Net cash provided by (used for) operating activities	16,900,673	5,490,520	(2,399,129)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Grant revenues received	698,502	55,773	3,906,113
Noncapitalized costs and planning studies			(1,147,148)
Transfers in from other funds			
Transfers out to other funds	(590,870)	(595,080)	(155,490)
Net cash provided by (used for) noncapital financing activities	107,632	(539,307)	2,603,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant revenues received			6,377,090
Purchase of capital assets	(511,072)	(2,179,709)	(2,121,379)
Bond payments made	(2,928,477)		
Lease payments made			
Interest payments made	(1,700,885)		
Purchase of pass thru capital asset			(1,927,875)
Proceeds from sale of capital assets			
Net cash provided by (used for) capital and related financing activities	(5,140,434)	(2,179,709)	2,327,836
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loan repayments received		644,196	
Proceeds (purchase) of investments	(9,746,943)	(3,481,061)	(2,101,239)
Interest income received	566,307	60,159	47,209
Net cash used for investing activities	(9,180,636)	(2,776,706)	(2,054,030)
Net increase (decrease) in cash and cash equivalents	2,687,235	(5,202)	478,152
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	19,763,579	17,028,940	4,639,375
End of fiscal year	\$ 22,450,814	\$ 17,023,738	\$ 5,117,527
Reconciliation of cash and investments per the statement of net position:			
Cash and investments	\$ 62,003,710	\$ 64,887,608	\$ 19,505,948
Restricted cash and investments	10,228,128		
Less: non-cash equivalents	(49,781,024)	(47,863,870)	(14,388,421)
Total cash and cash equivalents	\$ 22,450,814	\$ 17,023,738	\$ 5,117,527

Total Enterprise Funds	Internal Service Funds
\$ 75,949,566	\$ 16,550,023
(47,947,082)	(11,899,258)
(8,010,420)	(677,688)
19,992,064	3,973,077
4,660,388	
(1,147,148)	
(1,341,440)	165,450
2,171,800	(365,310)
6,377,090	
(4,812,160)	(1,940,366)
(2,928,477)	
(1,700,885)	(631,643)
(1,927,875)	(54,683)
(4,992,307)	49,396
(4,992,307)	(2,577,296)
644,196	
(15,329,243)	(946,625)
673,675	
(14,011,372)	(946,625)
3,160,185	249,296
41,431,894	14,227,932
\$ 44,592,079	\$ 14,477,228
\$ 146,397,266	\$ 38,344,222
10,228,128	
(112,033,315)	(23,866,994)
\$ 44,592,079	\$ 14,477,228

City of Santa Maria

STATEMENT OF CASH FLOWS

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	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)	\$ 13,635,691	\$ 1,998,880	\$ (4,254,756)
Adjustments to reconcile operating activities:			
Depreciation expense	3,602,681	1,175,950	1,384,772
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Accounts receivable	(1,536,858)	(852,885)	298,103
Prepaid items	(1,218,102)	(29,613)	(22,050)
Inventory			
Deferred outflows for OPEB	(51,367)	(30,103)	(3,579)
Deferred outflows for pensions	(66,206)	262,820	(855)
Accounts payable	(36,483)	643,985	21,880
Accrued wages and benefits	16,563	16,660	771
Unearned revenue			11,675
Compensated absences	38,742	57,124	1,296
OPEB liability	1,030,128	1,038,340	66,286
Claims payable			
Postclosure care costs		796,268	
Pension liability	1,848,671	838,105	124,023
Deferred inflows for OPEB	142,369	164,779	11,613
Deferred inflows for pensions	(505,156)	(589,790)	(38,308)
Net cash provided by (used for) operating activities	\$ 16,900,673	\$ 5,490,520	\$ (2,399,129)
NON-CASH ACTIVITY:			
Amortization of deferral on refunding and bond premium	\$ 426,184	\$ -	\$ -
Accretion discount	(362,508)		
Transfer of capital asset	(7,266)	(357,147)	
Contributed capital asset	1,961,133		

Total Enterprise Funds	Internal Service Funds
\$ 11,379,815	\$ 2,265,543
6,163,403	3,915,629
(2,091,640)	(6,209)
(1,269,765)	(45,128)
	(409,318)
(85,049)	(7,746)
195,759	120,015
629,382	104,745
33,994	198
11,675	
97,162	(26,170)
2,134,754	203,202
	(1,937,144)
796,268	
2,810,799	(118,805)
318,761	24,419
(1,133,254)	(110,154)
<u>\$ 19,992,064</u>	<u>\$ 3,973,077</u>
\$ 426,184	\$ -
(362,508)	
(364,413)	364,413
1,961,133	1,497,444



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, 2018

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and investments	\$ 412	\$ 5,739,812
Accounts receivable		33,391
Total assets	<u>412</u>	<u>\$ 5,773,203</u>
LIABILITIES:		
Trust deposits		<u>\$ 5,773,203</u>
Total liabilities		<u>\$ 5,773,203</u>
NET POSITION:		
Held in trust for other taxing entities	<u>412</u>	
Total net position	<u>\$ 412</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
	<u> </u>
ADDITIONS:	
Taxes and assessments	\$ -
Use of money and property	
Total additions	<u> </u>
DELETIONS:	
Administration	
Contract services	
Tax increment reimbursement	
Total deletions	<u> </u>
Net change in net position	
Net position - July 1, 2017	<u>412</u>
Net position - June 30, 2018	<u>\$ 412</u>



City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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 1700 North Broadway, Suite 405, Walnut Creek, CA 94596.

Central Coast Water Authority: Central Coast Water Authority (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, 2018

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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.

General Capital Projects Fund: This fund is used to account for the purchase and construction of capital assets for the General 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. The primary revenue sources for the Library are fines, penalties and County of Santa Barbara subsidies.

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

Community Development Capital Project Fund: This fund was established to account for receipts from Community Development Block Grant Funds for special projects in the City.

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-

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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.

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*

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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. 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. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

E. 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."

F. 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.

G. Capital Assets

Capital assets are defined as property, plant, equipment, and infrastructure assets (roads,

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

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 shown on the following page:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Water and Wastewater and Solid Waste Funds:

Facilities and Improvements	25-50 years
Equipment	6-15 years

Transit Fund:

Facilities and Improvements	25-50 years
Equipment	3-10 years
Buses	10 years

Fleet Service Fund:

Equipment	3-10 years
Vehicles	5 years

Business Equipment Fund:

Equipment	3-10 years
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H. *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.

I. *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.

J. *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

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Santa Maria's California Public Employees Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms.

L. Post-Employment Benefits

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. 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, 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

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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.

N. 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.”

O. 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.

P. 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 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.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

Q. 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 market value as defined by Article XIII A, 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	December 10 (for November)	April 10 (for February)

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.

R. 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.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

S. 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 each fiscal year based on landfill capacity used.

The City reported \$16.6 million in landfill closure and postclosure care liability at June 30, 2018, and is based on the percent of capacity used (87.5%) as of June 30, 2018. It is estimated that the total cost of all closure and postclosure costs to be \$20.9 million at June 30, 2018. The City will recognize remaining estimated costs of \$4.3 million in closure and postclosure care as the remaining capacity is filled, which is expected to be by 2020. Inflation and changes in technology and/or regulations may result in higher or lower 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 have been met by a pledge of the General Fund sales tax revenue should the Solid Waste Fund be unable to perform in accordance with the requirements.

T. 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

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

at the project level.

U. 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 three items which qualify 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 Statement of Net Position and 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 government that is applicable to a future reporting period.

The City has three items which qualify for reporting in this category; refer to Note 7 for a detailed listing of deferred inflows of resources the City has recognized.

V. New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.”* This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Implementation of the GASB Statements No. 75 and the impact on the City’s financial statements are explained in Note 11 – Postemployment Benefits other than Pensions and Note 14 – Prior Period Adjustments.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

W. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

GASB Pronouncement	Title	Effective Date
Statement No. 83	"Certain Asset Retirement Obligations"	Fiscal years beginning after June 15, 2018
Statement No. 84	"Fiduciary Activities"	Fiscal years beginning after December 15, 2018
Statement No. 87	"Leases"	Fiscal years beginning after December 15, 2019
Statement No. 88	"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	Fiscal years beginning after June 15, 2018
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	Fiscal years beginning after December 15, 2019
Statement No. 90	"Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61"	Fiscal years beginning after December 15, 2018

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. CASH AND INVESTMENTS

A. Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the City's debt instruments or Agency agreements:

Statement of Net Position:

Cash and investments	\$ 268,422,689
Cash and investments held by fiscal agent	6,850,927

Fiduciary Funds:

Cash and investments	<u>5,740,224</u>
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Total cash and investments	<u><u>\$ 281,013,840</u></u>
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The composition of cash and investments as of June 30, 2018, is as follows:

Cash on hand	\$ 17,015
Deposits with financial institutions	5,783,015
Investments	<u>275,213,810</u>
Total cash and investments	<u><u>\$ 281,013,840</u></u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobserved inputs.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The City had the following recurring fair value measurements as of June 30, 2018:

Investment Type	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury Bonds	\$ 115,769,661	\$ 115,769,661	\$ -	\$ -
Federal Agency Issues	24,237,790	24,237,790		
Negotiable Certificates of Deposit	14,491,080	14,491,080		
Medium-Term Corporate Notes	48,745,563	48,745,563		
Municipal Obligations	4,043,710	4,043,710		
Total investments measured at fair value	207,287,804	\$ 207,287,804	\$ -	\$ -
Investments measured at amortized costs				
Local Agency Investment Fund (LAIF)	61,074,710			
Money Market Funds	6,851,296			
Total investments	\$ 275,213,810			

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	\$65 million
Mutual Funds	N/A	20%	None

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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:

<u>Investment Type</u>	<u>Value</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
US Treasury Bonds	\$ 115,769,661	\$ -	\$ 25,575,704	\$ 90,193,957	\$ -
Federal Agency Issues	24,237,790		17,275,728	6,962,062	
Negotiable Certificates of Deposit	14,491,080	2,495,350	9,547,930	2,447,800	
Medium-Term Corporate Notes	48,745,563	5,387,752	11,263,102	32,094,709	
Municipal Obligations	4,043,710		2,816,638	1,227,072	
Local Agency Investment Fund (LAIF)	61,074,710	61,074,710			
Money Market Funds	369	369			
Held by fiscal agent:					
Money Market Funds	6,850,927	6,850,927			
Total	\$ 275,213,810	\$ 75,809,108	\$ 66,479,102	\$ 132,925,600	\$ -

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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	Rating as of Fiscal Year End						Total
			AAA	AA	A	A-1	B	Not Rated	
US Treasury Bonds	\$ 115,769,661	N/A	\$ -	\$ 115,769,661	\$ -	\$ -	\$ -	\$ -	\$ 115,769,661
Federal Agency Issues	24,237,790	N/A		24,237,790					24,237,790
Negotiable Certificates of Deposit	14,491,080	A		5,431,990	6,563,740	2,495,350			14,491,080
Medium-Term Corporate Notes	48,745,563	A	3,928,722	10,012,135	29,367,534		5,437,172		48,745,563
Municipal Obligations	4,043,710	A		1,227,073	2,816,637				4,043,710
Local Agency Investment Fund (LAIF)	61,074,710	N/A						61,074,710	61,074,710
Money Market Funds	369	N/A						369	369
Held by fiscal agent:									
Money Market Funds	6,850,927	A						6,850,927	6,850,927
Total	\$ 275,213,810		\$ 3,928,722	\$ 156,678,649	\$ 38,747,911	\$ 2,495,350	\$ 5,437,172	\$ 67,926,006	\$ 275,213,810

G. Concentration of Credit Risk

The Investment Policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2018, there were no investments in which one issuer held 5% or more of the total City's investments.

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:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Bonds/Notes	\$ 115,769,661
Medium-Term Corporate Notes	48,745,563
Federal Agency Issues	24,237,790
Certificates of Deposit	14,491,080
Municipal Obligations	4,043,710

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, 2018, 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, 2018, 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, 2018

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:

Governmental accounts receivables:

Governmental	Accounts Receivable				Loans Receivable
	Accrued Revenue	Interest Receivable	Grants Receivable	Total	
General	\$ 6,059,726	\$ 355,924	\$ 1,061,741	\$ 7,477,391	\$ 251,866
Library	3,576			3,576	
General Capital Projects	310,385			310,385	
Growth Mitigation		152,399		152,399	759,543
Community Development Capital Projects			762,877	762,877	6,472,859
Nonmajor Governmental Funds	865,545	93,790	1,365	960,700	106,372
Internal Service Funds	174,048			174,048	
Total	\$ 7,413,280	\$ 602,113	\$ 1,825,983	\$ 9,841,376	\$ 7,590,640

Business-type receivables:

Business-type	Accounts Receivable	Allowance for Doubtful Accounts	Total Net Receivables	Other Receivables		
				Interest Receivable	Grants Receivable	Total
Water and Wastewater	\$ 6,572,669	\$ 131,125	\$ 6,441,544	\$ 319,484	\$ -	\$ 319,484
Solid Waste	2,471,014	73,627	2,397,387	308,479	26,516	334,995
Transit	33,539		33,539	84,035	3,839,981	3,924,016
Internal Service Funds	70,761		70,761			
Total	\$ 9,147,983	\$ 204,752	\$ 8,943,231	\$ 711,998	\$ 3,866,497	\$ 4,578,495

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, 2018, is on the following page:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Governmental Activities:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable capital assets				
Land	\$ 23,936,340	\$ -	\$ -	\$ 23,936,340
Construction in progress	5,414,645	4,448,089	(5,126,408)	4,736,326
Infrastructure - ROW	12,338,345			12,338,345
Total nondepreciable capital assets	41,689,330	4,448,089	(5,126,408)	41,011,011
Depreciable capital assets				
Building and improvements	145,519,205	2,991,858	(262,179)	148,248,884
Equipment	30,083,607	3,040,003	(991,657)	32,131,953
Infrastructure	173,482,523	4,238,864	(2,318)	177,719,069
Total depreciable capital assets	349,085,335	10,270,725	(1,256,154)	358,099,906
Less: Accumulated depreciation				
Building and improvements	(54,529,754)	(3,244,996)	261,087	(57,513,663)
Equipment	(16,820,486)	(2,861,302)	941,256	(18,740,532)
Infrastructure	(127,608,027)	(2,769,620)	2,318	(130,375,329)
Total accumulated depreciation	(198,958,267)	(8,875,918)	1,204,661	(206,629,523)
Net depreciable assets	150,127,068	1,394,807	(51,493)	151,470,382
Net capital assets	\$ 191,816,398	\$ 5,842,896	\$ (5,177,901)	\$ 192,481,393

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, 2018, is as follows:

Net Capital Assets by Type:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets	\$121,872,239	\$ 3,608,870	\$ (4,803,663)	\$120,677,446
Internal Service Fund assets	11,731,318	764,782	(374,238)	12,121,862
Infrastructure assets	58,212,841	1,469,244	-	59,682,085
Net capital assets by type	\$191,816,398	\$ 5,842,896	\$ (5,177,901)	\$192,481,393

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, 2018

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, 2018, is as follows:

Business-Type Activities:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable capital assets				
Land	\$ 13,102,312	\$ -	\$ -	\$ 13,102,312
Construction in progress	8,061,074	4,183,198	(1,311,393)	10,932,879
Total nondepreciable capital assets	<u>21,163,386</u>	<u>4,183,198</u>	<u>(1,311,393)</u>	<u>24,035,191</u>
Depreciable capital assets				
Building and improvements	155,004,488	2,457,298		157,461,786
Equipment	51,807,980	2,312,556	(1,173,129)	52,947,407
Total depreciable capital assets	<u>206,812,468</u>	<u>4,769,854</u>	<u>(1,173,129)</u>	<u>210,409,193</u>
Accumulated depreciation				
A/D Building and improvements	(72,757,142)	(3,577,295)		(76,334,437)
A/D Equipment	(28,872,630)	(3,865,387)	1,123,130	(31,614,887)
Total accumulated depreciation	<u>(101,629,772)</u>	<u>(7,442,682)</u>	<u>1,123,130</u>	<u>(107,949,324)</u>
Net depreciable assets	<u>105,182,696</u>	<u>(2,672,828)</u>	<u>(49,999)</u>	<u>102,459,869</u>
Net capital assets	<u>\$ 126,346,082</u>	<u>\$ 1,510,370</u>	<u>\$ (1,361,392)</u>	<u>\$ 126,495,060</u>

A summary of changes in capital assets activity, by type, for the City's business-type activities for the fiscal year ended June 30, 2018, is as follows:

Net Capital Assets by Type:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Water and Wastewater assets	\$ 81,537,534	\$ (1,130,477)	\$ -	\$ 80,407,057
Solid Waste assets	19,040,463	1,003,761		20,044,224
Transit assets	19,671,918	1,873,833	(1,137,226)	20,408,525
Internal Service Fund assets	6,096,167	(236,747)	(224,166)	5,635,254
Net capital assets by type	<u>\$126,346,082</u>	<u>\$ 1,510,370</u>	<u>\$ (1,361,392)</u>	<u>\$126,495,060</u>

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

C. Depreciation Expense

Depreciation expense of \$16,318,600 was charged to the following functions:

	Governmental Activities	Business-Type Activities	Total
General government	\$ 980,009	\$ -	\$ 980,009
Community development	5,899		5,899
Public safety	885,215		885,215
Recreation and parks	931,963		931,963
Public works	2,794,927		2,794,927
Library services	641,555		641,555
Internal Service Funds	2,636,350	1,279,279	3,915,629
Water and Wastewater		3,602,681	3,602,681
Solid Waste		1,175,950	1,175,950
Transit		1,384,772	1,384,772
Total	\$ 8,875,918	\$ 7,442,682	\$ 16,318,600

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
Internal Service Funds	\$ 461,885	\$ -
Community Development Capital Projects Fund		461,885
Total	\$ 461,885	\$ 461,885

The outstanding balances among funds results from cash advances to non-major governmental 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 Internal Service Funds to be collected within the subsequent fiscal year.

B. Advances Payable/Receivable

On October 31, 2012, the Solid Waste Collection advanced the General Fund \$5,572,242 to prepay the CalPERS Side Fund for the Fire Safety Pension Plan. The loan term is ten years with annual payments of \$653,237 at an interest rate of 3%. The future minimum payment obligation is shown on the following page:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fiscal Year Ending	Amount
2019	\$ 653,237
2020	653,237
2021	653,237
2022	653,237
2023	653,237
Total	<u>3,266,185</u>
Less: amount representing in interest	<u>274,552</u>
Present value of net minimum payments	<u><u>\$ 2,991,633</u></u>

On October 31, 2012, the Solid Waste Collection Fund advanced the General Capital Projects Fund \$875,000 to pay for the matching portion of the levee construction project. The loan term is nine years with annual payments of \$106,129 at an interest rate of 1.79%. The future minimum payment obligation is shown below:

Fiscal Year Ending	Amount
2019	\$ 106,129
2020	106,129
2021	106,129
2022	106,131
Total	<u>424,518</u>
Less: amount representing in interest	<u>18,338</u>
Present value of net minimum payments	<u><u>\$ 406,180</u></u>

On July 1, 2013, the Southwest Landscape District advanced the Stowell Parking Lot Fund \$155,831 to pay for resurfacing of the Stowell Center parking lot. The loan term is eight years with annual payments of \$22,199 at an interest rate of 3%. The future minimum payment obligation is shown on the following page:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Fiscal Year Ending	Amount
2019	\$ 22,199
2020	22,199
2021	22,199
Total	66,597
Less: amount representing in interest	3,804
Present value of net minimum payments	\$ 62,793

C. Transfers In and Out

The transfers in and out between funds are shown below:

Fund	Transfer In	Transfer Out
General Fund	\$ 4,806,910	\$ 3,615,998
General Capital Projects Fund	1,335,871	
Library Fund	1,685,500	
Community Development Capital Projects Fund		1,073,852
Nonmajor Governmental Funds	2,187,365	3,784,496
Water and Wastewater Fund		590,870
Solid Waste Fund		595,080
Transit Fund		155,490
Internal Services Funds	165,450	365,310
Total	<u>\$ 10,181,096</u>	<u>\$ 10,181,096</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.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

6. DEFERRED OUTFLOWS OF RESOURCES

At June 30, 2018, deferred outflows of resources, in the Statement of Net Position, consisted of the following:

	Governmental Activities	Business-type Activities
Deferred charge on refunding	\$ -	\$ 3,498,468
Deferred OPEB	414,432	88,458
Deferred pension	30,716,470	4,580,832
Total	<u>\$ 31,130,902</u>	<u>\$ 8,167,758</u>

7. DEFERRED INFLOWS OF RESOURCES

At June 30, 2018, deferred inflows of resources, reported in the Statement of Net Position, consisted of the following:

	Governmental Activities	Business-type Activities
Deferred OPEB	\$ 1,668,298	\$ 328,897
Deferred pensions	2,136,725	441,872
Total	<u>\$ 3,805,023</u>	<u>\$ 770,769</u>

At June 30, 2018, deferred inflows of resources, reported in the Balance Sheet - Governmental Funds, consisted of the following:

Unavailable Deferred Revenue:

General Fund	\$ 251,866
Community Development	
Capital Project Fund	6,472,859
Nonmajor Governmental Funds	106,372
Total	<u>\$ 6,831,097</u>

8. LONG-TERM DEBT

A. Bonds Payable

On June 19, 2012, the City issued \$50,119,493 of Water and Wastewater 2012 A/B Revenue Refunding Bonds (Bonds) with an interest rate ranging from three to five percent. The purpose of the Bonds was to refund prior Certificates of Participation Bonds (COP's) with interest rates ranging from five to 7.4 percent, with a par value of \$38,320,394, and maturing annually on

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 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 COP's are due. The current refunding met the requirements of an insubstance defeasance and the COP's were removed from the City's financial statements. As a result of this refunding, the City reduced its current annual debt service requirement by approximately \$2,000,000 through 2027 and a resulted in an economic gain of \$3,067,050. As of June 30, 2018, \$195,567 of defeased COP's are still outstanding.

The total long-term debt for the refunding bonds payable consists of the following:

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
COP Payable 1997	\$ 1,055,862	\$ -	\$ -	\$ 1,055,862	\$ -
Add: Accretion	3,597,288	346,783		3,944,071	
Refunding Bond Payable 2012	50,119,493		2,928,477	47,191,016	2,149,951
Add: Accretion	714,206	15,725	27,785	702,146	94,545
Bond Premium	677,891		35,678	642,213	35,678
Total	\$56,164,740	\$ 362,508	\$ 2,991,940	\$53,535,308	\$ 2,280,174

The annual requirements to amortize COP's and Bonds Payable is as follows:

Fiscal Year Ending June 30	Certificate of Participation (1997)			Water and Wasterwater Refunding Bonds (2012 A/B)		
	Principal*	Interest*	Total	Principal*	Interest*	Total
2019	\$ -	\$ -	\$ -	\$ 2,565,035	\$ 2,067,678	\$ 4,632,713
2020				2,423,421	2,209,292	4,632,713
2021				2,276,167	2,351,546	4,627,713
2022	547,104	2,527,896	3,075,000	60,000	1,492,713	1,552,713
2023	508,758	2,566,241	3,074,999	60,000	1,491,063	1,551,063
2024-2028				12,455,069	10,687,994	23,143,063
2029-2033				16,835,637	6,313,863	23,149,500
2034-2036				10,515,687	3,375,812	13,891,499
Total	\$ 1,055,862	\$ 5,094,137	\$ 6,149,999	\$47,191,016	\$29,989,961	\$77,180,977

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

B. *Compensated Absences*

City employees accumulate earned but unused vacation, sick and compensated time-off pay benefits, which can be converted to cash at termination of employment. Since no means exist to reasonably estimate the amounts that might be liquidated with current available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

expenditure is allocated to each function based on usage. The non-current portion of these vested benefits (payable in accordance with the various bargaining agreements) at June 30, 2018, total \$4,768,917 for governmental activities and \$814,670 for business type activities.

C. Other Post-employment Benefits (OPEB)

In accordance with GASB Statement No. 75, the City is required to measure and report the liabilities associated with other post-employment benefits (OPEB). The City's estimated OPEB liability for the fiscal year was determined to be \$17,782,798. See Note 11 for further detail.

D. Claims Payable

The City's estimated liability at June 30, 2018, is \$14,601,119. The City's liability is based on claim reserves established by the claims administrators and actuarial studies. The claims liability includes an allowance for incurred, but not reported losses. See Note 12 for further detail.

E. Accrued Closure 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 City reported \$16,596,068 in landfill closure and post-closure care liability at June 30, 2018 and is based on the percent of capacity used (87.5%) as of June 30, 2018. It is estimated that the total cost of all closure and post-closure costs to be \$20.9 million. The City will recognize the remaining estimated costs of \$4.3 million in closure and post-closure care as the remaining capacity is filled, which is expected to be by 2020. Inflation and changes in technology and/or regulations may result in higher or lower costs.

F. Capital Lease Payable

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 in the amount of \$4,905,000. The three leases have terms of seven, ten and twelve years with interest ranging from 2.14 and 2.68 percent. Payments are due semi-annually under the terms of the lease agreement.

On January 11, 2017, the City entered into a lease agreement with Community Bank of Santa Maria for the acquisition of a Computer Aided Dispatch and Records Management System (CAD/RMS) in the amount of \$2,280,000. The lease has a term of ten years with interest rate of 3.1 percent.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

At June 30, 2018, the outstanding balance is:

Fiscal Year June 30	Fleet 7-Year	Fleet 10-Year	Fleet 12-Year	CAD/RMS 10-Year	Total
2019	\$ 537,494	\$ 65,383	\$ 83,449	\$ 266,912	\$ 953,238
2020	537,495	65,383	83,449	266,912	953,239
2021	-	65,383	83,449	266,912	415,744
2022	-	65,383	83,449	266,912	415,744
2023	-	65,385	83,449	266,912	415,746
2024-2027	-	-	166,900	1,067,644	1,234,544
Total	1,074,989	326,917	584,145	2,402,204	4,388,255
Less: amount representing in interest	28,152	21,070	54,739	319,955	423,916
Present value of net minimum payments	\$ 1,046,837	\$ 305,847	\$ 529,406	\$ 2,082,249	\$ 3,964,339

G. Net Pension Liability

In accordance with GASB Statement No. 68, the City is required to measure and report the liabilities associated with pension liability. The City's estimated net pension liability at June 30, 2018 was \$125,674,822. See Note 10 for further detail.

H. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, is shown below:

Governmental Activities	Balance 7/1/2017	Restatement	Additions	Deletions	Balance 6/30/2018	Due Within One Year	Due After One Year
Compensated absences	\$ 4,556,228	\$ -	\$ 3,773,054	\$ 3,560,365	\$ 4,768,917	\$ 3,713,821	\$ 1,055,096
OPEB liability	4,207,923	11,264,484	1,437,795	2,240,806	14,669,396		14,669,396
Claims payable	10,788,859		2,451,219	2,289,238	10,950,840	3,068,308	7,882,532
Capital lease payable	1,256,867	2,280,000		513,573	3,023,294	421,770	2,601,524
Net pension liability	94,509,757		23,766,798	10,863,992	107,412,563		107,412,563
Total	\$115,319,634	\$ 13,544,484	\$ 31,428,866	\$ 19,467,974	\$140,825,010	\$ 7,203,899	\$133,621,111

Business-Type Activities	Balance 7/1/2017	Restatement	Additions	Deletions	Balance 6/30/2018	Due Within One Year	Due After One Year
Bonds payable	\$ 56,164,740		\$ 362,508	\$ 2,991,940	\$ 53,535,308	\$ 2,280,174	\$ 51,255,134
Compensated absences	730,534		650,648	566,512	814,670	621,221	193,449
OPEB liability	889,784	2,381,928	283,455	441,765	3,113,402		3,113,402
Claims payable	3,596,286		817,073	763,080	3,650,279	1,022,769	2,627,510
Accrued closure costs	15,799,800		796,268		16,596,068		16,596,068
Capital lease payable	1,256,867			315,822	941,045	322,894	618,151
Net pension liability	15,510,863		4,668,571	1,917,175	18,262,259		18,262,259
Total	\$ 93,948,874	\$ 2,381,928	\$ 7,578,523	\$ 6,996,294	\$ 96,913,031	\$ 4,247,058	\$ 92,665,973

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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	\$ 5,708
Federal and State Asset Forfeiture	47,580

B. Deficit Fund Equity

There were no funds with a deficit fund balance at June 30, 2018.

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 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 Year Ending June 30	Amount
2019	\$ 23,681,596
2020	24,759,453
2021	22,660,885
2022	23,344,224
2023	23,846,551

10. EMPLOYEES’ RETIREMENT PLANS

AGENT - MULTIPLE EMPLOYER PLANS

A. Pension Plans; General Information about the Pension Plans

Plan Descriptions: All qualified permanent and probationary employees, excluding Safety (Police and Fire) which have separate cost-sharing employer plans, are eligible to participate in the Local Government’s Miscellaneous (all other) Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Employee Plan		
	Tier I	Tier II	Tier III (PEPRA)
Hire date	Prior to January 1, 2011	On or after January 1, 2011*	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55 5 years of	2.0% @ 62
Benefit vesting schedule	5 years of service	service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.43% to 2.42%	1.0% to 2.5%
Retirement age	50-55	50-63	52-67
Required employee contribution rates	8.000%	7.000%	6.000%
Required employer normal cost rate	10.218%	10.218%	10.218%
Required employer payment of unfunded liability (all tiers)	\$ 3,468,493	\$ -	\$ -

*After January 1, 2013, second tier will only apply to employees transferring from another CalPERS agency.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	Misc
Inactive employees entitled to but not yet receiving benefits	356
Active employees	371
Total	377
	1,104

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Santa Maria is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

B. Net Pension Liability

The Local Government’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

Actuarial Assumptions: The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality	Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. Deferred inflows of resources for changes of assumptions presented in pension schedules represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board actions and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

for GASB 67 and 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS changes its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New	Real Return	Real Return
	Strategic Location	Years 1 - 10(a)	Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure & Forest Land	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2016	<u>\$ 209,141,675</u>	<u>\$ 145,871,394</u>	<u>\$ 63,270,281</u>
Changes in year:			
Service cost	4,585,208		4,585,208
Interest on total pension liability	15,599,879		15,599,879
Changes of benefit terms			
Changes of assumptions	13,392,377		13,392,377
Differences between expected and actual experience	(1,818,008)		(1,818,008)
Net plan to plan resource movement		(3,561)	3,561
Contributions - employer		5,445,133	(5,445,133)
Contributions - employee (paid by employer)		1,789,693	(1,789,693)
Contributions - employee			
Net investment income		16,234,603	(16,234,603)
Benefit payments, including refunds of employee contributions	(9,657,026)	(9,657,026)	
Administrative expenses		(215,369)	215,369
Net change during 2016-17	<u>22,102,430</u>	<u>13,593,473</u>	<u>8,508,957</u>
Balance at June 30, 2017	<u>\$ 231,244,105</u>	<u>\$ 159,464,867</u>	<u>\$ 71,779,238</u>

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City of Santa Maria for the Miscellaneous Plan, calculated using the discount rate for the Plan, as well as what the Local Government's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount -1% (6.15%)	Current Rate (7.15%)	Discount +1% (8.15%)
Miscellaneous Plan			
Net Pension Liability (Asset)	\$ 104,445,096	\$ 71,779,238	\$ 45,019,938

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City of Santa Maria recognized pension expense of \$11,139,135. At June 30, 2018, the City of Santa Maria reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan from the sources below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,747,353	\$ -
Changes of assumptions	9,334,081	421,701
Differences between expected and actual experiences	769,622	1,315,064
Net difference between projected and actual earnings on pension plan investments	2,153,763	
Total	<u>\$ 18,004,819</u>	<u>\$ 1,736,765</u>

\$5,747,353 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ended June 30, 2019. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30	
2019	\$ 3,553,912
2020	6,196,694
2021	1,952,095
2022	(1,182,000)

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

E. Payable to the Pension Plan

At June 30, 2018, the Local Government reported a payable of \$90,892 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

COST-SHARING EMPLOYER PLANS

A. Pension Plans; General Information about the Pension Plans

Plan Descriptions: All sworn permanent and probationary public safety employees are eligible to participate in the City of Santa Maria’s separate Safety (police and fire) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Police Safety Employee Plan		
	Tier I	Tier II	Tier III (PEPRA)
Hire date	Prior to January 1, 2011	On or after January 1, 2011*	On or after January 1, 2013
Benefit formula	3.0% @ 50 5 years of service	3.0% @ 55 5 years of service	2.7% @ 57 5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Retirement age	50	50-55	50-57
Required employee contribution rates	9.000%	9.000%	12.000%
Required employer normal cost rate	20.153%	17.308%	11.490%
Required employer payment of unfunded liability	\$ 1,641,592	\$ -	\$ 1,156

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fire Safety Employee Plan

	Tier I	Tier II	Tier III (PEPRA)
	Prior to January	On or after	On or after
Hire date	1, 2011	January 1, 2011*	January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Retirement age	50	50-55	50-57
Required employee contribution rates	9.000%	9.000%	12.250%
Required employer normal cost rate	21.418%	18.487%	12.729%
Required employer payment of unfunded liability	\$ 686,732	\$ -	\$ 2,997

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Santa Maria is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the safety pension plan from the City during the 2017-18 fiscal year was \$5,264,629.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The City of Santa Maria's pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City of Santa Maria's proportion of the net pension liability was based on a projection of the City of Santa Maria's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion of the safety plan was 0.9020%, a decrease of 0.0007% from prior year. The City of Santa Maria's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 measurement date was as follows:

	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Total</u>
Proportion - June 30, 2016	0.6409%	0.2618%	0.9027%
Proportion - June 30, 2017	<u>0.6314%</u>	<u>0.2706%</u>	<u>0.9020%</u>
Increase (Decrease) in Proportion	<u>-0.0095%</u>	<u>0.0088%</u>	<u>-0.0007%</u>

For the year ended June 30, 2018, the City of Santa Maria recognized pension expense of \$8,255,119 for the Safety Plan for Police and Fire. At June 30, 2018, the City of Santa Maria reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources below:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,264,629	\$ -
Changes of assumptions	8,296,444	636,525
Differences between expected and actual experiences	572,069	149,154
Net difference between projected and actual earnings on pension plan investments	1,808,950	
Differences in proportions	908,396	
Differences in actual contributions and proportionate share of contributions	<u>441,995</u>	<u>56,153</u>
Total	<u>\$ 17,292,483</u>	<u>\$ 841,832</u>

\$5,264,629 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

June 30, 2019.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 3,067,085
2020	5,727,359
2021	3,450,057
2022	(1,058,479)

Actuarial Assumptions: The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions below:

	Safety - Police	Safety - Fire
Valuation date	June 30, 2016	June 30, 2016
Measurement date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment rate of return	7.5% (2)	7.5% (2)
Mortality	Derived using CalPERS' Membership date for all funds	Derived using CalPERS' Membership date for all funds

(1) Depending on age, service and type of employment

(2) Net pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. Deferred inflows of resources for changes of assumptions presented in pension schedules represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for each

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans runs out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress tested results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table on the following page reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New	Real Return	Real Return
	Strategic Location	Years 1 - 10(a)	Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure & Forest Land	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City of Santa Maria's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City of Santa Maria's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount -1 % (6.15%)	Current Rate (7.15%)	Discount +1 % (8.15%)
Net Pension Liability (Asset)	\$ 81,303,595	\$ 53,895,584	\$ 31,490,902

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2018, the Local Government reported a payable of \$106,698 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

D. 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. The plan is administered by the government and the Plan provisions may only be amended by City Council action. The authority for establishing or amending contribution requirements is from the Internal Revenue Code Section 3121 (b)(7)(F).

Contributions of 7.5 percent of covered compensation are made by the employees. Contributions of \$109,455 were made during the fiscal year-ending June 30, 2018. The total amount of covered compensation was \$1,459,400. 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 70^{1/2}. City liabilities are limited to the amount of current contributions.

The account summary, on the following page, reports the additions and distributions during fiscal year 2017-18:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

Beginning balance - July 1, 2017		\$ 359,912
Plus:		
Contributions	\$ 109,455	
Year-to-date earnings	<u>5,310</u>	
Subtotal		114,765
Less:		
Distributions	42,691	
Year-to-date expenses	<u>8,810</u>	
Subtotal		<u>51,501</u>
Ending balance - June 30, 2018		<u>\$ 423,176</u>

11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. General Information about Other Post Employment Benefit (OPEB) Plans

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. The City was required to contribute \$128 per month during calendar year 2017 and \$133 per month during calendar year 2018 towards the cost of the retiree health insurance, which is the same amount contributed toward active employee health insurance. The contribution amount is calculated by using the annual consumer price index increase. During fiscal year 2017-18, expenditures of \$219,601 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, 2018

Employees Covered: As of June 30, 2017, the measurement date, the following numbers of participants were covered by the benefit terms:

Active employees	545
Inactive employees currently receiving benefits	141
Inactive employees entitled to but not yet receiving benefits	205
Total	891

Contributions: The City currently finances benefits on a pay-as-you-go basis.

B. Net OPEB Liability

The City's Net OPEB Liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	June 30, 2017
Contribution policy:	No pre-funding
Discount rate:	3.58% at June 30, 2017 (Bond Buyer 20-bond Index), 2.85% at June 30, 2016 (Bond Buyer 20-bond Index)
General inflation:	2.75% annually
Mortality, Retirement, Disability, Termination:	Rates are those used by CalPERS in the pension valuations for employees and retirees with the same classifications as benefit formulas. Rates are based on CalPERS study of 1997-2015 experience.
Mortality improvement:	Mortality projected fully generational with Scale MP-17 for post-retirement mortality
Salary increases:	3.00% plus merit component, Merit – tables from CalPERS 1997-2015 Experience Study
Medical trend:	Non-Medicare: 7.50% for 2019, decreasing to an ultimate range of 4.00% in 2076 and later years 6.50% for 2019, decreasing to an ultimate range of 4.00% in 2076 and later years
PEMHCA minimum increase:	4.25% annually
Participation at retirement:	Active employees: 40%; Retirees: 100% if covered
Spouse coverage:	Active employees: 50% of participating actives will cover spouse; Retirees: based on current coverage

Discount Rate: The discount rate used to measure the total OPEB liability was 3.58%. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

bond rate indices; S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

C. Changes in OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

	Total OPEB Liability
Balance at 6/30/17 (Measurement Date June 30, 2016)	<u>\$ 18,744,119</u>
Changes recognized for the measurement period:	
Service Cost	1,160,502
Interest	560,748
Benefit changes	-
Actual vs. expected experience	-
Changes of assumptions	(2,224,149)
Benefit payments*	<u>(458,422)</u>
Net Changes	<u>(961,321)</u>
Balance at June 30, 2018 (Measurement Date June 30, 2017)	<u>\$ 17,782,798</u>

*Includes \$210,294 cash benefit payments and \$248,128 implied subsidy benefit payments by the City.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Current Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	<u>\$ 20,933,086</u>	<u>\$ 17,782,798</u>	<u>\$ 15,284,747</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 3.00 percent for Non-Medicare plans and 5.50 percent decreasing to 3.00 percent for Medicare plans) or 1-percentage-point higher (8.50 percent decreasing to 5.00 percent for Non-Medicare plans and 6.50 percent decreasing to 5.00 percent for Medicare plans) than the current healthcare cost trend rates:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	1% Decrease (Non-Medicare 6.5% decreasing to 3%; Medicare 5.5% decreasing to 3%)	Current Rate (Non-Medicare 7.5% decreasing to 4%; Medicare 6.5% decreasing to 4%)	1% Increase (Non-Medicare 8.5% decreasing to 5%; Medicare 7.5% decreasing to 5%)
Total OPEB Liability	\$ 14,933,356	\$ 17,782,798	\$ 21,491,430

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$1,497,992. As of the fiscal year ended June 30, 2018, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date*	\$ 502,890	\$ -
Change in assumptions	-	1,997,195
Differences between expected and actual experience	-	-
	<u>\$ 502,890</u>	<u>\$ 1,997,195</u>

* Contributions of \$219,601 cash benefit payments, \$4,438 administrative costs and \$278,852 implied subsidy benefit payments by the City.

The gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 9.8 years.

\$502,890 reported as deferred outflows of resources related to contributions subsequent to the measure date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal year ending June 30	Amount
2019	\$ (226,954)
2020	(226,954)
2021	(226,954)
2022	(226,954)
2023	(226,954)
Thereafter	(862,425)

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$50 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, 2018, the estimated outstanding liability was \$12,448,001 for workers' compensation and \$2,153,118 for general liability. Such amounts have been accrued in the accompanying combined financial statements' Internal Service Insurance Fund. At June 30, 2018, the estimated liability for claims payable is \$14,601,119. 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

	2016-17	2017-18		
		General Liability	Workers Comp	Total
Claims payable at July 1	\$ 13,616,357	\$ 1,923,144	\$ 12,462,001	\$ 14,385,145
Claims incurred during the fiscal year	2,694,349	1,237,985	2,030,307	3,268,292
Payments on claims during the fiscal year	1,925,561	1,008,011	2,044,307	3,052,318
Claims and judgements payable at June 30	<u>\$ 14,385,145</u>	<u>\$ 2,153,118</u>	<u>\$ 12,448,001</u>	<u>\$ 14,601,119</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:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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

There were six prior period adjustments were made in the 2017-18 fiscal year:

1. The City recorded a prior period adjustment as part of the implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the 2018 fiscal year. By implementing the GASB Statement 75, the City recognized liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB plan. This resulted in a prior period adjustment decreasing Governmental Activities beginning net position by \$10,884,109 and Business-type Activities beginning net position by \$2,300,183.
2. A prior period adjustment was made to record pension deferred outflows in accordance with GASB 82, Pension Issue – An Amendment of GASB Statements No. 67, No. 68, and No. 73. This negatively affected Governmental Activities and Business-type net positions by \$1,413,449 and \$482,328, respectively.
3. A prior period adjustment was processed to correct the beginning lease payable balance to \$2,280,000 in the Governmental Activities. The City entered into a lease agreement in January 2017, with the first payment made in the following fiscal year, but the lease was inadvertently omitted from the 2016-17 financial statements.
4. The City recorded a prior period adjustment in the amount of \$37,156, to decrease the fund balance in the General Capital Projects Fund. The city identified a receivable that was originally recorded as an accrual but was not reversed.
5. A prior period adjustment was made that negatively impacts the Growth Mitigation Fund in the amount of \$95,000. This amount represents the first payment of a loan with developer for growth mitigation fees. The developer had previously paid all fees but when those fees were refunded (and loan established), the refund amount was reduced by the first payment of \$95,000.
6. A prior period adjustment was recorded that reduced net position in the Insurance Fund by \$125,008. The City was notified that it had deferred liability insurance premiums applicable to prior fiscal years but were paid in the current or future years.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

	Governmental Activities	Business-Type Activities	Total
Beginning net position	\$ 211,258,612	\$ 200,174,796	\$ 411,433,408
Prior period adjustments	(14,803,470)	(2,813,763)	(17,617,233)
Beginning net position, restated	<u>\$ 196,455,142</u>	<u>\$ 197,361,033</u>	<u>\$ 393,816,175</u>

The impact of the prior period adjustments on individual funds are as follows:

Governmental Funds:

	General Capital Projects	Growth Mitigation Fund
Beginning Fund Balance, Net Position	\$ 11,568,831	\$ 14,941,953
Prior Period Adjustments:		
Overstatement of accounts receivable	(37,156)	
Overstatement of loans receivable		(95,000)
Beginning Fund Balance, Net Position, restated	<u>\$ 11,531,675</u>	<u>\$ 14,846,953</u>

Business-Type Funds:

	Water and Wastewater	Solid Waste	Transit	Fleet	Insurance
Beginning Fund Balance, Net Position	\$ 107,114,914	\$ 64,383,824	\$ 18,892,762	\$ 17,030,991	\$ 5,071,199
Prior Period Adjustments:					
Understatement of net OBEB liability	(1,050,195)	(1,090,915)	(68,534)	(154,453)	(53,255)
Overstatement of pension deferred outflows	(228,335)	(221,291)	(16,761)	(31,883)	
Understatement of insurance premium expenses					(125,008)
Beginning Fund Balance, Net Position, restated	<u>\$ 105,836,384</u>	<u>\$ 63,071,618</u>	<u>\$ 18,807,467</u>	<u>\$ 16,844,655</u>	<u>\$ 4,892,936</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."

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The details of this \$485,637 difference are shown below:

Internal receivable representing charges greater than cost to business-type activities - current year	<u>\$ 485,637</u>
Net adjustment to decrease net position - total enterprise funds to arrive at net position - business-type activities	<u><u>\$ 485,637</u></u>

Required Supplementary Information

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2018

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, 2018

	Budget Amounts		Actual	Variance Over/(Under)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 53,731,014	\$ 53,731,014	\$ 55,531,265	\$ 1,800,251
Permits, fines and forfeitures	2,737,250	2,737,250	3,194,729	457,479
Use of money and property	1,014,160	1,014,160	349,334	(664,826)
Intergovernmental revenues	1,422,828	2,046,903	1,945,214	(101,689)
Charges for current services	4,345,840	4,358,780	6,153,370	1,794,590
Other revenues	81,850	83,850	183,846	99,996
Total revenues	<u>63,332,942</u>	<u>63,971,957</u>	<u>67,357,758</u>	<u>3,385,801</u>
EXPENDITURES:				
Current:				
General government	9,286,360	9,363,434	8,990,251	(373,183)
Community development	3,689,578	3,702,069	3,140,829	(561,240)
Public safety	44,739,715	45,600,448	43,220,511	(2,379,937)
Recreation and parks	9,753,596	9,772,463	10,034,054	261,591
Public works	2,928,381	2,941,321	2,647,766	(293,555)
Library	82,503	82,503	77,692	(4,811)
Capital outlay	41,000	633,536	290,405	(343,131)
Debt service:				
Principal	197,760			
Interest and fiscal charges	69,160			
Total expenditures	<u>70,788,053</u>	<u>72,095,774</u>	<u>68,401,508</u>	<u>(3,694,266)</u>
Excess of revenues under expenditures	<u>(7,455,111)</u>	<u>(8,123,817)</u>	<u>(1,043,750)</u>	<u>7,080,067</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	7,212,310	7,212,310	4,806,910	(2,405,400)
Transfers out	(2,833,870)	(3,134,759)	(3,615,998)	(481,239)
Total other financing sources	<u>4,378,440</u>	<u>4,077,551</u>	<u>1,190,912</u>	<u>(2,886,639)</u>
Net changes in fund balance	<u>\$ (3,076,671)</u>	<u>\$ (4,046,266)</u>	<u>147,162</u>	<u>\$ 4,193,428</u>
FUND BALANCE:				
Fund balance - July 1, 2017			<u>36,468,673</u>	
Fund balance - June 30, 2018			<u>\$ 36,615,835</u>	

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2018

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, 2018

	Budget Amounts		Actual	Variance Over/(Under)
	Original	Final		
REVENUES:				
Use of money and property	\$ 29,570	\$ 29,570	\$ 45,874	\$ 16,304
Intergovernmental revenues	1,207,550	1,331,400	1,396,085	64,685
Charges for current services	81,050	116,594	75,186	(41,408)
Other revenues	4,420	6,499	6,354	(145)
Total revenues	<u>1,322,590</u>	<u>1,484,063</u>	<u>1,523,499</u>	<u>39,436</u>
EXPENDITURES:				
Current:				
Library	3,328,921	3,372,090	2,908,116	(463,974)
Capital outlay		169,842	77,826	(92,016)
Total expenditures	<u>3,328,921</u>	<u>3,541,932</u>	<u>2,985,942</u>	<u>(555,990)</u>
Excess of revenues under expenditures	<u>(2,006,331)</u>	<u>(2,057,869)</u>	<u>(1,462,443)</u>	<u>595,426</u>
OTHER FINANCING SOURCES:				
Transfers in	1,738,660	1,738,660	1,685,500	(53,160)
Total other financing sources	<u>1,738,660</u>	<u>1,738,660</u>	<u>1,685,500</u>	<u>(53,160)</u>
Net changes in fund balance	<u>\$ (267,671)</u>	<u>\$ (319,209)</u>	<u>223,057</u>	<u>\$ 542,266</u>
FUND BALANCE:				
Fund balance - July 1, 2017			<u>768,159</u>	
Fund balance - June 30, 2018			<u>\$ 991,216</u>	

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2018

1. BUDGETARY INFORMATION

The following are budget comparison schedules for the Growth Mitigation Fund:

Budget Comparison Schedule, Growth Mitigation Fund

For the Fiscal Year Ended June 30, 2018

	Budget Amounts		Actual	Variance Over/(Under)
	Original	Final		
REVENUES:				
Use of money and property	\$ 120,000	\$ 120,000	\$ 167,311	\$ 47,311
Charges for current services	2,678,817	2,678,817	9,362,699	6,683,882
Total revenues	<u>2,798,817</u>	<u>2,798,817</u>	<u>9,530,010</u>	<u>6,731,193</u>
EXPENDITURES:				
Capital outlay	3,823,850	5,478,335	1,535,531	(3,942,804)
Total expenditures	<u>3,823,850</u>	<u>5,478,335</u>	<u>1,535,531</u>	<u>(3,942,804)</u>
Net changes in fund balance	<u>\$ (1,025,033)</u>	<u>\$ (2,679,518)</u>	7,994,479	<u>\$ 10,673,997</u>
FUND BALANCE:				
Fund balances - July 1, 2017			14,941,953	
Prior period adjustment			(95,000)	
Fund balance - July 1, 2017			<u>14,846,953</u>	
Fund balance - June 30, 2018			<u>\$ 22,841,432</u>	



City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2018

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

Last Ten Fiscal Years**

3. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

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

Schedule of Changes in Total OPEB Liability and Related Ratios

	2017/18 Fiscal Year
Changes in total OPEB liability	
Service Cost	\$ 1,160,502
Interest	560,748
Benefit changes	-
Actual vs. expected experience	-
Changes of assumptions	(2,224,149)
Benefit payments*	(458,422)
Net Changes	(961,321)
Total OPEB Liability (beginning of year)	18,744,119
Total OPEB Liability (end of year)	\$ 17,782,798
Total OPEB Liability/(Asset)	\$ 17,782,798
Covered payroll*	\$ 42,387,055
Total OPEB liability as a percentage of covered payroll	42.0%

* For the 12 month period ending on June 30, 2017 (Measurement Date).

** Fiscal year 2017/18 was the first year of implementation, therefore only one year is shown.

4. SCHEDULE OF OPEB CONTRIBUTIONS

The City's contribution for fiscal year ended 2018 was \$502,891. The City did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore, the City does not need to comply with GASB 75's Required Supplementary Information requirements.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

Last Ten Fiscal Years*

5. SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The beginning and ending balances of the total pension liability, the plan assets available for pension benefits (called plan net position), and the net pension liability, as well as the change in those amounts during the year presented by cause (similar to the note disclosure).

The total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net pension liability divided by covered-employee payroll.

	2015	2016	2017	2018
Total Pension Liability				
Service cost	\$ 3,946,039	\$ 3,770,300	\$ 4,062,704	\$ 4,585,208
Interest on total pension liability	13,473,063	14,158,423	15,031,513	15,599,879
Changes of assumptions		(3,584,466)	-	13,392,377
Differences between expected and actual experience		(407,728)	1,869,084	(1,818,008)
Benefit payments, including refunds of employee	(7,565,922)	(8,238,987)	(8,823,127)	(9,657,026)
Net change in total pension liability	9,853,180	5,697,542	12,140,174	22,102,430
Total pension liability - beginning	181,450,779	191,303,959	197,001,501	209,141,675
Total pension liability - ending [A]	<u>\$ 191,303,959</u>	<u>\$ 197,001,501</u>	<u>\$ 209,141,675</u>	<u>\$ 231,244,105</u>
Plan Fiduciary Net Position				
Plan to plan resource movement	\$ -	\$ 790	\$ 790	\$ (3,561)
Contributions - employer	3,897,607	4,379,642	4,899,014	5,445,133
Contributions - employee (employer paid)	1,349,744	1,345,103	1,067,829	1,789,693
Contributions - employee	238,574	444,056	685,938	-
Net investment income	21,907,641	3,244,614	758,955	16,234,603
Benefit payments	(7,565,922)	(8,238,987)	(8,823,127)	(9,657,026)
Administrative expense		(165,840)	(89,815)	(215,369)
Net change in plan fiduciary net position	19,827,644	1,009,378	(1,500,416)	13,593,473
Plan fiduciary net position - beginning	126,534,788	146,362,432	147,371,810	145,871,394
Plan fiduciary net position - ending [B]	<u>\$ 146,362,432</u>	<u>\$ 147,371,810</u>	<u>\$ 145,871,394</u>	<u>\$ 159,464,867</u>
Net pension liability - ending ([A] - [B])	<u>\$ 44,941,527</u>	<u>\$ 49,629,691</u>	<u>\$ 63,270,281</u>	<u>\$ 71,779,238</u>
Plan fiduciary net position as a percentage of the total pension liability	76.51%	74.81%	69.75%	68.96%
Covered payroll	\$ 21,285,071	\$ 21,526,125	\$ 23,454,015	\$ 24,165,742
Net pension liability as percentage of covered payroll	211.14%	230.56%	269.76%	297.03%

Notes to Schedule

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. Deferred inflows of resources for changes of assumptions presented in pension schedules represent the unamortized portion of the changes of assumptions related to prior measurement periods. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

*Fiscal year 2014-15 was the first year of implementation, therefore only four fiscal years are shown.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION Last Ten Fiscal Years*

6. SCHEDULE OF CONTRIBUTIONS

If an agent employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the agent employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Contributions Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Pension Plan

	2015	2016	2017	2018
Actuarially determined contribution	\$ 4,379,642	\$ 4,899,014	\$ 5,445,133	\$ 5,747,353
Contributions in relation to the actuarially determined contribution	4,379,642	4,899,014	5,445,133	5,747,353
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 21,526,125	\$ 23,454,015	\$ 24,165,742	\$ 23,325,520
Contributions as a percentage of covered payroll	20.35%	20.89%	22.53%	24.64%

Notes to Schedule

Notes to Schedule

Valuation date: 6/30/2016

Methods and assumptions used to determine rates:

Safety Plan	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study
Mortality	Derived using CalPERS' membership data for all funds.

*Fiscal year 2014-15 was the first year of implementation, therefore only four fiscal years are shown.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

Last Ten Fiscal Years*

7. SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

	2015	2016	2017	2018
Portion of the net pension liability	0.5300%	0.5200%	0.5403%	0.5435%
Proportionate share of the net pension liability	\$ 31,938,565	\$ 35,674,690	\$ 46,750,339	\$ 53,895,584
Covered payroll	\$ 14,092,568	\$ 14,570,632	\$ 15,920,697	\$ 16,907,241
Proportionate share of the net pension liability as percentage of covered payroll	226.63%	244.84%	293.65%	318.77%
Plan's total pension liability	\$ 30,829,966,631	\$ 31,771,217,402	\$ 33,358,627,624	\$ 37,161,348,332
Plan's fiduciary net position	\$ 24,607,502,515	\$ 24,907,305,871	\$ 24,705,532,291	\$ 27,244,095,376
Plan's fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%	73.31%

Notes to Schedule

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. Deferred inflows of resources for changes of assumptions presented in pension schedules represent the unamortized portion of the changes of assumptions related to prior measurement periods. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

*Fiscal year 2014-15 was the first year of implementation, therefore only four fiscal years are shown.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION Last Ten Fiscal Years*

8. SCHEDULE OF CONTRIBUTIONS

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Contributions - Cost Sharing Plan

	2015	2016	2017	2018
Actuarially determined contribution	\$ 4,800,522	\$ 5,137,401	\$ 5,440,257	\$ 5,264,629
Contributions in relation to the actuarially determined contribution	4,800,522	5,137,401	5,440,257	5,264,629
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,570,632	\$ 15,920,697	\$ 16,907,241	\$ 17,159,798
Contributions as a percentage of covered payroll	32.95%	32.27%	32.18%	30.68%

Notes to Schedule

Notes to Schedule

Valuation date: 6/30/2016

Methods and assumptions used to determine rates:

Safety Plan	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study
Mortality	Derived using CalPERS' membership data for all funds.

*Fiscal year 2014-15 was the first year of implementation, therefore only four fiscal years are shown.

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.

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.

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

Debt Service Fund

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

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation	Residential Development Tax
ASSETS:					
Cash and investments	\$ 69,842	\$ 305,781	\$ 2,004,052	\$ -	\$ 1,833,341
Cash with fiscal agent					
Accounts receivable	16,419	1,452	9,197		8,756
Loans receivable					
Advances receivable					
Prepaid items			2,083		
Total assets	<u>\$ 86,261</u>	<u>\$ 307,233</u>	<u>\$ 2,015,332</u>	<u>\$ -</u>	<u>\$ 1,842,097</u>
LIABILITIES:					
Accounts payable	\$ 10,668	\$ -	\$ 1,873	\$ -	\$ 36,188
Advances payable					
Accrued wages and benefits					
Unearned revenue					
Total liabilities	<u>10,668</u>	<u>-</u>	<u>1,873</u>	<u>-</u>	<u>36,188</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred revenue					
Total deferred inflows of resources					
FUND BALANCES:					
Nonspendable:					
Prepaid items			2,083		
Restricted for:					
Community development					
Debt service					
Drainage		307,233			
Education					
Landscape maintenance					
Park acquisition			2,011,376		
Park development					1,805,909
Public safety	75,593				
Road maintenance					
Assigned to:					
Capital projects					
Total fund balances	<u>75,593</u>	<u>307,233</u>	<u>2,013,459</u>	<u>-</u>	<u>1,805,909</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 86,261</u>	<u>\$ 307,233</u>	<u>\$ 2,015,332</u>	<u>\$ -</u>	<u>\$ 1,842,097</u>

Special Revenue Funds

Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Grant	Federal and State Asset Forfeiture
\$ 1,464,405	\$ 139,986	\$ 429,602	\$ 500,062	\$ 311,168
15,277	677	2,040	3,006	1,490
62,793		106,372		
3,000				
<u>\$ 1,545,475</u>	<u>\$ 140,663</u>	<u>\$ 538,014</u>	<u>\$ 503,068</u>	<u>\$ 312,658</u>
\$ 108,223	\$ 422	\$ -	\$ -	\$ -
	62,793			
18,782				
<u>127,005</u>	<u>63,215</u>	<u>-</u>	<u>503,068</u>	<u>-</u>
		106,372		
		106,372		
3,000				
1,415,470	77,448	431,642		312,658
<u>1,418,470</u>	<u>77,448</u>	<u>431,642</u>	<u>-</u>	<u>312,658</u>
<u>\$ 1,545,475</u>	<u>\$ 140,663</u>	<u>\$ 538,014</u>	<u>\$ 503,068</u>	<u>\$ 312,658</u>

(continued)

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2018

	Special Revenue Funds			
	Gas Tax	Street Grant	Local Streets	Public Access Television
ASSETS:				
Cash and investments	\$ 2,078,520	\$ 20,362	\$ 6,610,669	\$ 155,622
Cash with fiscal agent				
Accounts receivable	285,775	52,212	481,302	69,126
Loans receivable				
Advances receivable				
Prepaid items				261
Total assets	<u>\$ 2,364,295</u>	<u>\$ 72,574</u>	<u>\$ 7,091,971</u>	<u>\$ 225,009</u>
LIABILITIES:				
Accounts payable	\$ 974,712	\$ 32,851	\$ 687,157	\$ 2,027
Advances payable				
Accrued wages and benefits			36,353	4,541
Unearned revenue				
Total liabilities	<u>974,712</u>	<u>32,851</u>	<u>723,510</u>	<u>6,568</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue				
Total deferred inflows of resources				
FUND BALANCES:				
Nonspendable:				
Prepaid items				261
Restricted for:				
Community development				
Debt service				
Drainage				
Education				218,180
Landscape maintenance				
Park acquisition				
Park development				
Public safety				
Road maintenance	1,389,583	39,723	6,368,461	
Assigned to:				
Capital projects				
Total fund balances	<u>1,389,583</u>	<u>39,723</u>	<u>6,368,461</u>	<u>218,441</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,364,295</u>	<u>\$ 72,574</u>	<u>\$ 7,091,971</u>	<u>\$ 225,009</u>

Special Revenue Funds

Grant (Non-recurring)	Total Special Revenue Funds
\$ 999,398	\$ 16,922,810
13,970	960,699
	106,372
	62,793
	5,344
\$ 1,013,368	\$ 18,058,018
\$ 10,033	\$ 1,864,154
	62,793
	59,676
	503,068
10,033	2,489,691
	106,372
	106,372
	5,344
	431,642
	307,233
	218,180
	1,492,918
	2,011,376
	1,805,909
	388,251
	7,797,767
1,003,335	1,003,335
1,003,335	15,461,955
\$ 1,013,368	\$ 18,058,018

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2018

	Debt Service	
	Public Financing Authority	Total Nonmajor Governmental Funds
ASSETS:		
Cash and investments	\$ -	\$ 16,922,810
Cash with fiscal agent	278,199	278,199
Accounts receivable		960,699
Loans receivable		106,372
Advances receivable		62,793
Prepaid items		5,344
Total assets	<u>\$ 278,199</u>	<u>\$ 18,336,217</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 1,864,154
Advances payable		62,793
Accrued wages and benefits		59,676
Unearned revenue		503,068
Total liabilities		<u>2,489,691</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred revenue		106,372
Total deferred inflows of resources		<u>106,372</u>
FUND BALANCES:		
Nonspendable:		
Prepaid items		5,344
Restricted for:		
Community development		431,642
Debt service	278,199	278,199
Drainage		307,233
Education		218,180
Landscape maintenance		1,492,918
Park acquisition		2,011,376
Park development		1,805,909
Public safety		388,251
Road maintenance		7,797,767
Assigned to:		
Capital projects		1,003,335
Total fund balances	<u>278,199</u>	<u>15,740,154</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 278,199</u>	<u>\$ 18,336,217</u>

(concluded)



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, 2018

	Special Revenue Funds		
	Traffic Safety	Drainage Districts	Land Acquisition Tax
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Permits, fines and forfeitures	360,109		
Use of money and property		311	1,576
Intergovernmental revenues			
Charges for current services		555	345,340
Other revenues			
Total revenues	<u>360,109</u>	<u>866</u>	<u>346,916</u>
EXPENDITURES:			
Current:			
General government			
Community development			
Public safety	30,958		
Recreation and parks			
Public works			
Capital outlay			246,269
Debt service:			
Interest and fiscal charges			
Total expenditures	<u>30,958</u>		<u>246,269</u>
Excess of revenues over (under) expenditures	<u>329,151</u>	<u>866</u>	<u>100,647</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(283,695)		
Total other financing sources (uses)	<u>(283,695)</u>		
Net changes in fund balances	45,456	866	100,647
FUND BALANCES:			
Fund balances - July 1, 2017	<u>30,137</u>	<u>306,367</u>	<u>1,912,812</u>
Fund balances - June 30, 2018	<u>\$ 75,593</u>	<u>\$ 307,233</u>	<u>\$ 2,013,459</u>

Special Revenue Funds					
Residential Development Tax	Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Grant	Federal and State Asset Forfeiture
\$ 29,548	\$ 3,352,793	\$ 56,239	\$ -	\$ -	\$ -
			48		
3,936	12,073	65	1,960	1,018	561
	14,312	133		143,799	1,049
			3,526		
<u>33,484</u>	<u>3,379,178</u>	<u>56,437</u>	<u>5,534</u>	<u>144,817</u>	<u>1,610</u>
			266,804		47,580
20,176	3,370,427	28,945			
328,231	460,833				
		2,475			
<u>348,407</u>	<u>3,831,260</u>	<u>31,420</u>	<u>266,804</u>	<u>144,817</u>	<u>47,580</u>
<u>(314,923)</u>	<u>(452,082)</u>	<u>25,017</u>	<u>(261,270)</u>	<u>144,817</u>	<u>(45,970)</u>
	1,777,025				
	(1,471,343)	(540)		(144,818)	
	305,682	(540)		(144,818)	
(314,923)	(146,400)	24,477	(261,270)	(1)	(45,970)
2,120,832	1,564,870	52,971	692,912	1	358,628
<u>\$ 1,805,909</u>	<u>\$ 1,418,470</u>	<u>\$ 77,448</u>	<u>\$ 431,642</u>	<u>\$ -</u>	<u>\$ 312,658</u>

(continued)

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, 2018

	Special Revenue Funds			
	Gas Tax	Street Grant	Local Streets	Public Access Television
REVENUES				
Taxes and assessments	\$ 2,882,917	\$ -	\$ 5,442,476	\$ -
Permits, fines and forfeitures				
Use of money and property	4,490		46,181	90
Intergovernmental revenues		622,157		
Charges for current services	49,451		30,526	285,686
Other revenues				811
Total revenues	<u>2,936,858</u>	<u>622,157</u>	<u>5,519,183</u>	<u>286,587</u>
EXPENDITURES				
Current:				
General government				257,790
Community development				
Public safety				
Recreation and parks				
Public works	778		3,242,170	
Capital outlay	3,292,445	631,325	1,272,800	52,280
Debt service:				
Interest and fiscal charges				
Total expenditures	<u>3,293,223</u>	<u>631,325</u>	<u>4,514,970</u>	<u>310,070</u>
Excess of revenues (under) expenditures	<u>(356,365)</u>	<u>(9,168)</u>	<u>1,004,213</u>	<u>(23,483)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			360,340	50,000
Transfers out	(653,870)		(1,218,310)	(11,920)
Total other financing sources (uses)	<u>(653,870)</u>		<u>(857,970)</u>	<u>38,080</u>
Net changes in fund balances	(1,010,235)	(9,168)	146,243	14,597
FUND BALANCES:				
Fund balances - July 1, 2017	<u>2,399,818</u>	<u>48,891</u>	<u>6,222,218</u>	<u>203,844</u>
Fund balances - June 30, 2018	<u>\$ 1,389,583</u>	<u>\$ 39,723</u>	<u>\$ 6,368,461</u>	<u>\$ 218,441</u>

Special Revenue Funds

Grant (Non-recurring)	Total Special Revenue Funds
\$ -	\$ 11,763,973
	360,157
	72,261
2,032,565	2,799,703
	725,870
	4,337
2,032,565	15,726,301
	257,790
1,012,558	1,279,362
	78,538
	3,390,603
	3,271,893
	6,284,183
	2,475
1,012,558	14,564,844
1,020,007	1,161,457
	2,187,365
	(3,784,496)
	(1,597,131)
1,020,007	(435,674)
(16,672)	15,897,629
\$ 1,003,335	\$ 15,461,955

City of Santa Maria

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND Non-major Governmental Funds For the Fiscal Year Ended June 30, 2018

	Debt Service	
	Public Financing Authority	Total Nonmajor Governmental Funds
REVENUES		
Taxes and assessments	\$ -	\$ 11,763,973
Permits, fines and forfeitures		360,157
Use of money and property		72,261
Intergovernmental revenues		2,799,703
Charges for current services		725,870
Other revenues		4,337
Total revenues		15,726,301
EXPENDITURES		
Current:		
General government		257,790
Community development		1,279,362
Public safety		78,538
Recreation and parks		3,390,603
Public works		3,271,893
Capital outlay		6,284,183
Debt service:		
Interest and fiscal charges		2,475
Total expenditures		14,564,844
Excess of revenues (under) expenditures		1,161,457
OTHER FINANCING SOURCES (USES):		
Transfers in		2,187,365
Transfers out		(3,784,496)
Total other financing sources (uses)		(1,597,131)
Net changes in fund balances		(435,674)
FUND BALANCES:		
Fund balances - July 1, 2017	278,199	16,175,828
Fund balances - June 30, 2018	\$ 278,199	\$ 15,740,154

(concluded)



City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Traffic Safety		
	Budget	Actual	Variance Over/(Under)
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Permits, fines and forfeitures	370,000	360,109	(9,891)
Use of money and property			
Intergovernmental revenues			
Charges for current services			
Other revenues			
Total revenues	<u>370,000</u>	<u>360,109</u>	<u>(9,891)</u>
EXPENDITURES:			
Current:			
General government			
Community development			
Public safety	25,250	30,958	5,708
Recreation and parks			
Public works			
Capital outlay			
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures	<u>25,250</u>	<u>30,958</u>	<u>5,708</u>
Excess of revenues over (under) expenditures	<u>344,750</u>	<u>329,151</u>	<u>(15,599)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(300,000)	(283,695)	16,305
Total other financing sources (uses)	<u>(300,000)</u>	<u>(283,695)</u>	<u>16,305</u>
Net changes in fund balances	<u>\$ 44,750</u>	<u>45,456</u>	<u>\$ 706</u>
FUND BALANCES:			
Fund balances - July 1, 2017		<u>30,137</u>	
Fund balances - June 30, 2018		<u>\$ 75,593</u>	

Drainage Districts			Land Acquisition Tax		
Budget	Actual	Variance Over/(Under)	Budget	Actual	Variance Over/(Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,400	311	(3,089)	4,000	1,576	(2,424)
	555	555	899,000	345,340	(553,660)
<u>3,400</u>	<u>866</u>	<u>(2,534)</u>	<u>903,000</u>	<u>346,916</u>	<u>(556,084)</u>
			422,079	246,269	(175,810)
			<u>422,079</u>	<u>246,269</u>	<u>(175,810)</u>
<u>3,400</u>	<u>866</u>	<u>(2,534)</u>	<u>480,921</u>	<u>100,647</u>	<u>(380,274)</u>
<u>\$ 3,400</u>	<u>866</u>	<u>\$ (2,534)</u>	<u>\$ 480,921</u>	<u>100,647</u>	<u>\$ (380,274)</u>
	<u>306,367</u>			<u>1,912,812</u>	
	<u>\$ 307,233</u>			<u>\$ 2,013,459</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Residential Development Tax		
	Budget	Actual	Variance Over/(Under)
REVENUES:			
Taxes and assessments	\$ 857,500	\$ 29,548	\$ (827,952)
Permits, fines and forfeitures			
Use of money and property	1,010	3,936	2,926
Intergovernmental revenues			
Charges for current services			
Other revenues			
Total revenues	<u>858,510</u>	<u>33,484</u>	<u>(825,026)</u>
EXPENDITURES:			
Current:			
General government			
Community development			
Public safety			
Recreation and parks	50,000	20,176	(29,824)
Public works			
Capital outlay	687,455	328,231	(359,224)
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures	<u>737,455</u>	<u>348,407</u>	<u>(389,048)</u>
Excess of revenues over (under) expenditures	<u>121,055</u>	<u>(314,923)</u>	<u>(435,978)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Net changes in fund balances	<u>\$ 121,055</u>	<u>(314,923)</u>	<u>\$ (435,978)</u>
FUND BALANCES:			
Fund balances - July 1, 2017		<u>2,120,832</u>	
Fund balances - June 30, 2018		<u>\$ 1,805,909</u>	

Landscape Maintenance		
Budget	Actual	Variance Over/(Under)
\$ 3,352,587	\$ 3,352,793	\$ 206
10,500	12,073	1,573
2,000	14,312	12,312
<u>3,365,087</u>	<u>3,379,178</u>	<u>14,091</u>

4,271,762	3,370,427	(901,335)
468,927	460,833	(8,094)
<u>4,740,689</u>	<u>3,831,260</u>	<u>(909,429)</u>

<u>(1,375,602)</u>	<u>(452,082)</u>	<u>923,520</u>
--------------------	------------------	----------------

2,044,280	1,777,025	(267,255)
<u>(1,738,598)</u>	<u>(1,471,343)</u>	<u>267,255</u>
<u>305,682</u>	<u>305,682</u>	

<u>\$ (1,069,920)</u>	<u>(146,400)</u>	<u>\$ 923,520</u>
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1,564,870
\$ 1,418,470

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Stowell Parking and Lighting		
	Budget	Actual	Variance Over/(Under)
REVENUES:			
Taxes and assessments	\$ 51,642	\$ 56,239	\$ 4,597
Permits, fines and forfeitures			
Use of money and property	400	65	(335)
Intergovernmental revenues	200	133	(67)
Charges for current services			
Other revenues			
Total revenues	<u>52,242</u>	<u>56,437</u>	<u>4,195</u>
EXPENDITURES:			
Current:			
General government			
Community development			
Public safety			
Recreation and parks			
Public works	283,654	28,945	(254,709)
Capital outlay			
Debt service:			
Principal	19,720		(19,720)
Interest and fiscal charges	2,480	2,475	(5)
Total expenditures	<u>305,854</u>	<u>31,420</u>	<u>(274,434)</u>
Excess of revenues over (under) expenditures	<u>(253,612)</u>	<u>25,017</u>	<u>278,629</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out	(540)	(540)	
Total other financing sources (uses)	<u>(540)</u>	<u>(540)</u>	
Net changes in fund balances	<u>\$ (254,152)</u>	24,477	<u>\$ 278,629</u>
FUND BALANCES:			
Fund balances - July 1, 2017		<u>52,971</u>	
Fund balances - June 30, 2018		<u>\$ 77,448</u>	

Business Attraction Loan			Supplemental Law Enforcement Grant		
Budget	Actual	Variance Over/(Under)	Budget	Actual	Variance Over/(Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	48	48			
9,500	1,960	(7,540)	2,010	1,018	(992)
			140,000	143,799	3,799
20,000	3,526	(16,474)			
29,500	5,534	(23,966)	142,010	144,817	2,807
500,178	266,804	(233,374)			
500,178	266,804	(233,374)			
(470,678)	(261,270)	209,408	142,010	144,817	2,807
				(144,818)	(144,818)
				(144,818)	(144,818)
\$ (470,678)	(261,270)	\$ 209,408	\$ 142,010	(1)	\$ (142,011)
	692,912			1	
	\$ 431,642			\$ -	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Federal and State Asset Forfeiture		
	Budget	Actual	Variance Over/(Under)
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Permits, fines and forfeitures			
Use of money and property	2,600	561	(2,039)
Intergovernmental revenues		1,049	1,049
Charges for current services			
Other revenues			
Total revenues	<u>2,600</u>	<u>1,610</u>	<u>(990)</u>
EXPENDITURES:			
Current:			
General government			
Community development			
Public safety		47,580	47,580
Recreation and parks			
Public works			
Capital outlay			
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures		<u>47,580</u>	<u>47,580</u>
Excess of revenues over (under) expenditures	<u>2,600</u>	<u>(45,970)</u>	<u>(48,570)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net changes in fund balances	<u>\$ 2,600</u>	<u>(45,970)</u>	<u>\$ (48,570)</u>
FUND BALANCES:			
Fund balances - July 1, 2017		<u>358,628</u>	
Fund balances - June 30, 2018		<u>\$ 312,658</u>	

Gas Tax			Street Grant		
Budget	Actual	Variance Over/(Under)	Budget	Actual	Variance Over/(Under)
\$ 2,971,592	\$ 2,882,917	\$ (88,675)	\$ -	\$ -	\$ -
32,000	4,490	(27,510)	1,045,030	622,157	(422,873)
	49,451	49,451			
<u>3,003,592</u>	<u>2,936,858</u>	<u>(66,734)</u>	<u>1,045,030</u>	<u>622,157</u>	<u>(422,873)</u>
26,580	778	(25,802)			
6,365,739	3,292,445	(3,073,294)	2,845,458	631,325	(2,214,133)
<u>6,392,319</u>	<u>3,293,223</u>	<u>(3,099,096)</u>	<u>2,845,458</u>	<u>631,325</u>	<u>(2,214,133)</u>
<u>(3,388,727)</u>	<u>(356,365)</u>	<u>3,032,362</u>	<u>(1,800,428)</u>	<u>(9,168)</u>	<u>1,791,260</u>
<u>(653,870)</u>	<u>(653,870)</u>				
<u>(653,870)</u>	<u>(653,870)</u>				
<u>\$ (4,042,597)</u>	<u>(1,010,235)</u>	<u>\$ 3,032,362</u>	<u>\$ (1,800,428)</u>	<u>(9,168)</u>	<u>\$ 1,791,260</u>
	<u>2,399,818</u>			<u>48,891</u>	
	<u>\$ 1,389,583</u>			<u>\$ 39,723</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Local Streets		
	Budget	Actual	Variance Over/(Under)
REVENUES:			
Taxes and assessments	\$ 5,117,260	\$ 5,442,476	\$ 325,216
Permits, fines and forfeitures			
Use of money and property	32,000	46,181	14,181
Intergovernmental revenues			
Charges for current services	54,200	30,526	(23,674)
Other revenues			
Total revenues	<u>5,203,460</u>	<u>5,519,183</u>	<u>315,723</u>
EXPENDITURES:			
Current:			
General government			
Community development			
Public safety			
Recreation and parks			
Public works	3,196,141	3,242,170	46,029
Capital outlay	4,178,579	1,272,800	(2,905,779)
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures	<u>7,374,720</u>	<u>4,514,970</u>	<u>(2,859,750)</u>
Excess of revenues over (under) expenditures	<u>(2,171,260)</u>	<u>1,004,213</u>	<u>3,175,473</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	210,000	360,340	150,340
Transfers out	(1,218,310)	(1,218,310)	
Total other financing sources (uses)	<u>(1,008,310)</u>	<u>(857,970)</u>	<u>150,340</u>
Net changes in fund balances	<u><u>\$(3,179,570)</u></u>	<u>146,243</u>	<u>\$ 3,325,813</u>
FUND BALANCES:			
Fund balances - July 1, 2017		<u>6,222,218</u>	
Fund balances - June 30, 2018		<u><u>\$ 6,368,461</u></u>	

Public Access Television			Grant (non-recurring)		
Budget	Actual	Variance Over/(Under)	Budget	Actual	Variance Over/(Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
400	90	(310)			
263,000	285,686	22,686	2,050,000	2,032,565	(17,435)
300	811	511			
<u>263,700</u>	<u>286,587</u>	<u>22,887</u>	<u>2,050,000</u>	<u>2,032,565</u>	<u>(17,435)</u>
280,558	257,790	(22,768)			
			2,238,224	1,012,558	(1,225,666)
61,048	52,280	(8,768)			
<u>341,606</u>	<u>310,070</u>	<u>(31,536)</u>	<u>2,238,224</u>	<u>1,012,558</u>	<u>(1,225,666)</u>
(77,906)	(23,483)	54,423	(188,224)	1,020,007	1,208,231
50,000	50,000				
(11,920)	(11,920)				
<u>38,080</u>	<u>38,080</u>				
<u>\$ (39,826)</u>	14,597	<u>\$ 54,423</u>	<u>\$ (188,224)</u>	1,020,007	<u>\$ 1,208,231</u>
	<u>203,844</u>			<u>(16,672)</u>	
	<u>\$ 218,441</u>			<u>\$ 1,003,335</u>	

(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, 2018

	Fleet Services	Business Equipment	Insurance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 9,834,406	\$ 9,748,842	\$ 18,760,974	\$ 38,344,222
Accounts receivable, net	38,236		206,573	244,809
Deposits			185,000	185,000
Prepaid items	1,039	108,966	11,286	121,291
Inventory	81,718			81,718
Due from other funds			461,885	461,885
Total current assets	9,955,399	9,857,808	19,625,718	39,438,925
Capital assets:				
Construction in progress	860,943	269,904		1,130,847
Facilities	961,255			961,255
Equipment	27,068,512	14,154,619		41,223,131
Accumulated depreciation	(17,620,203)	(7,937,914)		(25,558,117)
Total net capital assets	11,270,507	6,486,609		17,757,116
Total noncurrent assets	11,270,507	6,486,609		17,757,116
Total assets	21,225,906	16,344,417	19,625,718	57,196,041
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OPEB	5,889		1,857	7,746
Deferred pension	302,806			302,806
Total deferred outflows of resources	308,695		1,857	310,552
LIABILITIES				
Current liabilities:				
Accounts payable	259,597	82,025	152,770	494,392
Accrued wages and benefits	12,808		4,792	17,600
Debt due within one year	681,205		4,093,785	4,774,990
Total current liabilities	953,610	82,025	4,251,347	5,286,982
Noncurrent liabilities:				
Compensated absences	10,546		806	11,352
OPEB liability	212,024		71,476	283,500
Claims payable			10,510,042	10,510,042
Leases payable	1,236,303			1,236,303
Net pension liability	1,207,188			1,207,188
Total noncurrent liabilities	2,666,061		10,582,324	13,248,385
Total liabilities	3,619,671	82,025	14,833,671	18,535,367
DEFERRED INFLOWS OF RESOURCES				
Deferred OPEB	16,127		8,292	24,419
Deferred pension	29,209			29,209
Total deferred inflows of resources	45,336		8,292	53,628
NET POSITION				
Net investment in capital assets	9,388,417	6,486,609		15,875,026
Unrestricted	8,481,177	9,775,783	4,785,612	23,042,572
Total net position	\$ 17,869,594	\$ 16,262,392	\$ 4,785,612	\$ 38,917,598

City of Santa Maria

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

	Fleet Services	Business Equipment	Insurance	Total
OPERATING REVENUES				
Charges for current services	\$ 7,106,837	\$ 4,050,998	\$ 5,361,412	\$ 16,519,247
Other revenues	36,985			36,985
Total operating revenues	<u>7,143,822</u>	<u>4,050,998</u>	<u>5,361,412</u>	<u>16,556,232</u>
OPERATING EXPENSES				
Salaries, wages and benefits	525,937		236,710	762,647
Materials and supplies	1,568,493	124,963	1,945	1,695,401
Equipment maintenance and operation	871,747	1,230,676	2,306	2,104,729
Contracts and services	561,878		5,250,405	5,812,283
Depreciation	2,558,559	1,357,070		3,915,629
Total operating expenses	<u>6,086,614</u>	<u>2,712,709</u>	<u>5,491,366</u>	<u>14,290,689</u>
OPERATING INCOME (LOSS)	<u>1,057,208</u>	<u>1,338,289</u>	<u>(129,954)</u>	<u>2,265,543</u>
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of equipment	121,744	(405)		121,339
Interest expense	(54,683)			(54,683)
Total nonoperating revenues (expenses)	<u>67,061</u>	<u>(405)</u>		<u>66,656</u>
Income (loss) before capital contributions and transfers	<u>1,124,269</u>	<u>1,337,884</u>	<u>(129,954)</u>	<u>2,332,199</u>
Capital contributions	100,000	1,761,857		1,861,857
Transfers in			165,450	165,450
Transfers out	(199,330)	(23,160)	(142,820)	(365,310)
Change in net position	<u>1,024,939</u>	<u>3,076,581</u>	<u>(107,324)</u>	<u>3,994,196</u>
NET POSITION				
Beginning of fiscal year	17,030,991	13,185,811	5,071,199	35,288,001
Prior period adjustment	(186,336)		(178,263)	(364,599)
End of fiscal year	<u>\$ 17,869,594</u>	<u>\$ 16,262,392</u>	<u>\$ 4,785,612</u>	<u>\$ 38,917,598</u>

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

	Fleet Services	Business Equipment	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts for current services	\$ 7,286,164	\$ 4,050,998	\$ 5,212,861	\$ 16,550,023
Payments for goods and services	(2,916,578)	(1,457,823)	(7,524,857)	(11,899,258)
Payments to employees	(499,062)		(178,626)	(677,688)
Net cash provided by (used for) operating activities	3,870,524	2,593,175	(2,490,622)	3,973,077
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds			165,450	165,450
Transfers out to other funds	(199,330)	(23,160)	(142,820)	(365,310)
Net cash provided by (used for) noncapital financing activities	(199,330)	(23,160)	22,630	(199,860)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,464,128)	(476,238)		(1,940,366)
Lease payments made	(631,643)			(631,643)
Interest expense payments made	(54,683)			(54,683)
Proceeds from sale of capital assets			49,396	49,396
Net cash provided by (used for) capital and related financing activities	(2,150,454)	(476,238)	49,396	(2,577,296)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds (purchase) of investments	(1,261,161)	(1,617,842)	1,932,378	(946,625)
Net cash provided by (used for) investing activities	(1,261,161)	(1,617,842)	1,932,378	(946,625)
Net increase (decrease) in cash and cash equivalents	259,579	475,935	(486,218)	249,296
CASH AND CASH EQUIVALENTS				
Beginning of fiscal year	2,320,549	2,081,745	9,825,638	14,227,932
End of fiscal year	\$ 2,580,128	\$ 2,557,680	\$ 9,339,420	\$ 14,477,228
Reconciliation of cash and investments per the statement of net position:				
Cash and investments	\$ 9,834,406	\$ 9,748,842	\$ 18,760,974	\$ 38,344,222
Restricted cash and investments				
Less: non-cash equivalents	(7,254,278)	(7,191,162)	(9,421,554)	(23,866,994)
Total cash and cash equivalents	\$ 2,580,128	\$ 2,557,680	\$ 9,339,420	\$ 14,477,228

(continued)

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

	Fleet Services	Business Equipment	Insurance	Total
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,057,208	\$ 1,338,289	\$ (129,954)	\$ 2,265,543
Adjustments to reconcile operating activities:				
Depreciation expense	2,558,559	1,357,070		3,915,629
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable	142,342		(148,551)	(6,209)
Prepaid items	(1,039)	(32,803)	(11,286)	(45,128)
Inventory	52,567		(461,885)	(409,318)
Deferred outflows for OPEB	(5,889)		(1,857)	(7,746)
Deferred outflows for pensions	120,015			120,015
Accounts payable	34,012	(69,381)	140,114	104,745
Accrued wages and benefits	(735)		933	198
Compensated absences	(25,934)		(236)	(26,170)
OPEB liability	152,250		50,952	203,202
Claims payable			(1,937,144)	(1,937,144)
Pension liability	(118,805)			(118,805)
Deferred inflows for OPEB	16,127		8,292	24,419
Deferred inflows for pensions	(110,154)			(110,154)
Net cash provided by (used for) operating activities	<u>\$ 3,870,524</u>	<u>\$ 2,593,175</u>	<u>\$ (2,490,622)</u>	<u>\$ 3,973,077</u>
NON-CASH ACTIVITY:				
Contributed capital assets	<u>\$ 100,000</u>	<u>\$ 1,761,857</u>	<u>\$ -</u>	<u>\$ 1,861,857</u>

(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, 2018

	Treasurer's Trust	Maintenance Annuity	Twitchell Management Authority	Total Agency Funds
ASSETS:				
Cash and investments	\$ 2,739,256	\$ 191,160	\$ 2,809,396	\$ 5,739,812
Accounts receivable			33,391	33,391
Total assets	<u>\$ 2,739,256</u>	<u>\$ 191,160</u>	<u>\$ 2,842,787</u>	<u>\$ 5,773,203</u>
LIABILITIES:				
Trust deposits	\$ 2,739,256	\$ 191,160	\$ 2,842,787	\$ 5,773,203
Total liabilities	<u>\$ 2,739,256</u>	<u>\$ 191,160</u>	<u>\$ 2,842,787</u>	<u>\$ 5,773,203</u>

City of Santa Maria

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
TREASURER'S TRUST				
Assets:				
Cash and investments	\$ 2,842,438	\$ 370,013	\$ 473,195	\$ 2,739,256
Total assets	<u>\$ 2,842,438</u>	<u>\$ 370,013</u>	<u>\$ 473,195</u>	<u>\$ 2,739,256</u>
Liabilities:				
Trust deposits	\$ 2,842,438	\$ 370,013	\$ 473,195	\$ 2,739,256
Total liabilities	<u>\$ 2,842,438</u>	<u>\$ 370,013</u>	<u>\$ 473,195</u>	<u>\$ 2,739,256</u>
 MAINTENANCE ANNUITY				
Assets				
Cash and investments	\$ 191,160	\$ -	\$ -	\$ 191,160
Total assets	<u>\$ 191,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,160</u>
Liabilities				
Trust deposits	\$ 191,160	\$ -	\$ -	\$ 191,160
Total liabilities	<u>\$ 191,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,160</u>

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
TWITCHELL MANAGEMENT AUTHORITY				
Assets				
Cash and investments	\$ 2,333,283	\$ 830,691	\$ 354,578	\$ 2,809,396
Accounts receivable	11,100	235,231	212,940	33,391
Total assets	<u>\$ 2,344,383</u>	<u>\$ 1,065,922</u>	<u>\$ 567,518</u>	<u>\$ 2,842,787</u>
Liabilities				
Trust deposits	\$ 2,344,383	\$ 1,065,922	\$ 567,518	\$ 2,842,787
Total liabilities	<u>\$ 2,344,383</u>	<u>\$ 1,065,922</u>	<u>\$ 567,518</u>	<u>\$ 2,842,787</u>
 TOTAL AGENCY FUNDS				
Assets				
Cash and investments	\$ 5,366,881	\$ 1,200,704	\$ 827,773	\$ 5,739,812
Accounts receivable	11,100	235,231	212,940	33,391
Total assets	<u>\$ 5,377,981</u>	<u>\$ 1,435,935</u>	<u>\$ 1,040,713</u>	<u>\$ 5,773,203</u>
Liabilities				
Trust deposits	\$ 5,377,981	\$ 1,435,935	\$ 1,040,713	\$ 5,773,203
Total liabilities	<u>\$ 5,377,981</u>	<u>\$ 1,435,935</u>	<u>\$ 1,040,713</u>	<u>\$ 5,773,203</u>



City of Santa Maria

STATISTICAL NARRATIVE

For the Fiscal Year Ended June 30, 2018

<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

	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$ 196,570,092	\$ 201,165,622	\$ 191,139,585	\$ 192,111,417
Restricted	53,394,252	21,374,294	14,242,819	16,580,945
Unrestricted	30,983,737	54,913,132	64,860,795	63,942,788
Total governmental activities net position	<u>280,948,081</u>	<u>277,453,048</u>	<u>270,243,199</u>	<u>272,635,150</u>
Business-type activities:				
Net investment in capital assets	79,293,638	59,215,521	71,545,818	74,477,063
Restricted	10,156,406	9,649,160	9,656,112	9,438,575
Unrestricted	68,311,239	92,438,651	90,913,322	91,124,060
Total business-type activities net position	<u>157,761,283</u>	<u>161,303,332</u>	<u>172,115,252</u>	<u>175,039,698</u>
Primary government:				
Net investment in capital assets	275,863,730	260,381,143	262,685,403	266,588,480
Restricted	63,550,658	31,023,454	23,898,931	26,019,520
Unrestricted	99,294,976	147,351,783	155,774,117	155,066,848
Total primary government net position	<u>\$ 438,709,364</u>	<u>\$ 438,756,380</u>	<u>\$ 442,358,451</u>	<u>\$ 447,674,848</u>

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

	2013	2014	2015	2016	2017	2018
\$	185,807,029	\$ 193,188,601	\$ 194,642,953	\$ 188,622,757	\$ 190,559,531	\$ 189,458,099
	19,980,316	16,390,255	13,215,099	17,395,841	17,255,714	22,468,151
	54,055,203	49,812,081	(24,766,252)	(10,597,132)	3,443,367	(12,186,831)
	259,842,548	259,390,937	183,091,800	195,421,466	211,258,612	199,739,419
	67,641,499	66,652,413	78,721,922	68,911,471	73,871,266	72,018,707
	9,436,292	9,412,562	9,691,277	10,131,042	10,155,858	10,228,128
	96,775,370	109,796,207	93,632,485	111,558,400	116,147,672	131,686,278
	173,853,161	185,861,182	182,045,684	190,600,913	200,174,796	213,933,113
	253,448,528	259,841,014	273,364,875	257,534,228	264,430,797	261,476,806
	29,416,608	25,802,817	22,906,376	27,526,883	27,411,572	32,696,279
	150,830,573	159,608,288	68,866,233	100,961,268	119,591,039	119,499,447
\$	433,695,709	\$ 445,252,119	\$ 365,137,484	\$ 386,022,379	\$ 411,433,408	\$ 413,672,532

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

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 11,161,958	\$ 9,018,262	\$ 8,230,946	\$ 7,603,331
Public safety	31,138,825	29,583,710	29,278,112	29,073,153
Public works	12,464,751	19,850,452	13,518,414	14,991,119
Library	4,255,495	3,778,788	3,497,409	3,220,926
Community development	3,934,760	4,872,301	4,703,671	5,386,829
Recreation and parks	13,764,775	11,549,567	11,932,463	11,028,926
Interest & fiscal charges	778,946	722,568	521,500	481,130
Total governmental activities expenses	77,499,510	79,375,648	71,682,515	71,785,414
Business-type activities:				
Water and wastewater	34,782,630	32,761,079	34,916,887	33,459,891
Solid waste	18,013,667	18,260,204	18,093,584	17,421,849
Public transit	5,331,516	5,345,420	6,833,916	7,858,226
Total business-type activities expenses	58,127,813	56,366,703	59,844,387	58,739,966
Total primary government expenses	135,627,323	135,742,351	131,526,902	130,525,380
Program Revenues				
Governmental activities:				
Charges for services:				
General government	7,863,933	4,948,795	2,691,168	2,849,587
Public safety	2,896,162	1,771,559	1,372,576	1,710,795
Public works	3,014,599	2,609,280	4,052,970	3,265,217
Library	491,201	158,627	215,408	210,463
Community development	302,321	282,506	1,148,105	819,711
Recreation and parks	1,009,008	3,344,401	3,864,146	3,877,914
Operating grants and contributions	12,602,578	2,964,267	2,247,363	2,201,503
Capital grants and contributions	2,650,002	11,327,388	7,654,140	9,323,585
Total governmental activities revenues	30,829,804	27,406,823	23,245,876	24,258,775
Business-type activities:				
Charges for services:				
Water and wastewater	33,139,664	31,865,644	33,999,060	36,086,815
Solid waste	16,796,317	16,674,004	16,751,192	17,124,050
Public transit	1,658,181	976,448	1,916,361	1,956,833
Operating grants and contributions		3,870,297	4,474,802	5,834,863
Capital grants and contributions	8,061,279	4,675,288	5,710,300	1,381,705
Total business-type activities program revenues	59,655,441	58,061,681	62,851,715	62,384,266
Total primary government program revenues	90,485,245	85,468,504	86,097,591	86,643,041

	2013	2014	2015	2016	2017	2018
\$	7,818,914	\$ 8,220,874	\$ 8,605,534	\$ 10,144,022	\$ 9,454,311	\$ 12,266,896
	31,939,863	34,401,081	39,250,751	37,605,907	43,903,052	48,324,704
	15,698,704	18,229,879	12,821,336	11,656,546	7,007,376	11,746,844
	3,796,528	3,436,077	3,531,458	3,385,534	3,234,243	3,967,988
	5,304,543	4,764,190	4,549,840	2,964,536	4,022,306	3,119,011
	13,350,009	12,937,541	13,728,948	12,976,179	14,381,336	14,478,319
	301,150	170,296	47,577	32,763	29,090	80,643
	<u>78,209,711</u>	<u>82,159,938</u>	<u>82,535,444</u>	<u>78,765,487</u>	<u>82,031,714</u>	<u>93,984,405</u>
	34,657,330	36,180,592	36,387,984	35,821,158	38,090,035	41,201,174
	19,745,844	18,326,043	18,739,993	21,192,889	23,029,155	22,240,599
	7,450,124	7,154,550	6,432,043	5,998,378	6,369,349	8,185,311
	<u>61,853,298</u>	<u>61,661,185</u>	<u>61,560,020</u>	<u>63,012,425</u>	<u>67,488,539</u>	<u>71,627,084</u>
	<u>140,063,009</u>	<u>143,821,123</u>	<u>144,095,464</u>	<u>141,777,912</u>	<u>149,520,253</u>	<u>165,611,489</u>
	2,565,366	2,423,426	3,426,136	6,226,561	528,833	495,929
	1,156,798	1,729,547	1,618,371	2,908,061	2,957,935	3,648,786
	2,421,122	3,234,109	3,182,799	3,189,813	10,821,482	9,178,147
	162,508	221,400	285,926	334,755	570,802	273,705
	1,348,188	2,568,397	3,046,249	3,874,028	6,063,502	3,451,177
	3,755,716	3,998,766	4,477,483	5,335,179	5,420,937	6,241,176
	2,788,068	3,269,355	2,911,571	2,416,259	2,302,240	4,675,064
	4,527,165	8,417,194	4,061,807	3,553,872	2,532,447	3,137,870
	<u>18,724,931</u>	<u>25,862,194</u>	<u>23,010,342</u>	<u>27,838,528</u>	<u>31,198,178</u>	<u>31,101,854</u>
	38,166,683	42,216,665	40,615,334	42,781,358	47,174,594	52,430,634
	18,480,130	19,542,919	20,093,403	21,206,163	22,298,502	24,737,812
	1,260,409	876,105	935,501	812,601	797,433	854,882
	4,377,283	5,339,103	5,360,024	3,029,726	4,438,846	3,606,219
	178,195	4,582,352	1,354,881	2,294,634	4,484,651	7,132,412
	<u>62,462,700</u>	<u>72,557,144</u>	<u>68,359,143</u>	<u>70,124,482</u>	<u>79,194,026</u>	<u>88,761,959</u>
	<u>81,187,631</u>	<u>98,419,338</u>	<u>91,369,485</u>	<u>97,963,010</u>	<u>110,392,204</u>	<u>119,863,813</u>

Continued

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

	2009	2010	2011	2012
Net (expense)/revenue				
Governmental activities	(46,669,706)	(51,968,825)	(48,436,639)	(47,526,639)
Business-type activities	1,527,628	1,694,978	3,007,328	3,644,300
Total primary government net expense	(45,142,078)	(50,273,847)	(45,429,311)	(43,882,339)
General revenues and other changes in net position				
Governmental Activities:				
Taxes				
Property taxes	9,336,050	15,338,302	15,357,803	14,926,979
Sales taxes	15,906,435	19,621,992	21,711,665	23,644,020
Franchise taxes	3,427,069	3,366,190	3,578,754	3,787,686
Transient occupancy taxes	2,201,546	2,116,310	2,363,467	2,440,980
Other taxes	3,282,414	527,518	733,034	668,699
Motor vehicle in-lieu tax	7,136,333	302,938	431,934	49,503
Use of money and property	4,602,199	4,498,446	2,439,648	2,210,175
Other revenues	340,869	682,132	405,292	519,746
Intergovernmental revenues - unrestricted	531,217	474,600	511,728	392,473
Extraordinary items				(516,788)
Transfers	1,237,482	1,615,511	(7,046,991)	1,570,117
Total governmental activities	48,001,614	48,543,939	40,486,334	49,693,590
Business-type activities:				
Use of money and property	3,484,806	3,462,582	1,340,213	1,075,263
Other revenues				
Transfers	(1,237,482)	(1,615,511)	7,046,991	(1,570,117)
Total business-type activities	2,247,324	1,847,071	8,387,204	(494,854)
Total primary activities	50,248,938	50,391,010	48,873,538	49,198,736
Change in net position				
Governmental activities	1,331,908	(3,424,886)	(7,950,305)	2,166,951
Business-type activities	3,774,952	3,542,049	11,394,532	3,149,446
Total primary government	\$ 5,106,860	\$ 117,163	\$ 3,444,227	\$ 5,316,397

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

2013	2014	2015	2016	2017	2018
(59,484,780)	(56,297,744)	(59,525,102)	(50,926,959)	(50,833,536)	(62,882,551)
609,402	10,895,959	6,799,123	7,112,057	11,705,487	17,134,875
(58,875,378)	(45,401,785)	(52,725,979)	(43,814,902)	(39,128,049)	(45,747,676)
14,488,973	14,830,943	15,398,828	16,431,902	17,521,830	19,169,310
27,606,191	30,028,789	31,977,276	33,391,413	32,662,412	35,522,904
3,849,977	4,106,820	4,148,057	4,343,076	4,504,448	4,776,273
2,532,032	2,844,497	3,224,413	3,395,321	3,462,237	3,525,322
501,109	653,275	852,312	2,020,710	1,983,144	892,397
1,365,203	1,459,225	1,270,196	2,314,452	573,856	632,145
316,525	553,197	269,149	242,982	3,187,849	213,030
358,863	460,847	669,088			
1,245,547	1,072,788	3,173,962	1,342,118	2,642,820	1,435,447
52,264,420	56,010,381	60,983,281	63,481,974	66,538,596	66,166,828
823,322	1,252,361	1,071,319	2,776,046	924,308	847,958
			9,244	5,190	24,694
(1,245,547)	(1,072,788)	(3,173,962)	(1,342,118)	(2,642,820)	(1,435,447)
(422,225)	179,573	(2,102,643)	1,443,172	(1,713,322)	(562,795)
51,842,195	56,189,954	58,880,638	64,925,146	64,825,274	65,604,033
(7,220,360)	(287,363)	1,458,179	12,555,015	15,705,060	3,284,277
187,177	11,075,532	4,696,480	8,555,229	9,992,165	16,572,080
\$ (7,033,183)	\$ 10,788,169	\$ 6,154,659	\$ 21,110,244	\$ 25,697,225	\$ 19,856,357

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
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
2015	8,484,812	6,914,016	19,574,204	4,230,578	8,172,494
2016	9,116,772	7,315,130	21,916,084	4,169,100	7,306,229
2017	9,793,183	7,728,647	21,262,851	4,258,000	7,141,561
2018	10,856,629	8,312,681	22,562,309	4,635,202	8,325,393

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
\$	3,427,070	\$ 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
	4,148,057	3,224,413	852,312	55,600,886
	4,343,076	3,395,321	2,020,710	59,582,422
	4,504,448	3,462,237	1,983,143	60,134,070
	4,776,273	3,525,322	892,397	63,886,206

City of Santa Maria

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2009	2010	2011	2012
General fund				
Reserved	\$ 13,994,214	\$ 14,171,769	\$ -	\$ -
Unreserved	36,840,884	39,389,382	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	19,800,000
Assigned	-	-	-	6,909,711
Unassigned	-	-	-	14,045,532
Total general fund	\$ 50,835,098	\$ 53,561,151	\$ -	\$ 40,755,243
All other governmental funds				
Reserved	\$ 6,970,228	\$ 4,082,015	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	13,079,641	11,036,074	-	-
Capital projects funds	20,320,812	12,541,368	-	-
Debt service funds	(13,692,783)	(13,815,810)	-	-
Nonspendable	-	-	-	4,664,964
Restricted	-	-	-	14,242,818
Committed	-	-	-	-
Assigned	-	-	-	12,652,876
Unassigned	-	-	4,664,964	(21,536,503)
Total all other governmental funds	\$ 26,677,898	\$ 13,843,647	\$ 4,664,964	\$ 10,024,155

The City of Santa Maria implemented GASB Statement No. 54 for the 2010-11 fiscal year. Information prior to the implementation of GASB Statement No. 54 is not available.

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	10,208	10,466	19,252	19,833	39,560
-	-	-	-	-	-
19,800,000	19,800,000	19,800,000	19,800,000	19,800,000	19,800,000
6,909,711	6,248,027	6,248,027	6,248,027	6,248,027	6,413,477
14,039,407	10,843,504	10,847,707	10,497,805	10,400,813	10,362,798
<u>\$ 40,749,118</u>	<u>\$ 36,901,739</u>	<u>\$ 36,906,200</u>	<u>\$ 36,565,084</u>	<u>\$ 36,468,673</u>	<u>\$ 36,615,835</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	9,133	9,148	8,946	6,217	12,516
15,587,331	12,022,546	13,155,099	17,395,841	17,255,714	15,876,404
-	-	-	-	-	-
13,092,026	5,409,355	7,193,337	13,985,928	26,510,784	32,202,906
(1,863,283)	(1,178,799)	(658,155)	(14,498)	(16,672)	-
<u>\$ 26,816,074</u>	<u>\$ 16,262,235</u>	<u>\$ 19,699,429</u>	<u>\$ 31,376,217</u>	<u>\$ 43,756,043</u>	<u>\$ 48,091,826</u>

City of Santa Maria

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2009	2010	2011	2012
Revenues				
Taxes	\$ 40,286,816	\$ 41,030,042	\$ 43,744,723	\$ 45,468,364
Permits, fines, and forfeitures	1,964,835	2,032,625	1,368,214	1,103,627
Revenues from use of money and property	3,623,715	3,657,552	2,530,588	2,193,493
Aid from governmental agencies	15,426,843	15,424,318	9,690,422	11,020,727
Charges for current services	12,929,787	10,769,671	12,175,204	12,561,301
Contributions				
Other revenues	871,480	1,125,411	334,376	527,117
Total revenues	<u>75,103,476</u>	<u>74,039,619</u>	<u>69,843,527</u>	<u>72,874,629</u>
Expenditures				
Current:				
General government	8,262,292	7,067,465	7,182,507	7,206,265
Community development	3,911,112	4,872,363	4,650,157	4,520,096
Public safety	29,289,806	28,553,613	27,848,391	28,465,201
Recreation and parks	10,269,522	9,982,054	9,757,902	9,661,463
Public works	5,056,695	5,227,336	5,001,666	4,811,965
Library	3,019,728	3,121,202	2,698,807	2,425,505
Non-departmental				
Capital outlay	24,615,828	22,830,682	7,906,083	11,379,276
Debt service:				
Principal	1,920,000	2,010,000	2,110,000	2,215,000
Interest and fiscal charges	870,895	790,277	589,810	550,064
Total expenditures	<u>87,215,878</u>	<u>84,454,992</u>	<u>67,745,323</u>	<u>71,234,835</u>
Excess of revenues over (under) expenditures	<u>(12,112,402)</u>	<u>(10,415,373)</u>	<u>2,098,204</u>	<u>1,639,794</u>
Other financing sources (uses)				
Proceeds from loan				
Transfers in	11,491,823	12,018,459	9,383,087	10,465,679
Transfers out	(9,159,426)	(8,462,795)	(8,018,247)	(7,700,839)
Total other financing sources (uses)	<u>2,332,397</u>	<u>3,555,664</u>	<u>1,364,840</u>	<u>2,764,840</u>
Extraordinary gain (loss)				(516,788)
Net change in fund balances	<u>\$ (9,780,005)</u>	<u>\$ (6,859,709)</u>	<u>\$ 3,463,044</u>	<u>\$ 3,887,846</u>
Debt service as a percentage of non-capital expenditures	3.79%	3.30%	3.99%	3.88%

	2013	2014	2015	2016	2017	2018
\$	48,978,282	\$ 52,461,017	\$ 55,557,984	\$ 62,299,906	\$ 63,145,962	\$ 67,295,238
	1,467,439	2,717,608	3,111,841	3,618,122	6,144,617	3,554,886
	1,382,622	1,482,149	1,186,557	2,266,451	615,163	632,145
	6,623,511	8,555,455	4,825,050	5,970,131	4,834,687	7,812,934
	9,719,735	12,033,721	13,747,994	15,532,791	17,206,983	16,325,002
		1,976,386				
	1,347,451	539,828	450,310	347,569	3,182,916	194,537
	69,519,040	79,766,164	78,879,736	90,034,970	95,130,328	95,814,742
	6,970,704	7,650,954	8,318,070	8,792,142	8,610,671	9,248,041
	4,399,670	3,904,460	3,489,725	3,446,621	3,880,662	5,163,754
	30,375,414	32,894,813	38,715,224	39,974,715	42,014,343	43,299,049
	10,740,875	11,726,183	11,776,433	11,738,711	12,951,956	13,424,657
	4,403,858	4,288,768	4,237,326	5,078,452	5,357,469	5,919,659
	2,632,917	2,790,293	2,794,617	2,878,592	2,852,926	2,985,808
	5,572,242					
	11,367,748	19,368,989	11,378,697	6,506,418	9,960,331	12,421,578
	2,325,000	4,675,000	163,904	190,285	580,551	197,752
	370,725	138,828	23,258	32,763	29,090	80,643
	79,159,153	87,438,288	80,897,254	78,638,699	86,237,999	92,740,941
	(9,640,113)	(7,672,124)	(2,017,518)	11,396,271	8,892,329	3,073,801
		498,110				
	9,143,011	9,816,183	17,269,907	10,987,033	12,103,080	10,015,646
	(7,750,381)	(9,186,623)	(12,554,757)	(10,822,283)	(8,844,080)	(8,474,346)
	1,392,630	1,127,670	4,715,150	164,750	3,259,000	1,541,300
\$	(8,247,483)	\$ (6,544,454)	\$ 2,697,632	\$ 11,561,021	\$ 12,151,329	\$ 4,615,101
	3.9%	6.4%	0.3%	0.3%	0.8%	0.3%

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
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
2015		2,573,120,800		4,566,212,614		442,743,638	7,582,077,052
2016		2,695,982,155		4,826,872,212		526,761,351	8,049,615,718
2017		2,789,030,651		5,131,182,618		548,954,711	8,469,167,980
2018		2,960,320,307		5,522,831,675		589,877,561	9,073,029,543

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
\$ 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%
749,333,684	6,832,743,368	1.00000%
787,289,465	7,262,326,253	1.00000%
726,554,468	7,742,613,512	1.00000%
810,225,469	8,262,804,074	1.00000%



City of Santa Maria

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

As of June 30, 2018

Fiscal Year	*City of Santa Maria	*Santa Barbara County	Schools	Other	Total
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%
2015	0.00000%	1.00000%	0.99939%	0.00000%	1.99939%
2016	0.00000%	1.00000%	1.00013%	0.00000%	2.00013%
2017	0.00000%	1.00000%	1.00092%	0.00000%	2.00092%
2018	0.00000%	1.00000%	1.00880%	0.00000%	2.00880%

*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

2017-18			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Windset Farms California, Inc.	\$ 183,762,870	1	2.22%
Okonite Company, Inc.	105,385,937	2	1.28%
KW Bradley Square LLC	49,083,085	3	0.59%
Santa Maria Land Partners, LLC	46,865,660	4	0.57%
MGP 50 LLC	42,987,405	5	0.52%
Dario L Pini	42,391,840	6	0.51%
HT Partners LP	41,398,454	7	0.50%
333 East Enos Drive Owner LLC	36,987,200	8	0.45%
Sienna at Westgate LP	35,222,073	9	0.43%
Betteravia Investments LLC	30,444,211	10	0.37%
Santa Maria Partners, LLC			
Pioneer Santa Maria, LLC			
SP Village Green, LLC			
CPH Harvest Glen Gardens Limited Partnership			
Merril Gardens at Santa Maria, LLC			
Lull Family Living Trust			
Templeton Santa Barbara, LLC			
VBC Vizcaya LP			
	\$ 614,528,735		7.44%

SOURCE:

Hdl Coren & Cone

2008-09

Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 60,589,960	1	0.91%
28,656,544	6	0.35%
30,874,457	3	0.46%
29,999,598	5	0.45%
26,589,893	8	0.40%
22,022,337	10	0.33%
36,712,162	2	0.55%
30,249,998	4	0.45%
26,520,000	9	0.40%
26,765,200	7	0.40%
<hr/> \$ 318,980,149 <hr/>		<hr/> 4.70% <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	
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%	
2015	8,198,307	8,198,307	100%	
2016	8,715,775	8,715,775	100%	
2017	9,365,998	9,365,998	100%	
2018	10,182,000	10,182,000	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 2017-18 Preliminary Prop Tax Report

Total Collections to Date		
	Amount	Percentage of Levy
\$	8,102,791	100%
	7,650,506	100%
	7,516,780	100%
	7,596,097	100%
	7,645,901	100%
	7,805,506	100%
	8,198,307	100%
	8,715,775	100%
	9,365,998	100%
	10,182,000	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
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
2015	-	334,206	1,867,915	436,629
2016	-	167,940	1,565,773	412,611
2017	-	-	1,256,867	-
2018	-	-	3,023,294	-

Business-Type Activities						
Refunding Revenue Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita	
\$ -	\$ 50,640,095	\$ -	\$ 64,541,822	29.40%	\$ 697	
-	48,785,007	-	60,656,623	30.71%	655	
-	46,748,931	-	56,489,831	32.98%	565	
44,348,219	15,170,766	-	67,023,548	27.80%	669	
45,392,889	14,659,509	2,452,500	70,114,983	27.53%	699	
45,777,168	12,305,203	2,163,442	63,367,312	32.57%	627	
46,639,516	9,821,992	1,867,915	60,968,173	35.63%	597	
47,094,801	7,201,624	1,565,773	58,008,522	38.38%	568	
47,551,260	4,653,150	1,256,867	54,718,144	44.24%	536	
47,191,016	4,999,933	941,045	56,155,288	47.45%	550	

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
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%	73
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%	
2015				0.00%	
2016				0.00%	
2017				0.00%	
2018				0.00%	

SOURCE:

City of Santa Maria

Santa Barbara County

City of Santa Maria

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Santa Barbara County General Fund Obligations	\$ 45,465,000	10.534%	\$ 4,789,283
Santa Maria-Bonita School District COP	34,722,914	94.111%	32,678,082
Santa Maria Joint Union High School District COP	2,696,332	58.636%	1,581,021
Subtotal, overlapping debt			39,048,386
City of Santa Maria, direct debt			3,023,294
Total direct and overlapping debt			\$ 42,071,680

NOTE:

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

	2009	2010	2011	2012
Debt Limit	\$ 261,018,334	\$ 250,396,281	\$ 250,262,993	\$ 257,486,233
Total net debt applicable to limit	14,234,903	12,157,195	9,978,883	7,694,949
Legal Debt Margin	<u>\$ 246,783,431</u>	<u>\$ 238,239,086</u>	<u>\$ 240,284,110</u>	<u>\$ 249,791,284</u>
Total net debt applicable to the limit as a percentage of debt limit	5.45%	4.86%	3.99%	2.99%

Legal Debt Margin Calculation for 2017-18:

Assessed value

Debt limit (3.75 percent of assessed value)

Revenue bonds and other long-term debt

Legal debt margin

	2013	2014	2015	2016	2017	2018
\$	267,630,406	\$ 272,982,612	\$ 284,327,889	\$ 272,337,234	\$ 317,593,799	\$ 340,238,608
	7,610,085	3,121,499	2,638,750	2,146,324	1,256,867	3,023,294
\$	260,020,321	\$ 269,861,113	\$ 281,689,139	\$ 270,190,910	\$ 316,336,932	\$ 337,215,314

2.84% 1.14% 0.93% 0.79% 0.40% 0.89%

\$ 9,073,029,543
340,238,608
3,023,294
\$ 337,215,314

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
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
2015	41,771,720	30,237,070		11,534,650	1,228,586	3,400,777
2016	44,478,328	29,605,398		14,872,930	1,153,156	3,476,207
2017	48,626,344	31,946,964		16,679,380	1,081,262	3,548,101
2018	53,564,449	35,192,262		18,372,187	2,928,477	1,700,885

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.

Coverage	Balance in Rate Stabilization Account
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
2.49	4,294,662
3.21	5,006,824
3.60	5,011,069
3.97	5,023,400

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
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
2015	102,087	21,725,550	51,342	33
2016	104,404	22,263,835	53,484	33
2017	106,280	24,207,771	54,428	33
2018	108,470	26,646,853	59,460	33

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 2018.

#+School Enrollment	++Unemployment Rate
24,917	8.2%
45,869	9.7%
46,563	9.4%
46,563	8.4%
43,367	7.2%
43,367	6.1%
44,021	5.3%
45,353	4.9%
46,313	4.3%
46,028	4.1%

City of Santa Maria

PRINCIPAL EMPLOYERS

Current Fiscal Year and Ten Fiscal Years Ago

*Employer	*2017-18		
	Employees	Rank	Percentage of Total City Employment
#Vandenberg Air Force Base	6,700	1	14.39%
Santa Maria-Bonita School District	2,100	2	4.51%
Marian Medical Center	1,920	3	4.12%
Allan Hancock College	1,480	4	3.18%
C&D Zodiac Aerospace, Incorporated	915	5	1.96%
Santa Maria Joint Union High School District	805	6	1.73%
Windset Farms	750	7	1.61%
City of Santa Maria	586	8	1.26%
Wal-Mart (3 locations)	440	9	0.94%
Agro-Jal Farms	420	10	0.90%
Orcutt Union School District			
Betteravia Farms			
Den-Mat Corporation			
Vocational Training Center			
	16,116		34.60%

SOURCE:

* City of Santa Maria 2018-20 Budget

** California Economic Forecast (as reported in the City of Santa Maria CAFR 2008-2009)

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.

**2008-09

Employees	Rank	Percentage of Total City Employment
1,724	1	4.45%
1,450	2	3.74%
890	3	2.30%
491	8	1.27%
725	4	1.87%
647	5	1.67%
586	6	1.51%
533	7	1.37%
361	9	0.93%
340	10	0.88%
<hr/> <hr/> <u>7,747</u>		<hr/> <hr/> <u>19.99%</u>

City of Santa Maria

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013
Public safety					
Police protection services	172.0	169.0	169.5	169.5	174.0
Fire and emergency services	63.0	60.0	54.0	51.3	63.5
Utilities					
Water distribution services	40.5	40.5	41.5	41.5	41.5
Solid waste collection/disposal services	48.0	47.0	48.0	48.0	48.0
Public ways and facilities					
Streets services	24.5	24.5	23.5	23.5	23.5
Public transit services	2.5	2.5	2.5	2.5	2.5
Recreation and parks					
Recreation and parks services	136.5	134.0	119.5	121.0	126.0
Library					
Library services	49.0	46.5	40.0	41.0	42.5
Community development					
Planning and inspection services	30.5	28.5	26.5	26.5	26.5
Block grant/special project services	2.0	2.0	2.0	2.0	2.0
General government					
Legislative services	5.0	5.0	5.0	5.0	5.0
Legal services	12.0	12.5	11.0	11.0	12.0
Administration	12.0	12.0	11.5	12.5	12.5
Finance	25.5	24.5	23.5	23.5	23.5
Engineering and facilities maintenance	24.5	23.5	21.5	21.5	21.5
Special revenue					
Landscaping services	4.5	4.5	10.5	10.5	11.5
Public, education, government television	2.0	2.0	2.0	2.0	2.0
Internal service					
Fleet services	7.5	7.5	8.5	8.5	7.5
Risk Management	1.0	1.0	1.0	1.0	1.0
Total	662.5	647.0	621.5	622.3	646.5

NOTE:

*Employee by Function was not budgeted.

SOURCE: 2018-20 City of Santa Maria Budget

2014	2015	2016	2017	2018
174.0	179.5	175.5	184.5	185.0
63.5	63.5	64.0	62.5	62.5
41.5	41.5	42.5	44.0	45.0
48.0	48.5	47.5	47.5	50.5
23.5	23.5	23.5	24.0	23.0
3.0	3.0	3.0	3.0	3.0
125.0	126.0	128.0	128.5	130.5
42.5	43.0	43.0	44.0	42.5
26.5	25.5	26.5	26.5	26.5
2.0	2.0	3.0	3.0	3.0
5.0	5.0	5.0	5.0	5.0
12.0	11.5	12.0	11.5	11.5
12.5	12.5	13.0	22.0	23.5
23.5	24.5	24.5	16.5	17.5
22.5	22.5	22.5	23.5	25.0
11.5	16.5	16.5	16.5	17.5
2.0	2.0	2.0	2.0	2.0
8.5	10.5	10.5	10.5	11.5
1.0	1.0	1.0	1.0	1.0
648.0	662.0	663.5	676.0	686.0



City of Santa Maria

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function/Program	2010-12	2012-14	2014-16	2016-18	2018-20
Police					
Number of stations	1	1	1	1	1
Calls for service	187,530	198,502	221,033	241,800	344,000
Fire and emergency services					
Number of stations	5	5	5	5	5
Calls for service	17,453	17,543	18,069	18,177	20,486
Utilities					
Water production/per acre feet	26,030	26,400	25,700	26,000	28,000
Meters Read	493,836	502,608	502,700	503,600	539,789
Wastewater treated/mgd	8.00	8.40	8.40	8.40	8.04
Solid waste collection and disposal services					
Residential and commercial accounts serviced	37,594	37,767	38,638	39,169	40,111
Residential and commercial tons collected	139,775	142,320	148,691	147,918	146,632
Average tons received at landfill/day	249	249	249	249	350
Street Services					
Streetlight maintenance/hours	3,709	3,798	4,061	3,929	3,651
Traffic Signal maintenance/hours	3,543	4,592	2,305	4,000	3,000
Transit					
Passengers	2,011,445	1,941,312	1,795,923	1,879,916	1,487,500
Miles	1,691,312	1,400,399	1,389,268	1,366,369	1,963,226
Recreation and Parks					
Program registrations	72,600	72,600	72,700	72,850	78,425
Facility attendance	3,405,620	3,405,620	3,405,650	3,405,750	3,406,000
*Park acres maintained	2,000	2,000	2,000	2,007	2,007
Trees managed	38,750	45,720	45,720	45,720	47,320
Library					
Cardholders	78,154	58,820	68,978	70,357	37,941
Materials checked-out	1,017,282	1,071,802	1,012,008	1,017,285	1,108,852
Community development					
Plan checks	2,592	3,701	4,251	4,100	4,000
Building permits issued	2,592	2,672	4,100	4,000	5,000

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: 2018-20 City of Santa Maria Budget

City of Santa Maria

CAPITAL ASSETS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012
Police				
Stations	1	1	1	1
Patrol units	41	41	41	41
Fire stations	4	4	5	5
Solid waste				
Refuse collection trucks	23	23	23	23
Highways and streets				
Street miles	222	224	224	228
Streetlights	6,900	6,890	7,090	6,722
Park acreage/Open Space	772	2,000	2,000	2,000
Water hydrants	4,500	*3,280	3,300	3,300
Sewer miles	529	*200	210	220

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

SOURCE: 2018-20 City of Santa Maria Budget

2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
43	47	44	45	47	71
5	5	5	5	5	5
23	23	22	22	22	22
228	228	228	229	229	230
6,722	7,066	7,066	7,416	7,416	7,004
2,000	2,000	2,000	2,007	2,007	2,007
3,300	3,400	3,400	3,500	3,500	3,500
220	233	233	240	240	245

