

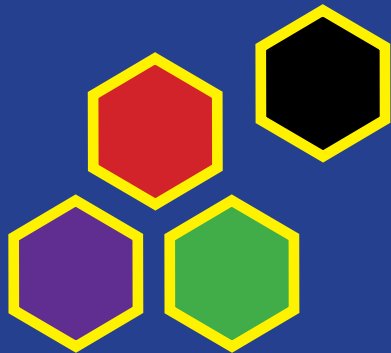


CITY OF SANTA MARIA

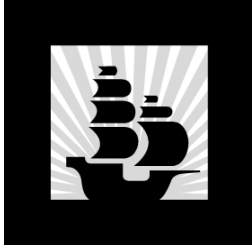
SANTA MARIA, CALIFORNIA

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2012



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**City of Santa Maria
California**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

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

www.ci.santa-maria.ca.us/40361.shtml



City of Santa Maria
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION

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City of Santa Maria

Department of Administrative Services

December 14, 2012

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, 2012.

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

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

Moss, Levy and Hartzheim, LLP, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for fiscal year ended June 30, 2012, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012 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, 2012

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

Profile of the Government

The City, incorporated on September 12, 1905, is located on the Central Coast of California, which is famous for its high quality of life and year-round mild climate. Currently, the City has a land area of 23 square miles and a population of 100,199. Property taxes are collected by Santa Barbara County and are limited to one percent of assessed value on real and personal property. The City receives property tax revenues from Santa Barbara County based on an average apportionment rate of 11.9 percent of all property tax collected within its boundaries. The City has the power, by State statute, to extend its corporate limits by annexation, which is done when deemed appropriate by the City Council.

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

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

Factors Affecting Financial Condition

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

The U.S. economy continued to expand from the longest and deepest drop in economic activity since the Great Depression. During the 12 quarters following the end of what has been called the "Great Recession," the annualized rate of real gross domestic product (GDP) growth was 2.3 percent - near what is considered the historical trend rate of growth for the U.S. economy. This GDP growth rate is very disappointing given that real GDP fell from its peak by more than five percent during the Great Recession. Unlike the deep recessions of the mid-1970's and early 1980's, the Great Recession was accompanied by a major financial crisis. Recoveries both in the U.S. and in other countries that follow recessions associated with financial crises tend to be quite restrained, and it appears that the current business cycle is following this pattern of tepid growth.

Employment losses that began in February 2008 continued to mount following the end of the recession until February 2010. Since then, the economy has been adding jobs, but the number of

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2012

jobs added is just under 4.2 million – around 48 percent of the 8.8 million jobs lost. In addition to making up for these lost jobs, the U.S. economy needs to generate jobs to accommodate all the new entrants into the labor force. During the ten years before the Great Recession, the labor force in the U.S. economy increased by an average of 1.7 million individuals each year, according to the U.S. Bureau of Labor Statistics. Thus, over 7.5 million potential workers have been added since the start of the recession. All of these factors are reflected in the very high unemployment rate. At 7.9 percent, the current unemployment rate illustrates the significant output gaps that persist.

The housing market has begun to rebound this year more than five years after the bubble burst. The number of new homes swelled by 35 percent in the third quarter compared to the same quarter last calendar year. Construction of homes is at a four year high. Even with the gains, the housing market has a long way back. Many would be buyers can't qualify for stricter lender standards or save enough money for larger down payments that most banks now require. Home sales, housing starts and prices all remain below healthy levels.

On June 27, 2012, California adopted a \$91.3 billion budget for fiscal year 2013. The budget closes a budget gap of \$15.7 billion and establishes a reserve of \$1 billion. In closing the \$15.7 billion budget gap, the budget relies on deep spending reductions combined with temporary taxes and other actions. In total, the budget reduces expenditures by \$8.1 billion, primarily in health and human services as well as education. The passage of Proposition 30 will increase income taxes on top earners and sales taxes by a quarter percent and is projected to increase revenues by 18 percent over the next three fiscal years from \$95.9 billion to \$113.6 billion. This revenue increase should prevent further reductions to K-12 schools as well as maintain funding for the California university system.

In fiscal year 2012, the State was successful in eliminating redevelopment agencies throughout the State. The effect of the elimination on the General Fund is increased debt payments of \$1.2 million per year on the 2003 RDA Lease Revenue Refunding Bonds. The ABX1 26 legislation requires that redevelopment tax increment be pledged as payment for revenue refunding bonds. The pledge for the 2003 bonds is lease payments from the City to the RDA. Therefore, the \$1.2 million in annual tax increment is disbursed to the other taxing entities. The City will receive approximately \$122,000 from the \$1.2 million distribution. The City will use General Fund reserves to pay the \$1.2 million over the next two years. The final debt service payment occurs in fiscal year 2016 with the final two years of debt payments coming from the debt service reserve fund.

Compared to last year's \$72 million deficit, Santa Barbara County is facing a much smaller, though substantial, shortfall of \$17 million in the 2012-13 fiscal year. The decline in deficit is primarily due to an improving economy, spending cuts and wage concessions from last year. But the County continues to face significant internal challenges such as increases in employee retirement and health care costs, reliance on one-time funding, deferred maintenance of critical infrastructure, funding for a new North County Jail, the increasing cost of Fire Department operations, and lack of new revenues. The proposed \$828 million spending plan for 2012-13 includes increasing expenditures for public safety by 16 percent, which is partially offset by eliminating the Sheriff's gang team, reducing four positions on the narcotics team, and

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2012

eliminating four court bailiffs. With \$800 million in available revenue, the 2012-13 budget is balanced with a combination of spending cuts and one-time funding.

The City, like all local governments, is struggling to maintain existing service levels due to the severe downturn in the economy and reductions in major revenue sources. Declining revenues are substantial. In 2012-13, sales and property tax revenues are projected to decline by \$782,000 and \$943,000, respectively from their peak in 2008. Sales and property tax provide approximately 54 percent of General Fund revenues. Construction permit revenue is forecasted to decline by \$1.8 million from 2007. On the expenditure side, staff will continue to hold off and not fill future General Fund vacancies, unless the vacancies are mission critical or essential to City operations.

The significant decreases in economy-based revenues have caused the City to cut General Fund operating appropriations, defer cost allocations, postpone equipment purchases, and use reserves to bridge the \$5.5 million 2012-13 Budget deficit. The City is fully deferring cost allocations to the Worker's Compensation Fund, and partially to the Fleet Fund, resulting in cost savings of \$1.45 million. This is the fifth year that such cost allocation deferrals have been implemented to reduce General Fund costs. The City eliminated several vacant positions and, prior to hiring, will be evaluating on a case-by-case basis, all future vacant General Fund positions. In all cases, positions are being held vacant to achieve salary savings. Baseline budget reductions in the General Fund operating departments totaled \$750,000. These savings along with reserves of \$2.5 million from the Local Economic Augmentation Fund, the City's "rainy day" fund, was enough to balance the 2012-13 budget. Included in the expense reductions is the continuation of salary and benefit concessions, as well as six mandatory furlough days, all of which annually save a projected \$600,000. However, these types of cost containment measures can not be sustained without significant impacts to service and reserve levels.

A positive note is the passage of Measure U – a quarter cent sales tax increase passed by the voters on June 5 with 63.9 percent of the vote. The general tax, which is estimated to generate approximately \$4.2 million to \$5.5 million annually over the next nine years, increases the sales tax rate from 7.75 percent to 8 percent. The tax went into effect on October 1, but the City will not receive its first advance until the end of December, 2012. For the remainder of fiscal year 2012-13, the City anticipates receiving approximately \$2.1 million and will be used to finance the operational costs of \$1.43 million of the newly constructed Fire Station #5 including the addition of a Battalion Chief and limited-service employee. Receipts of \$545,000 will be used to finance the costs of hiring seven Police Officers, five Police Sergeants, one Crime Analyst and one Dispatcher. The remaining receipts will be used for the graffiti abatement program, increase library hours, hire a parks service officer and code compliance officer, and the PAL program.

Major Initiatives for the Fiscal Year

Northwest and Northeast Fire Stations

To enhance public safety and emergency response times in the northwest and northeast sections of the City, two new fire stations were constructed. The northwest station, located at Preisker Park, was completed in the spring for \$2.1 million and replaced the existing fire station located

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2012

at College and Donovan. The northeast fire station (#5), which was completed in August and is located at Suey and Donovan Roads, will increase the number of stations within the City limits to five. As part of the American Reinvestment and Recovery Act (ARRA) of 2009, the City was awarded \$4.3 million in Federal Stimulus funding to construct new northwest and northeast fire stations.

The City will finance the staffing and operating costs of the northeast fire station with the proceeds of the Measure U sales tax measure approved by the voters on June 5th.

Future Police Department Building

In November 2008, the City purchased land and a building at 1111 W. Betteravia Road for the City's future Police Department headquarters. The City purchased the property at a cost of \$13.8 million, financed with a combination of one-time reserves and capital funds. At approximately 70,000 square feet, the one-story office space is two and a half times the size of the current Police Department headquarters and satellite office. The property requires custom modifications ranging from seismic retrofitting to communications infrastructure to security enhancements before it becomes the Police Department's new headquarters. The property is currently undergoing a structural retrofit at an estimated cost of \$1.2 million and design for the tenant improvements at an estimated cost of \$400,000.

Financial Policies

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

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, 2011. This was the 22nd consecutive fiscal year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an

City of Santa Maria
Letter of Transmittal
For the Fiscal Year Ended June 30, 2012

easily readable and efficiently organized comprehensive annual financial report. This report satisfied both USGAAP and applicable legal requirements.

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

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

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

Sincerely,

CITY OF SANTA MARIA



Rene M. Visé
Director of Administrative Services

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, 2011

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



Linda C. Davison

President

Jeffrey R. Emmer

Executive Director

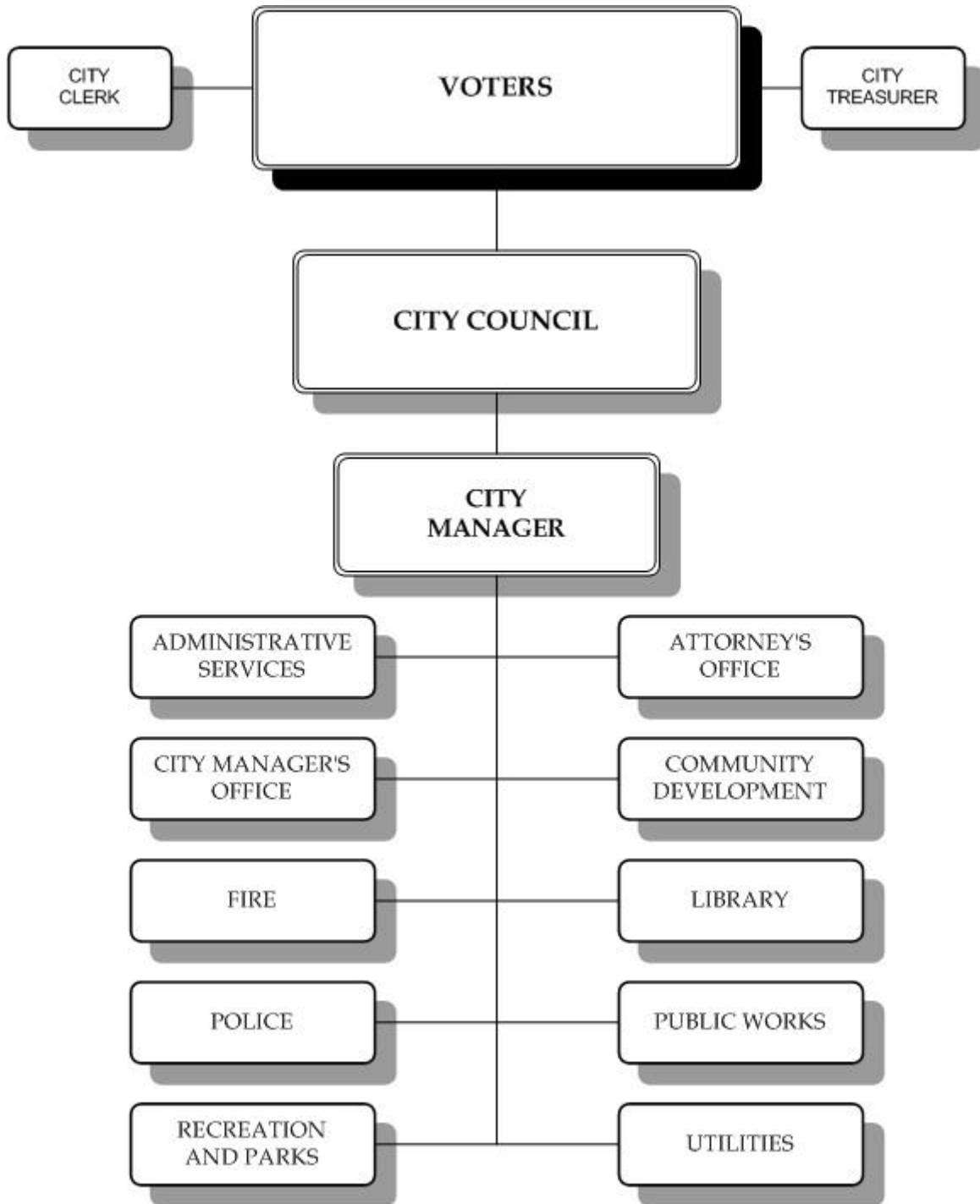
The City received a Certificate of Achievement of Excellence in Financial Reporting for the June 30, 2010 Comprehensive Annual Financial Report (CAFR) from the Government Finance Officers Association. This award is the highest form of recognition in governmental accounting and financial reporting.

This is a coveted award in the municipal financial arena at both the State and National levels, is given to municipalities preparing the CAFR in an exemplary fashion, and is in conformance with national guidelines. **This was the 22nd consecutive year that the City has received this award.**

City of Santa Maria

Organizational Chart

For the Fiscal Year Ended June 30, 2012



City of Santa Maria

List of Principal Officers

For the Fiscal Year Ended June 30, 2012

MAYOR

LARRY LAVAGNINO

MAYOR PRO TEM

BOB ORACH

COUNCILMEMBERS

JACK BOYSEN

MIKE CORDERO

ALICE PATINO

CITY MANAGER

RICK HAYDON

CITY TREASURER

TERESSA HALL

CITY CLERK

PATTI RODRIGUEZ

CITY DEPARTMENTS AND DEPARTMENT HEADS

Administrative Services	Rene M. Visé
Attorney's Office	Gil Trujillo
City Manager's Office.....	Alicia Lara
Community Development	Larry Appel
Fire.....	Dan Orr
Library	Mary Housel
Police.....	Danny Macagni
Public Works/Engineering.....	David Whitehead
Recreation and Parks	Alex Posada
Utilities	Rick Sweet





FINANCIAL SECTION

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Maria (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages F-5 through F-15, budgetary comparison information on page F-85, and the CALPERS schedules of funding progress on page F-87, and the schedule of funding progress for post employment benefits other than pensions on page F-88, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As discussed in note 1 to basic financial statements effective July 1, 2011, the City of Santa Maria adopted Governmental Accounting Standards Board (GASB) Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Santa Maria's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, combining internal service funds 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedure in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 14, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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, 2012. 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, 2012, the City's net assets (excess of assets over liabilities) were \$447.7 million. Of this amount, \$155.0 million is available to meet the City's ongoing operations.
- During the fiscal year ended June 30, 2012, the City's net assets increased by \$5.4 million to \$447.7 million. This increase reflects an increase in governmental activities of 1.0 percent, whereas business-type activities showed an increase of 1.7 percent. The majority of the increase in the business-type activities was the result of decreased State Water expenses in the Water Fund due to one-time credits received from the Department of Water & Power. The increase in governmental activities is primarily attributable to increased sales tax revenue generated from an improving local economy. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$68.7 million, an increase of \$3.9 million from the prior fiscal year.
- On December 29, 2011, the California Supreme Court upheld State Assembly Bill ABX1 26 dissolving redevelopment agencies (RDA's) throughout the State. The RDA of the City of Santa Maria was dissolved on February 1, 2012. Historically, the tax revenue of the RDA was used to pay a portion of the annual debt service on the 2003 Refunding Lease Revenue Bonds. However, the State Department of Finance (DOF) rejected the bonds as an enforceable obligation to be paid with RDA tax revenue. Therefore, the RDA tax revenue was dispersed to the other taxing entities in the County requiring the General Fund to pay the RDA portion of the bonded debt of \$1,236,000. Total bond payments were \$2,681,000. The \$1,236,000 was taken from General Fund reserves. General Fund annual payments of the bonded debt will end in fiscal year 2014. The remaining two fiscal years of debt payments for 2014-15 and 2015-16 will be paid from the City's Debt Service Reserve Fund.
- The City wrote off \$14,116,000 in advances from the General Fund to the dissolved RDA. These inter-fund advances were declared non-enforceable by the Oversight Board. The advances were not made within two years of the creation of the RDA. ABX1 states that inter-fund loans or advances are enforceable if made within the first two years of creation of the RDA.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14 million, or 25 percent of total General Fund budgeted expenditures.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

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 Assets presents information on all of the City's assets and liabilities; the difference between the two is reported as net assets. These net assets 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 assets over time will serve as a useful indicator of whether the financial position of the City is improving or declining.

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

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal

City of Santa Maria

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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 is considered the major fund and is 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-30 and F-33, immediately following the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds, respectively.

Proprietary Funds are Enterprise and Internal Service Funds. The City maintains two different types of Proprietary Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses Enterprise Funds to account for its water, wastewater, solid waste, and transit operations. Internal Service Funds are used to accumulate and allocate costs internally to various functions. The City uses Internal Service Funds to allocate fleet maintenance and replacement, business equipment, liability and workers' compensation insurance costs.

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

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary Funds are not reflected in the Government-wide and Fund Financial Statements

City of Santa Maria
Management's Discussion and Analysis
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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, 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-85. 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.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Statement of Net Assets

Net assets may serve, overtime, as a useful indicator of a City's financial position. During this fiscal year, net assets of the City were \$447.7 million, which is an increase of \$5.4 million from the prior fiscal year. The increase resulted from revenues exceeding expenses of \$5.9 million reduced by an extraordinary loss from the dissolving of the redevelopment agency.

The following is the condensed Statements of Net Assets as of June 30, 2012 and 2011, expressed in millions.

	Governmental		Business		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 97.2	\$ 98.7	\$ 116.2	\$ 115.2	\$ 213.4	\$ 213.9
Restricted and other assets	2.7	2.7	9.7	9.5	12.4	12.2
Capital assets, net	201.1	199.6	136.1	134.0	337.2	333.6
Total assets	301.0	301.0	262.0	258.7	563.0	559.7
Current Liabilities	15.5	15.5	12.1	9.8	27.6	25.3
Long-term liabilities	15.3	12.9	77.8	73.8	93.1	86.7
Total liabilities	30.8	28.4	89.9	83.6	120.7	112.0
Net Assets:						
Invested in capital assets, net of related debt	191.1	192.1	71.6	74.5	262.7	266.6
Restricted	14.2	16.6	9.6	9.5	23.8	26.1
Unrestricted	64.9	63.9	90.9	91.1	155.8	155.0
Total Net Assets	\$ 270.2	\$ 272.6	\$ 172.1	\$ 175.1	\$ 442.3	\$ 447.7

As of June 30, 2012, of the \$447.7 million of net assets, the largest portion is \$266.6 million that (59 percent) consists of the City's investment in capital assets, net of related debt. 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 assets (five percent) of \$26.1 million represents resources that are subject to external restrictions on how the net assets may be used. The remaining balance of unrestricted net assets (\$155.0 million) may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$91.1 million is held by the business-type activities and \$63.9 million is by the governmental activities.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The following condensed summary of net statements of activities (expressed in millions) shows that, during the fiscal year, net assets increased by \$5.4 million.

	Governmental		Business		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program revenues:						
Charges for services	\$ 13.3	\$ 12.7	\$ 52.7	\$ 55.2	\$ 66.0	\$ 67.9
Operating grants and contributions	2.2	2.2	4.5	5.8	6.7	8.0
Capital grants and contributions	7.7	9.3	5.6	1.4	13.3	10.7
General Revenues:						
Taxes	44.2	45.4			44.2	45.4
Use of money and property	2.5	2.2	1.3	1.1	3.8	3.3
Intergovernmental revenues	0.5	0.5			0.5	0.5
Other	0.4	0.4			0.4	0.4
Total revenues	<u>70.8</u>	<u>72.7</u>	<u>64.1</u>	<u>63.5</u>	<u>134.9</u>	<u>136.2</u>
Expenses						
General government	8.2	7.6			8.2	7.6
Public safety	29.3	29.1			29.3	29.1
Public works	13.5	14.9			13.5	14.9
Library	3.5	3.2			3.5	3.2
Community development	4.7	5.3			4.7	5.3
Parks & recreation	11.9	11.0			11.9	11.0
Interest & fiscal charges	0.6	0.5			0.6	0.5
Water & wastewater			34.9	33.4	34.9	33.4
Solid waste			18.1	17.4	18.1	17.4
Public transit			6.8	7.9	6.8	7.9
Total expenses	<u>71.7</u>	<u>71.6</u>	<u>59.8</u>	<u>58.7</u>	<u>131.5</u>	<u>130.3</u>
Increase in net assets before transfers	(0.9)	1.1	4.3	4.8	3.4	5.9
Transfers	<u>(7.1)</u>	<u>1.6</u>	<u>7.1</u>	<u>(1.6)</u>		
Increase in net assets	(8.0)	2.7	11.4	3.2	3.4	5.9
Extraordinary gain (loss)		(0.5)				(0.5)
Increase in net assets	<u>(8.0)</u>	<u>2.2</u>	<u>11.4</u>	<u>3.2</u>	<u>3.4</u>	<u>5.4</u>
Net assets - beginning of fiscal year	277.5	270.2	161.3	172.1	438.8	442.3
Prior period adjustments	0.7	0.2	(0.6)	(0.2)	0.1	
Net assets - end of fiscal year	<u>\$ 270.2</u>	<u>\$ 272.6</u>	<u>\$ 172.1</u>	<u>\$ 175.1</u>	<u>\$ 442.3</u>	<u>\$ 447.7</u>

Governmental Activities. Governmental activities increased the City's net assets by \$2.4 million.

Business-type Activities. Business-type activities increased the City's net assets by \$3.0 million.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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, 2012, the City's governmental funds reported combined ending fund balances of \$68.7 million, an increase of \$3.9 million in comparison to the prior fiscal year.

Approximately 75 percent of this amount (\$52.1 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 \$40.7 million, of which \$19.8 million was committed for economic stabilization and \$6.9 million assigned for future liabilities associated with post employment benefits. Total fund balance decreased by \$14.0 million primarily due to the write off of loans receivable from the dissolved RDA. These loans to the dissolved RDA were shown as nonspendable fund balance in the prior year and were written off through an extraordinary loss on the fund financial statements.

The General Fund reported a net decrease to unassigned fund balance of \$6,000, effectively breaking even. However, total revenues included transfers of \$1.4 million from the Local Economic Augmentation Reserve Fund (LEAF). The LEAF Fund has \$6.3 million remaining at June 30, 2012. General Fund operations resulted in a fund decrease of \$456,000. Transfers in were greater than transfers out by \$517,000. Total tax revenues increased by \$1.5 million from the prior year, primarily from increases in sales taxes of \$1.1 million, increase in franchise taxes of \$209,000 and an increase in transient occupancy taxes of \$78,000. These increases are the result of greater economic activity, but the City still has a long way to go to reach the tax revenue generated before the recession.

Property tax revenue increased by \$168,000 over last fiscal year, a one percent increase. Combined, sales tax and property tax make up approximately 55 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. Charges for services are \$307,000 more than the prior year. This is primarily due to greater mutual aid reimbursements by \$92,000, greater Orfaela grant revenue by \$328,000 and successor agency reimbursements of \$250,000. This is partially offset by declining non-hazardous impacted sold (NHIS) revenue of \$180,000. 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.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

General Fund expenses increased by \$303,000 (0.6 percent) from \$47.737 million last fiscal year to \$48.040 million in the current fiscal year. Over the past four years, the City has reduced expenditures through a series of "belt tightening" measures in response to the downturn in the economy. In fiscal year 2008, expenditures were \$51.038 million. Each department has reduced their expenditures over the past several years. Continuation of the furlough program resulted in salary and benefit savings of five percent. Salary and benefits account for approximately 75 percent of General Fund expenditures.

D. GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budget Comparison

Differences between the original budget and the final amended budget (\$2.6 million increase) resulted primarily from the following:

- The City Clerk's Office amended their budget by \$60,000 for increased election costs concerning the Measure U quarter cent sales tax.
- The City Manager's Office amended their budget by \$177,000 to cover legal expenses associated with personnel matters in the Police Department.
- The Department of Administrative Services reduced their budget by \$80,000 due to a reduction in property tax administration fees charged by the County from \$361,000 last fiscal year to \$281,000 in the current year.
- The Police Department received grants from the State totaling over \$419,000 to conduct DUI, seat belt and unlicensed driver check points. City Council restored funding for one police officer position for approximately \$118,000.
- Debt service budgeted expenditures were increased by \$1,273,000 due to the dissolving of RDA's throughout the state. Payments on the 2003 bonds are secured by lease payments from the General Fund. However, prior receipts of tax increment went to pay approximately 48 percent of the 2003 bonds.

Final Budget and Actual Comparison

Total revenues were \$435,000 (1.0 percent) greater than the final budget primarily due to the following:

- Sales tax revenue was greater than forecasted by \$758,000 due to an improving local economy. However, sales tax is still less by \$1.3 million from fiscal year 2008, when sales tax peaked.
- Transient Occupancy Tax receipts were higher by \$164,000. Total receipts were \$2,441,000 versus budget of \$2,277,000.

City of Santa Maria

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

- The City's NHIS revenue has been declining primarily due to the discontinuation of the Guadalupe Restoration Project (GRP) as the project has reached its disposal limit. Revenues received are \$2,150,000 versus a budget of \$2,500,000. The peak of this revenue source occurred in 2008-09 and has been declining since then and is not considered a long-term revenue source. The City budgeted \$2 million in revenue for 2012-13.
- Construction permit revenue was under budget by \$629,000 due to declining home construction.

Total expenditures and transfers out were \$4.4 million less than the final budget which is primarily due to the following:

- City Attorney was under budget by \$141,000 primarily due to salary and benefit savings attributed to an unanticipated vacancy, as well as reductions in contracts and services.
- Administrative Services was under budget by \$112,000 primarily due to a decrease in NHIS Program related expenses and salary and benefit savings, as a result of staff vacancies, in the Finance Division.
- Recreation and Parks is under budget by six percent or \$659,000 due primarily to salary and benefit savings associated with not immediately filling vacancies coupled with a reduction in contractual service expense accounts.
- Community Development is under budget by \$271,000 primarily due to keeping vacant the Advance Planner position for the majority of the year as well as reduction in expenditures for the Land Use/Circulation Element and Downtown Specific Plan.
- Public Safety is under budget by \$2,461 thousand primarily due to salary and benefit savings attributed to vacancies as well as less overtime costs incurred.

E. CAPITAL ASSETS

The City's investments in capital assets for governmental and business-type activities as of June 30, 2012 amount to \$333.6 million. This net investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress. The total decrease in the City's investment in capital assets for the fiscal year ending June 30, 2012 was 1.0 percent (a 0.7 percent decrease for governmental activities and 1.5 percent decrease for business type activities).

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The chart below and Note 4 Capital Assets (page F-64) provide additional detailed information on capital assets. The amounts shown below are expressed in millions.

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 20.2	\$ 20.2	\$ 12.2	\$ 12.2	\$ 32.4	\$ 32.4
Buildings	86.4	84.5	99.2	96.5	185.6	181.0
Equipment	8.0	8.1	19.7	19.8	27.7	27.9
Infrastructure	84.8	79.7			84.8	79.7
Construction in progress	1.7	7.1	5.0	5.5	6.7	12.6
Total net capital assets	<u>\$ 201.1</u>	<u>\$ 199.6</u>	<u>\$ 136.1</u>	<u>\$ 134.0</u>	<u>\$ 337.2</u>	<u>\$ 333.6</u>

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

- Net capital assets used in Governmental activities declined by \$1.5 million. Depreciation expense was \$9.5 million and net asset additions were \$8.0 million. Construction in progress increased by \$7.1 million primarily due to work on the northwest and northeast fire stations. Both fire stations received notice of completions in September, 2012. The City completed American with Disabilities Act (ADA) building improvements at the Vets building for \$291,000 and Los Flores Park improvements for \$552,000. Fleet asset deletions were \$603,000 as well as \$251,000 in office equipment. The Water Fund recorded capital expenditures for the fixed base metering project of \$379,000. The Wastewater Fund performed the percolation pond rehabilitation for \$397,000 and the Solid Waste Fund recorded capital expenditures for the Greenwaste Recycling program for \$560,000.

F. LONG-TERM DEBT

At fiscal year-end, the City had \$96.9 million in bonds and other long-term debt outstanding. The detail of this \$96.9 million is shown below.

On June 19th, the City refunded its 1993 Certificates of Participation (COPS) and partially refunded its 1997 COPS by issuing the 2012A/B Revenue Refunding Bonds (Bonds) for \$50,119,493. The 30 year bonds have interest rates ranging from 3 to 5 percent. The refunding will result in cash flow savings of approximately \$2 million per year through 2027. The refunding resulted in an economic gain of \$3,067,000.

The City's governmental debt decreased by \$2.2 million primarily due to the principal payment on the 2003 Lease Revenue Refunding Bonds.

The City's business activity debt decreased by \$5.0 million primarily due to principal payments on the 1993 and 1997 COPS and the issuance of the 2012A/B Revenue Refunding Bonds.

City of Santa Maria
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The City has an "A1" rating from Moody's and an "AA-" rating from Fitch for general obligation debt.

A summary of the City's long-term debt is reported below (amounts expressed in millions) while detailed information is shown in the Notes to Basic Financial Statements, beginning on page F-68.

Activities	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Bonds/COP's	\$ 9.5	\$ 7.2	\$ 64.6	\$ 59.5	\$ 74.1	\$ 66.7
Accrued closure costs			12.9	12.6	12.9	12.6
Claims payable	6.7	7.1	2.2	2.3	8.9	9.4
Compensated absences	5.1	4.9	0.8	0.9	5.9	5.8
OPEB Liability	1.3	1.6	0.3	0.3	1.6	1.9
Land Purchase Obligation	0.5	0.5			0.5	0.5
Total	<u>\$ 23.1</u>	<u>\$ 21.3</u>	<u>\$ 80.8</u>	<u>\$ 75.6</u>	<u>\$ 103.9</u>	<u>\$ 96.9</u>

G. REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Santa Maria
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 86,696,284	\$ 92,348,224	\$ 179,044,508
Restricted cash and investments with fiscal agents	2,705,043	5,139,048	7,844,091
Accounts receivable	3,600,399	5,712,385	9,312,784
Other receivables		1,371,129	1,371,129
Accrued revenue receivable	4,305,332		4,305,332
Loans receivable	4,492,835		4,492,835
Deposit with CCWA		4,299,526	4,299,526
Deposits	197,303	45,000	242,303
Prepaid items	88,543	14,786,307	14,874,850
Inventory	20,537	20,538	41,075
Deferred cost of issuance	177,580		177,580
Internal balances	(880,000)	880,000	
Total current assets	101,403,856	124,602,157	226,006,013
Noncurrent Assets:			
Capital assets:			
Non-depreciable	39,634,897	17,711,947	57,346,844
Depreciable, net	159,993,889	116,284,101	276,277,990
Total noncurrent assets	199,628,786	133,996,048	333,624,834
Total Assets	301,032,642	258,598,205	559,630,847
LIABILITIES			
Current liabilities:			
Accounts payable	4,802,065	1,499,872	6,301,937
Accrued payroll	11,151	21,480	32,631
Unearned revenue	2,294,714	6,410,093	8,704,807
Debt due within one year	8,346,060	1,831,417	10,177,477
Total current liabilities	15,453,990	9,762,862	25,216,852
Noncurrent liabilities:			
Due in more than one year	12,943,502	73,795,645	86,739,147
Total noncurrent liabilities	12,943,502	73,795,645	86,739,147
Total Liabilities	28,397,492	83,558,507	111,955,999
NET ASSETS			
Invested in capital assets	192,111,417	74,477,063	266,588,480
Restricted for:			
CCWA water purchase and debt refunding		9,438,575	9,438,575
Road maintenance	5,993,576		5,993,576
Landscape maintenance	3,333,399		3,333,399
Debt service	2,705,043		2,705,043
Other projects and programs	4,548,927		4,548,927
Total restricted	16,580,945	9,438,575	26,019,520
Unrestricted	63,942,788	91,124,060	155,066,848
Total Net Assets	\$ 272,635,150	\$ 175,039,698	\$ 447,674,848

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs:	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,603,331	\$ 2,849,587		
Public safety	29,073,153	1,710,795	\$ 868,098	\$ 460,711
Public works	14,991,119	3,265,217	92,982	8,862,874
Library	3,220,926	210,463	811,642	
Community development	5,386,829	819,711		
Recreation and parks	11,028,926	3,877,914	428,781	
Interest and fiscal charges	481,130			
Total governmental activities	<u>71,785,414</u>	<u>12,733,687</u>	<u>2,201,503</u>	<u>9,323,585</u>
Business-type activities:				
Water and wastewater	33,459,891	36,086,815		451,024
Solid waste	17,421,849	17,124,050	140,578	108,474
Public transit	7,858,226	1,956,833	5,694,285	822,207
Total business-type activities	<u>58,739,966</u>	<u>55,167,698</u>	<u>5,834,863</u>	<u>1,381,705</u>
Total primary government	<u>\$ 130,525,380</u>	<u>\$ 67,901,385</u>	<u>\$ 8,036,366</u>	<u>\$ 10,705,290</u>
General Revenues				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Transient occupancy taxes				
Other taxes				
Motor vehicle in-lieu tax				
Use of money and property				
Other revenues				
Intergovernmental revenues - unrestricted				
Transfers				
Total general revenues and transfers				
Extraordinary gain (loss)				
Changes in net assets				
Net assets at beginning of fiscal year				
Prior period adjustment				
Net assets at beginning of fiscal year - restated				
Net assets at end of fiscal year				

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			
Total	Governmental Activities	Business-type Activities	Total
\$ 2,849,587	\$ (4,753,744)		\$ (4,753,744)
3,039,604	(26,033,549)		(26,033,549)
12,221,073	(2,770,046)		(2,770,046)
1,022,105	(2,198,821)		(2,198,821)
819,711	(4,567,118)		(4,567,118)
4,306,695	(6,722,231)		(6,722,231)
	(481,130)		(481,130)
24,258,775	(47,526,639)		(47,526,639)
36,537,839		\$ 3,077,948	3,077,948
17,373,102		(48,747)	(48,747)
8,473,325		615,099	615,099
62,384,266		3,644,300	3,644,300
\$ 86,643,041	(47,526,639)	3,644,300	(43,882,339)
	14,926,979		14,926,979
	23,644,020		23,644,020
	3,787,686		3,787,686
	2,440,980		2,440,980
	668,699		668,699
	49,503		49,503
	2,210,175	1,075,263	3,285,438
	519,746		519,746
	392,473		392,473
	1,570,117	(1,570,117)	
	50,210,378	(494,854)	49,715,524
	(516,788)		(516,788)
	2,166,951	3,149,446	5,316,397
	270,243,199	172,115,252	442,358,451
	225,000	(225,000)	
	270,468,199	171,890,252	442,358,451
\$	272,635,150	\$ 175,039,698	\$ 447,674,848



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.

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, 2012

	Major Fund		
	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 41,083,249	\$ 27,465,419	\$ 68,548,668
Cash with fiscal agent		2,705,043	2,705,043
Accounts receivable	992,970	2,536,076	3,529,046
Accrued revenue receivable	3,772,260	533,072	4,305,332
Loans receivable		4,492,835	4,492,835
Deposits	62,303		62,303
Total assets	\$ 45,910,782	\$ 37,732,445	\$ 83,643,227
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,124,247	\$ 1,485,273	\$ 4,609,520
Due to other funds		3,520,000	3,520,000
Accrued payroll		9,960	9,960
Deferred revenue	2,037,417	4,750,132	6,787,549
Total liabilities	5,161,664	9,765,365	14,927,029
Fund Balances:			
Restricted for:			
Road maintenance		5,993,576	5,993,576
Community development		1,268,199	1,268,199
Library		444,758	444,758
Education		175,478	175,478
Public safety		626,822	626,822
Drainage		291,616	291,616
Landscape maintenance		3,333,399	3,333,399
Park acquisition		1,163,363	1,163,363
Park development		578,691	578,691
Debt service reserve		2,705,043	2,705,043
Committed to:			
Economic stabilization	19,800,000		19,800,000
Assigned to:			
Post employment benefits	6,909,711		6,909,711
Capital projects		13,092,026	13,092,026
Unassigned:	14,039,407	(1,705,890)	12,333,517
Total fund balances	40,749,118	27,967,080	68,716,198
Total liabilities and fund balances	\$ 45,910,782	\$ 37,732,445	\$ 83,643,227

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria

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

June 30, 2012

Fund balances of governmental funds \$ 68,716,198

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Net capital assets of \$7,163,065 (\$19,381,292 less depreciation of \$12,218,227) allocated from internal service funds are included in the internal service fund adjustment below.

Capital assets	\$ 152,871,948	
Infrastructure	180,470,395	
Internal service assets	19,381,292	
Accumulated depreciation	<u>(153,094,849)</u>	199,628,786

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net assets. Capital assets of the internal service funds are included in total capital assets above. 13,799,739

Long-term liabilities are not due and payable in the current fiscal period and, therefore, not reported in the funds. Long-term liabilities of \$7,109,574 allocated from internal service funds are included in the above internal service fund adjustments.

Long-term debt	\$ (7,694,949)	
Compensated absences	(4,867,740)	
Other post employment benefits	<u>(1,617,299)</u>	(14,179,988)

Governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the unamortization cost of issuance. 177,580

Certain revenues in the governmental funds are deferred because the revenues are not collected within the prescribed time period after fiscal year-end. However, the revenues are included on the accrual basis used in the government-wide statements. 4,492,835

Net assets of governmental activities \$ 272,635,150

See Accompanying Notes to Basic Financial Statements.

City of Santa Maria

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

For the Fiscal Year Ended June 30, 2012

	Major Fund		
	General	Non-major Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 37,723,827	\$ 7,744,537	\$ 45,468,364
Permits, fines and forfeitures	764,380	339,247	1,103,627
Revenues from use of money and property	947,799	1,245,694	2,193,493
Aid from governmental agencies	1,208,531	9,812,196	11,020,727
Charges for current services	6,703,064	5,858,237	12,561,301
Other revenues	235,825	291,292	527,117
Total revenues	47,583,426	25,291,203	72,874,629
EXPENDITURES:			
Current:			
General government	7,206,265		7,206,265
Community development	2,510,376	2,009,720	4,520,096
Public safety	28,401,051	64,150	28,465,201
Recreation and parks	7,234,062	2,427,401	9,661,463
Public works	2,440,982	2,370,983	4,811,965
Library		2,425,505	2,425,505
Capital outlay	246,551	11,132,725	11,379,276
Debt service:			
Principal		2,215,000	2,215,000
Interest and fiscal charges		550,064	550,064
Total expenditures	48,039,287	23,195,548	71,234,835
REVENUES OVER (UNDER) EXPENDITURES	(455,861)	2,095,655	1,639,794
OTHER FINANCING SOURCES (USES):			
Transfers in	5,440,658	5,025,021	10,465,679
Transfers out	(4,923,982)	(2,776,857)	(7,700,839)
Total other financing sources (uses)	516,676	2,248,164	2,764,840
EXTRAORDINARY GAIN (LOSS)	(14,115,893)	13,599,105	(516,788)
NET CHANGE IN FUND BALANCES	(14,055,078)	17,942,924	3,887,846
FUND BALANCES:			
Beginning of fiscal year	54,804,196	10,024,156	64,828,352
End of fiscal year	\$ 40,749,118	\$ 27,967,080	\$ 68,716,198

See Accompanying Notes to Basic Financial Statements.



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, 2012

Net changes in fund balances - total governmental funds	\$ 3,887,846
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Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:

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

Capital outlay	\$ 9,672,995	
Depreciation	(9,548,404)	
Loss on disposal of capital assets	<u>(1,839,273)</u>	(1,714,682)

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net assets. (1,982,311)

Governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the amortization of deferred cost of issuance. (29,596)

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 assets. Also, governmental funds report the affect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items. 2,177,823

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. (172,129)

Change in net assets of governmental activities	<u>\$ 2,166,951</u>
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See Accompanying Notes to Basic Financial Statements.



PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

City of Santa Maria
STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2012

	ASSETS	Enterprise Funds	
		Water and Wastewater	Solid Waste
Current Assets:			
Cash and investments		\$ 18,839,152	\$ 59,679,154
Accounts receivable, net		3,495,339	297,341
Other receivables		223,042	1,093,331
Due from other funds			
Inventory			
Deposits			
Prepaid items		14,786,307	
Total current assets		<u>37,343,840</u>	<u>61,069,826</u>
Noncurrent Assets:			
Restricted Assets:			
Deposit with CCWA		4,299,526	
Restricted cash and investments		5,139,049	
Total restricted assets		<u>9,438,575</u>	
Capital Assets:			
Non-depreciable assets		10,071,306	3,175,597
Depreciable assets, net		82,775,923	17,866,865
Total capital assets, net		<u>92,847,229</u>	<u>21,042,462</u>
Total noncurrent assets		<u>102,285,804</u>	<u>21,042,462</u>
Total assets		<u>139,629,644</u>	<u>82,112,288</u>
	LIABILITIES		
Current Liabilities:			
Accounts payable		347,248	544,586
Accrued payroll		8,430	11,343
Deferred revenue		81,015	
Debt due within one year		694,168	316,589
Total current liabilities		<u>1,130,861</u>	<u>872,518</u>
Noncurrent Liabilities:			
Compensated absences payable		63,299	51,538
OPEB liability		171,943	143,094
Claims payable			
Accrued closure and postclosure care costs			12,561,579
Long-term debt - due in more than one year		59,213,656	
Total noncurrent liabilities		<u>59,448,898</u>	<u>12,756,211</u>
Total liabilities		<u>60,579,759</u>	<u>13,628,729</u>
	NET ASSETS		
Net assets:			
Invested in capital assets, net of related debt		33,328,243	21,042,462
Restricted cash for CCWA water purchase and debt refunding		9,438,575	
Unrestricted		36,283,067	47,441,097
Total net assets		<u>\$ 79,049,885</u>	<u>\$ 68,483,559</u>

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

Net assets of business-type activities

See Accompanying Notes to Basic Financial Statements.

Transit	Total Enterprise Funds	Internal Service Funds
\$ 6,433,380	\$ 84,951,686	\$ 25,544,154
1,848,353	5,641,033	142,705
54,756	1,371,129	
		3,520,000
		41,074
		180,000
	14,786,307	88,544
8,336,489	106,750,155	29,516,477
	4,299,526	
	5,139,049	
	9,438,575	
4,360,459	17,607,362	447,566
11,190,421	111,833,209	11,270,976
15,550,880	129,440,571	11,718,542
15,550,880	138,879,146	11,718,542
23,887,369	245,629,301	41,235,019
477,673	1,369,507	322,912
745	20,518	2,153
6,329,078	6,410,093	
6,408	1,017,165	3,216,943
6,813,904	8,817,283	3,542,008
1,044	115,881	11,114
10,599	325,636	31,229
		6,243,433
	12,561,579	
	59,213,656	
11,643	72,216,752	6,285,776
6,825,547	81,034,035	9,827,784
15,550,880	69,921,585	11,718,542
	9,438,575	
1,510,942	85,235,106	19,688,693
\$ 17,061,822	164,595,266	\$ 31,407,235
	10,444,432	
	\$ 175,039,698	

City of Santa Maria

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
OPERATING REVENUES:			
Operating revenues:			
Charges for current services	\$ 35,044,583	\$ 17,025,217	\$ 1,839,382
Other	696,635	98,834	117,451
Total operating revenues	35,741,218	17,124,051	1,956,833
OPERATING EXPENSES:			
Salaries, wages and benefits	4,337,395	4,144,438	283,718
Materials and supplies	1,259,829	281,200	5,847,948
Equipment maintenance and operation	1,442,123	3,852,366	837,610
Depreciation	2,951,651	1,998,720	765,689
Contracts and services	3,056,261	7,297,389	95,111
Subtotal operating expenses	13,047,259	17,574,113	7,830,076
State water payments:			
State water payments DWR	13,246,632		
State water payments CCWA	2,992,063		
Subtotal state water payments	16,238,695		
Total operating expenses	29,285,954	17,574,113	7,830,076
OPERATING INCOME (LOSS)	6,455,264	(450,062)	(5,873,243)
NON-OPERATING REVENUES (EXPENSES):			
Local, state and federal grants		140,578	5,694,285
Interest income	422,097	595,831	67,626
Interest expense	(4,067,068)		
Gain (loss) on sale of equipment			9,327
Other	345,598		
Total nonoperating revenues (expenses)	(3,299,373)	736,409	5,771,238
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,155,891	286,347	(102,005)
Capital contributions	405,950		822,207
Transfers out	(530,030)	(497,670)	(109,030)
Change in net assets	3,031,811	(211,323)	611,172
NET ASSETS:			
Beginning of fiscal year	76,018,074	68,694,882	16,675,650
Prior period adjustment			(225,000)
Beginning net assets restated	76,018,074	68,694,882	16,450,650
End of fiscal year	\$ 79,049,885	\$ 68,483,559	\$ 17,061,822

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

Change in net assets of business-type activities

See Accompanying Notes to Basic Financial Statements.

Total			
Enterprise	Funds	Internal	Service Funds
\$	53,909,182	\$	8,009,598
	912,920		201,656
	<u>54,822,102</u>		<u>8,211,254</u>
	8,765,551		747,846
	7,388,977		1,993,999
	6,132,099		1,599,442
	5,716,060		1,198,690
	10,448,761		3,300,957
	<u>38,451,448</u>		<u>8,840,934</u>
	13,246,632		
	2,992,063		
	<u>16,238,695</u>		
	54,690,143		8,840,934
	<u>131,959</u>		<u>(629,680)</u>
	5,834,863		
	1,085,554		(41,164)
	(4,067,068)		
	9,327		(31,776)
	345,598		94,433
	<u>3,208,274</u>		<u>21,493</u>
	3,340,233		(608,187)
	1,228,157		308,970
	(1,136,730)		(1,628,110)
	<u>3,431,660</u>		<u>(1,927,327)</u>
			33,334,562
			<u>33,334,562</u>
			<u>\$ 31,407,235</u>
	(282,213)		
\$	<u>3,149,447</u>		

City of Santa Maria
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Water and Wastewater	Solid Waste	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts for current services	\$ 35,869,250	\$ 17,052,838	\$ 3,996,453
Payments for goods and services	(21,068,792)	(11,798,107)	(7,520,685)
Payments to employees	(4,432,021)	(4,063,521)	(289,842)
Net cash provided by (used for) operating activities	10,368,437	1,191,210	(3,814,074)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Federal and state transportation grants		140,578	5,694,285
Transfers out to other funds	(530,030)	(497,670)	(109,030)
Net cash provided by (used for) noncapital activities	(530,030)	(357,092)	5,585,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(3,167,358)	(1,910,209)	(46,145)
Proceeds from bond refunding	50,975,773		
Deposits to refunded debt escrow	(50,523,567)		
Capital contributions			822,207
Certificate principal payments	(3,920,000)		
Payment for costs of issuance	(426,314)		
Proceeds from sale of assets			9,327
Interest expense payments	(3,039,663)		
Net cash provided by (used for) capital and related financing activities	(10,101,129)	(1,910,209)	785,389
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest on investments	422,097	595,831	67,626
Net cash provided by investing activities	422,097	595,831	67,626
Net increase (decrease) in cash and cash equivalents	159,375	(480,260)	2,624,196
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	28,118,352	60,159,414	3,809,184
End of fiscal year	\$ 28,277,727	\$ 59,679,154	\$ 6,433,380
Reconciliation of cash and investments per the statement of net assets:			
Total cash and investments per the statement of net assets	\$ 18,839,152	\$ 59,679,154	\$ 6,433,380
Total restricted cash and investments per the statement of net assets	9,438,575		
Cash and cash equivalents, June 30, 2012	\$ 28,277,727	\$ 59,679,154	\$ 6,433,380

See Accompanying Notes to Basic Financial Statements.

<u>Total</u>	
<u>Enterprise</u>	<u>Internal</u>
<u>Funds</u>	<u>Service Funds</u>
\$ 56,918,541	\$ 9,564,587
(40,387,584)	(6,544,301)
(8,785,384)	(805,929)
<u>7,745,573</u>	<u>2,214,357</u>
5,834,863	
(1,136,730)	(1,628,110)
<u>4,698,133</u>	<u>(1,628,110)</u>
(5,123,712)	(1,493,889)
50,975,773	
(50,523,567)	
822,207	
(3,920,000)	
9,327	94,433
(3,039,663)	
<u>(10,799,635)</u>	<u>(1,399,456)</u>
1,085,554	(41,164)
<u>1,085,554</u>	<u>(41,164)</u>
<u>2,303,311</u>	<u>(854,373)</u>
92,086,950	26,398,527
<u>\$ 94,390,261</u>	<u>\$ 25,544,154</u>
\$ 84,951,686	\$ 25,544,154
9,438,575	
<u>\$ 94,390,261</u>	<u>\$ 25,544,154</u>

City of Santa Maria
STATEMENT OF CASH FLOWS
Proprietary Funds, continued
For the Fiscal Year Ended June 30, 2012

	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)	\$ 6,455,264	\$ (450,062)	\$ (5,873,243)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	2,951,651	1,998,720	765,689
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	128,032	(71,212)	1,912,036
Decrease (increase) in inventory			
Decrease (increase) in prepaid items	1,174,935		
Increase (decrease) in accounts payable	(246,820)	(39,445)	(740,020)
Increase (decrease) due to other funds			
Increase (decrease) in accrued payroll	(150,662)	(131,869)	(10,379)
Increase (decrease) in claims payable			
Increase (decrease) in postclosure costs		(327,707)	
Increase (decrease) deferred revenue			127,588
Increase (decrease) in compensated absences payable	14,389	167,541	2,213
Increase (decrease) in OPEB liability	41,648	45,244	2,042
Total adjustments	3,913,173	1,641,272	2,059,169
Net cash provided by (used for) operating activities	\$ 10,368,437	\$ 1,191,210	\$ (3,814,074)
NON CASH ACTIVITY:			
Contributed capital assets	\$ 405,950		
Amortization of deferral on refunding and bond discount	10,265		
Accretion discount	1,102,691		

See Accompanying Notes to Basic Financial Statements.

Total Enterprise Funds	Internal Service Funds
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\$ 131,959	\$ (629,680)
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5,716,060	1,198,690
-----------	-----------

1,968,856	(96,635)
	(52,520)

1,174,935	24,293
(1,026,285)	(95,521)

	1,450,000
(292,910)	(24,011)

	473,813
--	---------

(327,707)	
-----------	--

127,588	
---------	--

184,143	(39,975)
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88,934	5,903
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7,613,614	2,844,037
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\$ 7,745,573	\$ 2,214,357
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\$ 405,950	\$ 308,970
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10,265	
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1,102,691	
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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.



City of Santa Maria

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

ASSETS	Private Purpose Trust Fund	Total Agency Funds
Cash and investments	\$ 553,724	\$ 5,923,651
Accounts receivable		155,075
Total Assets	<u>\$ 553,724</u>	<u>\$ 6,078,726</u>
LIABILITIES		
Accounts payable	\$ 549,991	
Trust deposits		\$ 6,078,726
Total Liabilities	<u>549,991</u>	<u>6,078,726</u>
NET ASSETS		
Held in trust for other taxing entities	<u>\$ 3,733</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

June 30, 2012

	Private Purpose Trust Fund
ADDITIONS	
Interest income	\$ 3,733
Contributions from City	159,330
Total Additions	<u>163,063</u>
DEDUCTIONS	
Professional services	1,127
Tax increment reimbursement	674,991
Total Deductions	<u>676,118</u>
Net change before extraordinary item	(513,055)
Extraordinary gain on dissolving of redevelopment agency	516,788
Net assets beginning of the year	
Net assets end of the year	<u>\$ 3,733</u>

See Accompanying Notes to Basic Financial Statements.



City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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 entities are reported as blended component units:

Redevelopment Agency of the City of Santa Maria: The Redevelopment Agency of the City of Santa Maria (the "RDA") is governed by the City Council of the City. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because the City Council is the governing board. Under State legislation ABX1 26, the RDA was dissolved on February 1, 2012. Financial activity is reported up to that date within the City's basic financial statements.

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

The City participates in the two following intergovernmental joint ventures:

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

Central Coast Water Authority (CCWA): CCWA is a joint powers authority organized on August 1, 1991, comprised of eight cities and special districts that are responsible for the creation and maintenance of water resources in portions of Santa Barbara County. The purpose of the CCWA is to provide financing, construction, operation, and maintenance of certain local non-State owned)

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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.

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 of the defeased CCWA 1992 revenue bonds with \$177,200,000 outstanding. 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).

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Government-wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets 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.

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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 Assets 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 assets 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.

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

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

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 fund:

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.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, 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 Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the revenues are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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

The major proprietary funds the City reports are shown below:

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

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.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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 Net Assets. 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 assets, because their use is limited by applicable bond covenants. The City has classified additional assets as restricted to comply with laws and other agreements.

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

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

D. Interfund Transactions

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

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

business-type activities are reported in the government-wide financial statements as “internal balances.”

E. Assets Held for Resale

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

F. Capital Assets

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

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

The City’s policy has set the capitalization threshold for reporting capital assets at the following:

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.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Water and Wastewater and Solid Waste Funds:

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

Transit Fund:

Facilities and Improvement	25-50 years
Equipment	3-7 years
Buses	7 years

Fleet Services Fund:

Equipment	3-10 years
Vehicles	5 years

Business Equipment Fund:

Equipment	3-10 years
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G. Interest Payable

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

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

H. Deferred Revenue

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

In the Governmental Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred 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 deferred revenue is recorded are grants received but not yet earned or available.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Compensated Absences

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

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

J. Post-Employment Benefits

In addition to pension benefits described in Note 8-A, the City provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from the City and enrolled in an insurance program under the California Public Employees' Medical and Hospital Act. Currently, 107 retirees meet the eligibility requirements. The City is required by CALPERS to contribute \$112 per month, the balance of premiums, which average \$714 per month, are paid by retirees. This fiscal year expenditure of \$143,305 was recognized for post-retirement health insurance contributions. Post-employment benefits are provided on a pay-as-you-go basis.

K. Long-Term Obligations

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

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

L. *Net Assets*

In the government-wide financial statements, net assets are classified in the following categories:

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

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

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

M. *Use of Restricted/Unrestricted Net Assets*

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

N. *Fund Equity*

The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental 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 Charter, Ordinances and Resolutions. It also includes contractual obligations for which existing resources have been committed. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

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.

Assigned Fund Balance includes amounts that are intended to be used for specific purposes through City Council budgetary actions. For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed must be designated as assigned fund balance.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

O. Property Tax Calendar

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

	<u>Secured</u>	<u>Unsecured</u>
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.

P. Use of Estimates

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

Q. Closure and Postclosure Care Costs

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

According to its revised operating plan filed with the State, portions of the landfill site will be closed on a “rolling closure” basis, with final closure anticipated by the year 2017. The City is required to report a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date.

The \$12.6 million reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 79.9 percent of the

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

estimated capacity of the landfill. The City will recognize remaining estimated costs of \$7.5 million in closure and postclosure care as the remaining estimated capacity is filled. The total costs of \$20.1 million are based on what it would cost to perform all closure and postclosure care in fiscal year 2011-12. The City expects to close the landfill by the year 2017. Inflation and changes in technology and/or regulations may result in higher costs.

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

R. Budgetary Data

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

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

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

S. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 57

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). Implementation of GASB 57 did not have an impact on the City's

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

financial statements for the fiscal year-ended June 30, 2012.

Governmental Accounting Standards Board Statement No. 64

For the fiscal year-ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53." The Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of GASB Statement No. 64 did not have an impact on the City's financial statements for the fiscal year-ended June 30, 2012.

2. CASH AND INVESTMENTS

A. *Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:*

Statement of net assets:

Cash and investments	\$ 179,044,508
Cash and investments held by bond trustee	7,844,091

Fiduciary funds:

Cash and investments	<u>6,477,375</u>
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Total cash and investments	<u><u>\$ 193,365,974</u></u>
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Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 16,990
Deposits with financial institutions	1,653,094
Investments	<u>191,695,890</u>

Total cash and investments	<u><u>\$ 193,365,974</u></u>
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B. *Investments Authorized by the City's Investment Policy*

The table, on the following page, 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.

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

<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 Bonds/Notes	N/A	None	None
Federal Agency Issues	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	None
Negotiable Certificates of Deposit (NCD)	5 years	30%	None
Medium-Term Corporate Notes (MTN)	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million
Mutual Funds	N/A	20%	10%

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 that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations. 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:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

Investment Type	Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
U.S. Treasury Bonds/Notes	\$ 12,398,423			\$ 12,398,423	
Federal Agency Issues	66,417,164	\$ 5,635,525		60,781,639	
Medium-Term Corporate Notes (MTN)	39,358,360	7,045,814	\$ 1,998,582	30,313,964	
Local Agency Investment Fund (LAIF)	47,660,102	47,660,102			
Held by bond trustee:					
Money market funds	23,479,561	23,479,561			
Commercial Paper	2,382,280	2,382,280			
Total	\$191,695,890	\$ 86,203,282	\$ 1,998,582	\$103,494,026	\$

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 Year End				
			AAA	AA+,AA, AA-	A+, A, A-	BBB+, BB+, BB	Not Rated
U.S. TreasuryBonds/Notes	\$ 12,398,423	N/A	\$ 12,398,423				
Federal Agency Issues	66,417,164	N/A	66,417,164				
Medium-Term Corporate Notes	39,358,360	A		\$ 9,975,956	\$ 27,400,468	\$ 1,981,936	
Local Agency Investment Fund	47,660,102	N/A					\$ 47,660,102
Held by bond trustee:							
Money market funds	23,479,561	A	23,479,561				
Commercial Paper	2,382,280	A			2,382,280		
Total	\$ 191,695,890		\$ 102,295,148	\$ 9,975,956	\$ 29,782,748	\$ 1,981,936	\$ 47,660,102

G. Concentration of Credit Risk

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FHLB	Federal Agency Issues	\$ 10,091,253
FHLMC	Federal Agency Issues	19,082,728
FNMA	Federal Agency Issues	28,207,468

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

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agency Issues	\$ 66,417,164
Corporate medium term notes	39,358,360
U.S. Treasury Bonds/Notes	12,398,423

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, 2012, 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, 2012, 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, 2012

3. RECEIVABLES

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

Government accounts receivables:

Governmental	Accounts Receivable	Accrued Revenues	Loans Receivable	Totals
General Fund	\$ 992,970	\$ 3,772,260		\$ 4,765,230
Nonmajor Funds	2,536,076	533,072	4,492,835	7,561,983
Internal Service	71,353			71,353
Totals	<u>\$ 3,600,399</u>	<u>\$ 4,305,332</u>	<u>\$ 4,492,835</u>	<u>\$ 12,398,566</u>

Business-type receivables:

Business-type	Accounts Receivable	Other	Gross Receivables	Uncollectible Allowance	Net Total Receivables
Water and Wastewater	\$ 3,575,825	\$ 223,042	\$ 3,798,867	\$ (80,486)	\$ 3,718,381
Solid Waste	332,564	1,093,331	1,425,895	(35,223)	1,390,672
Transit	1,848,353	54,756	1,903,109		1,903,109
Internal Service	71,352		71,352		71,352
Totals	<u>\$ 5,828,094</u>	<u>\$ 1,371,129</u>	<u>\$ 7,199,223</u>	<u>\$ (115,709)</u>	<u>\$ 7,083,514</u>

4. CAPITAL ASSETS

A. Government-wide Financial Statements

A summary of changes in capital assets activity for the City's governmental activities for the fiscal year-ended June 30, 2012, is on the following page:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Governmental Activities:	Balances at July 1, 2011	Increases	Decreases	Transfers	Balances at June 30, 2012
Non-depreciable capital assets:					
Land	\$ 20,234,646				\$ 20,234,646
Construction in progress	1,692,291	\$ 7,061,906	\$ (1,692,291)		7,061,906
Right of Way Infrastructure	12,338,345				12,338,345
Total non-depreciable capital assets	34,265,282	7,061,906	(1,692,291)		39,634,897
Depreciable capital assets:					
Buildings and Improvements	122,614,631	931,173			123,545,804
Equipment	20,890,297	1,073,523	(552,936)		21,410,884
Infrastructure	167,831,086	606,393	(530,429)	\$ 225,000	168,132,050
Total depreciable capital assets	311,336,014	2,611,089	(1,083,365)	225,000	313,088,738
Less accumulated depreciation:					
Buildings and improvements	(36,193,492)	(2,836,331)			(39,029,823)
Equipment	(12,895,156)	(947,103)	532,630		(13,309,629)
Infrastructure	(95,394,180)	(5,764,970)	403,753		(100,755,397)
Total accumulated depreciation	(144,482,828)	(9,548,404)	936,383		(153,094,849)
Total depreciable capital assets, net	166,853,186	(6,937,315)	(146,982)	225,000	159,993,889
Governmental activities capital assets, net	\$ 201,118,468	\$ 124,591	\$ (1,839,273)	\$ 225,000	\$ 199,628,786

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, 2012, is as follows:

Net Capital Assets By Type:	Balances at July 1, 2011	Increases	Decreases	Transfers	Balances at June 30, 2012
Capital Assets	\$ 109,517,353	\$ 4,731,531	\$ (1,498,161)		\$ 112,750,723
Internal Service Fund Assets	6,825,864	551,637	(214,436)		7,163,065
Infrastructure Assets	84,775,251	(5,158,577)	(126,676)	\$ 225,000	79,714,998
Net Capital Assets by Type	\$ 201,118,468	\$ 124,591	\$ (1,839,273)	\$ 225,000	\$ 199,628,786

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 Assets.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, is as follows:

<u>Business-type Activities:</u>	Balances at July 1, 2011	Increases	Decreases	Transfers	Balances at June 30, 2012
Non-depreciable capital assets:					
Land	\$ 12,226,027				\$ 12,226,027
Construction in progress	5,003,982	\$ 5,485,920	\$ (5,003,982)		5,485,920
Total non-depreciable capital assets	17,230,009	5,485,920	(5,003,982)		17,711,947
Depreciable capital assets:					
Buildings and improvement	148,672,614	1,554,493	(155,836)	\$ (225,000)	149,846,271
Equipment and vehicles	35,838,074	2,484,267	(798,538)		37,523,803
Total depreciable capital assets	184,510,688	4,038,760	(954,374)	(225,000)	187,370,074
Less accumulated depreciation for:					
Building and improvements	(49,437,804)	(3,915,488)			(53,353,292)
Equipment and vehicles	(16,194,103)	(2,169,810)	631,234		(17,732,679)
Total accumulated depreciation	(65,631,907)	(6,085,298)	631,234		(71,085,971)
Total depreciable capital assets, net	118,878,782	(2,046,539)	(323,140)	(225,000)	116,284,103
Business-type activities capital assets, net	\$ 136,108,791	\$ 3,439,381	\$ (5,327,123)	\$ (225,000)	\$ 133,996,048

A summary of changes in capital assets activity, by type, for the City's business-type activities for the fiscal year ended June 30, 2012, is as follows:

<u>Net Capital Assets By Type:</u>	Balances at July 1, 2011	Increases	Decreases	Transfers	Balances at June 30, 2012
Water and Wastewater	\$ 94,050,441	\$ 610,885	\$ (1,814,097)		\$ 92,847,229
Solid Waste	21,299,100	2,783,150	(3,039,788)		21,042,462
Transit	16,495,425	(375,350)	(344,195)	\$ (225,000)	15,550,880
Internal Service Fund Assets	4,263,825	420,695	(129,043)		4,555,477
Net Capital Assets by Type	\$ 136,108,791	\$ 3,439,381	\$ (5,327,123)	\$ (225,000)	\$ 133,996,048

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

C. Depreciation Expense

Depreciation expense of \$15,633,702 was charged to the following functions:

	Governmental Activities	Business-type Activities	Total
General Government	\$ 114,728	\$	\$ 114,728
Public Safety	426,039		426,039
Public Works	5,793,660		5,793,660
Community Development	854,139		854,139
Library	642,088		642,088
Recreation and Parks	888,298		888,298
Internal Service Funds	829,452	369,238	1,198,690
Water and Wastewater		2,951,651	2,951,651
Solid Waste		1,998,720	1,998,720
Public Transit		765,689	765,689
	<u>\$ 9,548,404</u>	<u>\$ 6,085,298</u>	<u>\$ 15,633,702</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and From Other Funds

The Due To and From Other Funds are as follows:

Fund	Due From Other Funds	Due to Other Funds
Non-major Governmental Funds		\$ 3,520,000
Internal Service Funds	<u>\$ 3,520,000</u>	
Total	<u>\$ 3,520,000</u>	<u>\$ 3,520,000</u>

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

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Transfers In and Out

The transfers in and out between funds are shown below:

Fund	Transfers In	Transfers Out
General Fund	\$ 5,440,658	\$ 4,923,982
Non-major Governmental Funds	5,025,021	2,776,857
Water and Wastewater Fund		530,030
Solid Waste Fund		497,670
Transit Fund		109,030
Internal Service Funds		1,628,110
Total	\$ 10,465,679	\$ 10,465,679

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

6. LONG-TERM DEBT

The following is a summary of the City's bonds, certificates of participation, and long-term liability transactions for the fiscal year ended June 30, 2012:

A. Governmental Activities

Following is a summary of the changes in the governmental funds long-term debt for the fiscal year ended June 30, 2012:

Liabilities	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012	Due within one year
Bonds payable	\$ 9,215,000		\$ (2,215,000)	\$ 7,000,000	\$ 2,325,000
Add:					
Premium	666,646		(133,329)	533,317	
Less: deferred amounts on refunding	(428,663)		85,732	(342,931)	
Total bonds payable	9,452,983		(2,262,597)	7,190,386	2,325,000
Compensated absences	5,129,403	\$ 2,665,987	(2,879,744)	4,915,646	3,637,578
OBEB liability	1,335,309	416,794	(117,215)	1,634,888	
Property purchase obligation	525,900		(21,337)	504,563	21,978
Claims payable	6,688,719	1,061,483	(706,123)	7,044,079	2,361,504
Total	\$ 23,132,314	\$ 4,144,264	\$ (5,987,016)	\$ 21,289,562	\$ 8,346,060

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

Lease Revenue Refunding Bonds Payable

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

Compensated Absences

The General Fund was primarily responsible for the liquidation of \$2,879,744 outstanding compensated absences during fiscal year 2011-12. The \$4,915,646 of outstanding compensated absences at June 30, 2012, is also primarily the responsibility of the General Fund over the long term.

OPEB Liability

The General Fund was primarily responsible for the addition of "other post employment benefits" (OPEB) liabilities of \$416,794 during 2011-12. Over the long term, the \$1,634,888 of outstanding OPEB at June 30, 2012, is also primarily the responsibility of the General Fund.

Arbitrage

The Tax Reform Act of 1986 (Act), substantially revised the treatment to be afforded to arbitrage earnings on invested bond proceeds and now requires the City to remit excess arbitrage earnings to the Internal Revenue Service. Certain of the City's debt and interest earned on the proceeds, thereon, fall under the requirements of the Act. The City has made the necessary arbitrage rebate calculations. As of June 30, 2012, the City incurred no rebate liability for the Bonds.

Property Purchase Obligation

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

Debt Service Requirements to Maturity - Governmental Activities

The annual requirements to amortize outstanding long-term debt of the City's Governmental Activities as of June 30, 2012, excluding amounts for compensated absences, property purchase obligation, and claims payable are shown on the following page:

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

Fiscal Year Ending June 30,	Refunding Lease Revenue Bond	
	Principal	Interest
2013	2,325,000	355,575
2014	2,445,000	239,325
2015	1,085,000	117,075
2016	1,145,000	60,113
Total payments	<u>\$ 7,000,000</u>	<u>\$ 772,088</u>

B. Business-type Activities

Following is a summary of the changes in the business-type activities long-term debt for the fiscal year ended June 30, 2012:

Long-term Liabilities	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012	Due within one year
Certificate of participation payable 1993	\$ 13,410,000		\$ (13,410,000)		
Certificate of participation payable 1997 A & B	33,338,931		(26,901,832)	\$ 6,437,099	\$ 610,497
Add: Accretion	22,215,192	\$ 1,034,289	(14,515,814)	8,733,667	739,503
2012 A/B Bonds		50,119,493		50,119,493	
Add: Accretion		68,402		68,402	(600,723)
Less:					
Deferred by refunding	(4,336,227)		366,051	(3,970,176)	(366,051)
Deferred by refunding 2012			(2,299,466)	(2,299,466)	(95,811)
Bond discount	(64,924)		64,924		
2012 Bond premium		856,280		856,280	35,678
2012 Underwriter's discount		(213,651)		(213,651)	(8,902)
2012 Costs of issuance		(212,663)		(212,663)	(8,861)
Total COP's	<u>64,562,972</u>	<u>51,652,150</u>	<u>(56,696,137)</u>	<u>59,518,985</u>	<u>305,330</u>
Compensated absences	818,572	715,599	(674,974)	859,197	738,919
OBEB liability	269,916	95,449	(26,090)	339,275	
Claims payable	2,229,573	353,827	(235,374)	2,348,026	787,168
Accrued closure costs	12,889,286		(327,707)	12,561,579	
Total	<u>\$ 80,770,319</u>	<u>\$ 52,817,025</u>	<u>\$ (57,960,282)</u>	<u>\$ 75,627,062</u>	<u>\$ 1,831,417</u>

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

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

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

Debt Service Requirements to Maturity- Business-type Activities:

The annual requirements to amortize outstanding long-term debt of the City's business-type activities as of June 30, 2012, excluding amounts for claims payable, and compensated absences, including interest payments are shown below:

Fiscal Year Ending June 30,	Certificate of Participation (1997)		Water & Wastewater Revenue Refunding Bonds (2012 A/B)	
	Principal *	Interest *	Principal *	Interest *
2013	\$ 610,497	\$ 739,503		\$ 958,524
2014	1,307,736	1,767,264		1,554,363
2015	1,228,585	1,846,415		1,554,363
2016	1,153,156	1,921,844		1,554,363
2017	1,081,262	1,993,738		1,554,363
2018-2022	547,104	2,527,896	\$ 10,253,099	9,822,114
2023-2027	508,759	2,566,241	9,140,069	10,926,793
2028-2032			18,255,000	4,891,262
2033-2036			12,471,325	6,050,673
Total debt service payments	<u>\$ 6,437,099</u>	<u>\$ 13,362,901</u>	<u>\$ 50,119,493</u>	<u>\$ 38,866,818</u>

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

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

7. INDIVIDUAL FUND INFORMATION

A. Excess of Expenditures over Appropriations

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

<u>Fund</u>	<u>Amount Over Budget</u>
Traffic Safety	\$ 2,263
Federal and State Asset Forfeiture	20,880

B. Deficit Fund Equity

The non-major special revenue funds with a deficit fund balance at June 30, 2012, are shown as follows:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Growth Mitigation	\$ (1,830,773)
Workforce Investment Act Grant	(11,267)

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

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:

<u>Fiscal Ending June 30</u>	<u>Amount</u>
2013	\$ 16,955,461
2014	18,682,652
2015	18,923,943
2016	19,391,487
2017	15,910,564

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

8. EMPLOYEES' RETIREMENT PLANS

A. Pension Plan

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

Funding Policy: Participants are required to contribute eight percent (nine percent for public safety employees) of their annual covered salary. The City pays the full-time employee portion of the CalPERS contributions in the amounts of eight percent for miscellaneous employees; and nine percent for public safety employees. On April 19, 2011, the City adopted a two-tier retirement system for all employees hired after July 1, 2011. Safety employees hired after that date are required to contribute the employee's nine percent and miscellaneous employee's are required to contribute their eight percent. The City is required to contribute at an actuarially determined rate for fiscal year 2011-12, the City contribution rate is 27.362 percent for Police, 35.796 percent for Fire, and 17.149 percent for miscellaneous. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Fire Safety Employee Plan Change: Effective July 1, 2003, the City's Fire Safety Employee Plan became a member of CalPERS Safety three percent at 50 Risk Pool, a cost-sharing multiple-employer defined benefit pension plan. CalPERS regulations require that public agency plans with less than a 100 active members participate in a risk pool. After joining a risk pool, a plan cannot, at a future date, request to leave the risk pool structure and become a stand-alone plan. Therefore, even if the City were to exceed 100 members active members in the future, the Fire Safety Employee Plan will remain in the risk pool. As members of the risk pool, the City will only receive information on the entire pool, not City specific data.

Annual Pension Cost: For fiscal year 2012, the City's annual pension cost of \$10.6 million for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions are unchanged from the prior fiscal year and include: (a) 7.75 percent investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service; and (c) 2.00 percent per fiscal year cost-of-living adjustments. Both (a) and (b) included an inflation component of three percent. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS initial unfunded actuarial accrued liability was amortized as a level percentage of projected payrolls on a closed basis. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plans are amortized over an open 30-year period, which results in an amortization of 6 percent of unamortized gains and losses each year. If the plan had an accrued liability exceeding the

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

actuarial value of plan assets, then the amortization payment of the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. Below is a schedule of employer contributions (in thousands) for pension benefits. In the current fiscal year, the City corrected the prior year allocations among the three plans.

Safety Police Plan

6/30/2010	\$ 2,800	100%
6/30/2011	2,989	100%
6/30/2012	3,454	100%

Safety Fire Plan

6/30/2010	\$ 1,807	100%
6/30/2011	1,929	100%
6/30/2012	2,229	100%

Miscellaneous Plan

6/30/2010	\$ 3,955	100%
6/30/2011	4,222	100%
6/30/2012	4,879	100%

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Status and Progress: The funded status of the Police Safety Plan and the Miscellaneous Plan (in thousands) as of June 30, 2011, the plans most recent actuarial valuation date, was as follows:

	Police Safety Employee Plan	Miscellaneous Employee Plan
Actuarial accrued liability (AAL)	\$ 90,399	\$ 156,767
Actuarial value of plan assets	76,202	129,087
Unfunded actuarial accrued liability (UAAL)	\$ 14,197	\$ 27,680
Funded ratio (actuarial value of plan assets/AAL)	84.3%	82.3%
Covered payroll (active plan members)	\$ 8,837	\$ 21,163
UAAL as a percentage of covered payroll	160.7%	130.8%

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

B. Defined Contribution Pension Plan

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

Contributions of 7.5 percent of covered compensation are made by the employees. Contributions of \$55,285 were made during the fiscal year-ending June 30, 2012. The total amount of covered compensation was \$737,133. All eligible employees covered by the plan are fully vested and may withdraw 100 percent of the value of employee's account upon separation from the City or reaching the age of 70½. City liabilities are limited to the amount of current contributions.

The account summary, below, reports the additions and distributions during fiscal year 2011-12:

Beginning Balance		\$ 292,990
Plus:		
Contributions	\$ 55,285	
Year-to-Date Earnings	2,697	
Subtotal	<u>57,982</u>	
Less:		
Year-to-date expenses	7,089	
Distributions	56,557	
Subtotal	<u>63,646</u>	
Ending Balance		<u>\$ 287,326</u>

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy: PEMHCA determines the amount contributed by the City toward retiree health insurance. Currently, the City is required to contribute \$112 per month toward the cost of the retiree health insurance, which is the same amount contributed toward active employee health insurance. The balance of the premium, averaging approximately \$714 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. The contribution amount is calculated by using the annual consumer price index increase. During fiscal year 2011-12, expenditures of \$143,305 were recognized for post-retirement health insurance contributions on a pay-as-you-go basis.

The City is required to record the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 1.5 percent of annual covered payroll.

Annual OPEB Cost: For fiscal year-ended June 30, 2012, the City contributed \$143,305 for pay-as-you-go premiums to the Plan. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference the ARC, amortization and contributions, as presented below:

	<u>Net OPEB Obligation Calculation</u>
Annual Required Contribution (ARC)	\$ 536,401
Amortization of Net OPEB Liability	(104,416)
Interest on Net OPEB Liability	<u>80,258</u>
Annual OPEB Cost	512,243
Contributions made:	
City share of current year premiums paid	<u>143,305</u>
Contributions less than the ARC	368,938
Net OPEB Obligation at June 30, 2011	<u>1,605,225</u>
Net OPEB Obligation at June 30, 2012	<u><u>\$ 1,974,163</u></u>

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Net OPEB Obligation</u>	<u>% of Annual OPEB Cost Contributed</u>
06/30/09	\$ 530,280	\$ 103,570	\$ 857,468	20%
06/30/10	\$ 475,593	\$ 113,530	\$ 1,219,531	24%
06/30/11	\$ 511,847	\$ 126,153	\$ 1,605,225	25%
06/30/12	\$ 512,243	\$ 143,305	\$ 1,974,163	28%

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2011, is shown below:

Actuarial accrued liability (AAL)	\$ 4,539,343
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ 4,539,343
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 33,776,467
UAAL as a percentage of covered payroll	13%

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

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

City of Santa Maria

Notes to Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

In the June 30, 2011, actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of seven percent initially, reduced by decrements to an ultimate rate of five percent after five years. The medical inflation rate used is seven percent. The post-retirement benefit increases are zero. The actuarial value of plan assets was not calculated in this, the first actuarial valuation, as there are no assets to value. The plan unfunded actuarial accrued liability is being amortized over a 30-year amortization period.

The City did not pre-fund retiree healthcare costs nor did the City establish an irrevocable trust for retiree healthcare costs. The City did establish a separate cash account and assignment of fund balance, in the amount of \$6,909,711, which is the present value of future benefits for current active and retired employees. This is the amount actuarially determined to be required to fund healthcare benefits for these employees and retirees in the future. However, because the assets are not in an irrevocable trust, the \$6,909,711 cannot be used to offset the actuarial accrued liability shown above. The decision to not use an irrevocable trust was made because of the current National and State economic issues and the possibility that the funds may be required to provide current services to the residents of the community.

10. RISK MANAGEMENT

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

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

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

Third party administration provides data on estimated claim liabilities (paid and reserves). As of June 30, 2012, the estimated outstanding liability was \$8,280,999 for workers' compensation and \$1,111,106 for general liability. Such amounts have been accrued in the accompanying combined financial statements' Internal Service Insurance Fund. At June 30, 2012, the estimated liability for claims payable is \$9,392,105. 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.

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Insurance Claims Payable

	2010-11	2011-12
Claims payable at July 1	\$ 8,428,804	\$ 8,918,292
Claims incurred during the fiscal year	1,303,564	1,415,310
Payments on claims during the fiscal year	(814,076)	(941,497)
Claims and judgments payable at June 30	<u>\$ 8,918,292</u>	<u>\$ 9,392,105</u>

11. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill ABX1 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Santa Maria that previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency (RDA), either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On February 1, 2012, the City of Santa Maria became the Successor Agency for the former redevelopment agency in accordance with the bill.

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

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

The Bill directs the State Controller of the State of California to review the property of any transfer of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

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

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

The General Fund incurred an extraordinary loss \$14,115,893 resulting from the dissolution of the RDA by writing off loans that were to be repaid from future tax increment. Below is a reconciliation of the extraordinary loss and transfer to the successor agency.

Total extraordinary loss reported in General Fund due to write off of redevelopment loans receivable	\$ 14,115,893
Extraordinary gain in non-major governmental funds due to elimination of loan payable	<u>(13,599,105)</u>
Net increase in net assets of Successor Agency Trust Fund due to initial transfers	<u>\$ 516,788</u>

12. STABILIZATION RESERVE

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

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

13. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment to the Transit Fund occurred. In the prior year, a traffic signal purchased and installed for \$225,000 was included in Transit building fixed asset additions and should have been recorded as infrastructure fixed assets in the governmental activities column of the government-wide financial statements. The impact of the prior period adjustment on the Statement of Activities is as follows:

City of Santa Maria
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning net assets	\$ 270,243,199	\$ 172,115,252	\$ 442,358,451
Total prior period adjustments	<u>225,000</u>	<u>(225,000)</u>	
Beginning net assets, restated	<u>\$ 270,468,199</u>	<u>\$ 171,890,252</u>	<u>\$ 442,358,451</u>

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

	<u>Transit Fund</u>
Beginning fund balance	\$ 16,675,650
Correction of recording of infrastructure asset as 6/30/11	<u>(225,000)</u>
Beginning net assets, restated	<u>\$ 16,450,650</u>

Two prior period adjustments in non-major governmental funds also occurred. The Redevelopment Agency (RDA) Debt Service Fund was used to pay the bonded debt of the lease revenue bonds. However, these bonds were the obligation of the City and therefore the City Debt Service Fund should have been used for prior debt service payments. The prior period adjustment resulted in a fund balance decrease in the RDA Debt Service Fund of \$2,430,118 and an equivalent increase in the fund balance of the City Debt Service Fund.

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

	<u>RDA Debt Service</u>	<u>City Debt Service</u>	<u>Total Governmental Funds</u>
Beginning fund balance	\$ (11,617,827)		\$ 64,828,352
Correction of lease bond payments at 6/30/11	<u>(2,430,118)</u>	<u>\$ 2,430,118</u>	
Beginning net assets, restated	<u>\$ (14,047,945)</u>	<u>\$ 2,430,118</u>	<u>\$ 64,828,352</u>

City of Santa Maria

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2012

14. RECONCILIATION - ENTERPRISE NET ASSETS

The proprietary fund statement of net assets includes a reconciliation between *net assets-total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$282,213 difference are shown as follows:

Internal receivable representing charges less than cost to business-type activities - current fiscal year.	<u>\$ (282,213)</u>
Net adjustment to decrease net assets - total enterprise funds to arrive at net assets - business-type activities.	<u><u>\$ (282,213)</u></u>

Required Supplementary Information



City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

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, 2012

	Budget Amounts		Actual	Variance
	Original	Final		Over (Under)
REVENUES:				
Taxes	\$ 36,543,600	\$ 36,543,600	\$ 37,723,827	\$ 1,180,227
Permits, fines and forfeitures	1,365,710	1,365,710	764,380	(601,330)
Revenues from use of money	1,308,030	1,308,030	947,799	(360,231)
Aid from governmental agencies	1,002,090	1,403,538	1,208,531	(195,007)
Charges for current services	6,095,130	6,449,231	6,703,064	253,833
Other revenue	76,630	76,630	235,825	159,195
Total revenues	46,391,190	47,146,739	47,583,426	436,687
EXPENDITURES:				
Current:				
General government	7,354,090	7,534,514	7,206,265	(328,249)
Community development	2,768,790	2,781,631	2,510,376	(271,255)
Public safety	30,250,560	30,862,037	28,401,051	(2,460,986)
Recreation and parks	7,893,330	7,893,330	7,234,062	(659,268)
Public works	2,496,600	2,517,710	2,440,982	(76,728)
Capital outlay		584,003	246,551	(337,452)
Debt service:				
Principal	942,000	2,215,000		(2,215,000)
Interest and fiscal charges	466,330	466,325		(466,325)
Total expenditures	52,171,700	54,854,550	48,039,287	(6,815,263)
REVENUES OVER (UNDER) EXPENDITURES	(5,780,510)	(7,707,811)	(455,861)	7,251,950
OTHER FINANCING SOURCES (USES):				
Transfers in	6,871,840	6,794,800	5,440,658	(1,354,142)
Transfers out	(2,280,270)	(2,488,614)	(4,923,982)	(2,435,368)
Total other financing sources (uses)	4,591,570	4,306,186	516,676	(3,789,510)
EXTRAORDINARY GAIN (LOSS)			(14,115,893)	
Net change in fund balance	\$ (1,188,940)	\$ (3,401,625)	(14,055,078)	\$ (10,653,453)
FUND BALANCE:				
Beginning of fiscal year			54,804,196	
End of fiscal year			\$ 40,749,118	

See Accompanying Note to Required Supplementary Information.

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Continued For the Fiscal Year Ended June 30, 2012

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

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

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

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

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Continued

For the Fiscal Year Ended June 30, 2012

3. DEFINED PENSION PLAN

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

Schedule of Funding Progress (in thousands)

Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/07						
Misc.	\$ 103,979	\$ 109,701	\$ 5,722	94.8%	\$ 17,321	33 %
Police	59,583	66,932	7,349	89.0%	7,825	94 %
*Fire						
Total	<u>\$ 163,562</u>	<u>\$ 176,633</u>	<u>\$ 13,071</u>	<u>92.6%</u>	<u>\$ 25,146</u>	<u>52 %</u>
6/30/08						
Misc.	\$ 110,944	\$ 118,221	\$ 7,277	93.8%	\$ 18,498	39 %
Police	64,225	73,631	9,406	87.2%	8,984	105 %
*Fire						
Total	<u>\$ 175,169</u>	<u>\$ 191,852</u>	<u>\$ 16,683</u>	<u>91.3%</u>	<u>\$ 27,482</u>	<u>61 %</u>
6/30/09						
Misc.	\$ 116,264	\$ 138,457	\$ 22,193	84.0%	\$ 21,681	102 %
Police	67,825	80,922	13,097	83.8%	9,685	135 %
*Fire						
Total	<u>\$ 184,089</u>	<u>\$ 219,379</u>	<u>\$ 35,290</u>	<u>83.9%</u>	<u>\$ 31,366</u>	<u>113 %</u>
6/30/10						
Misc.	\$ 122,302	\$ 146,896	\$ 24,594	83.3%	\$ 21,707	113 %
Police	71,771	83,662	11,891	85.8%	9,265	128 %
*Fire						
Total	<u>\$ 194,073</u>	<u>\$ 230,558</u>	<u>\$ 36,485</u>	<u>84.2%</u>	<u>\$ 30,972</u>	<u>118 %</u>
6/30/11						
Misc.	\$ 129,087	\$ 156,767	\$ 27,680	82.3%	\$ 21,163	131 %
Police	76,202	90,399	14,197	84.3%	8,837	161 %
*Fire						
Total	<u>\$ 205,289</u>	<u>\$ 247,166</u>	<u>\$ 41,877</u>	<u>83.1%</u>	<u>\$ 30,000</u>	<u>140 %</u>

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

City of Santa Maria

REQUIRED SUPPLEMENTARY INFORMATION, Concluded For the Fiscal Year Ended June 30, 2012

4. SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT HEALTHCARE COSTS

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

Schedule of Funding Progress

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

Supplementary Information

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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.

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

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

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

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

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

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

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

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

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

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

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

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

Workforce Investment Act Grant Fund - The Workforce Investment Act Grant Fund is used to account for grant proceeds aimed at providing training to at risk students.

Redevelopment Agency Fund - The Redevelopment Agency Fund accounts for monies from incremental property tax revenues that are restricted to redevelop of the downtown area of the City.

DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS

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.

Redevelopment Agency Debt Service Fund - The Redevelopment Agency Debt Service Fund accounts for the advances to the Redevelopment Agency and the debt requirements of the Authority.

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

Capital Projects 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.

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

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2012

	Special Revenue Funds				
	Library	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation
ASSETS					
Cash and investments	\$ 454,787		\$ 290,577	\$ 1,182,952	\$ 383,231
Cash with fiscal agent					
Accounts receivable	9,669			4,365	36,492
Accrued revenue receivable		\$ 64,755	1,057		
Loans receivable					
Total assets	<u>\$ 464,456</u>	<u>\$ 64,755</u>	<u>\$ 291,634</u>	<u>\$ 1,187,317</u>	<u>\$ 419,724</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 14,138	\$ 5,051	\$ 18	\$ 23,954	\$ 250,496
Matured interest payable					
Due to other funds					2,000,000
Accrued payroll	4,360				
Deferred revenue	1,200				
Total liabilities	<u>19,698</u>	<u>5,051</u>	<u>18</u>	<u>23,954</u>	<u>2,250,496</u>
Fund balances:					
Restricted:					
Road maintenance					
Community development					
Library	444,758				
Education					
Public safety		59,704			
Drainage			291,616		
Landscape maintenance					
Park acquisition				1,163,363	
Park development					
Debt service reserve					
Assigned to:					
Capital Projects					
Unassigned					(1,830,773)
Total fund balances	<u>444,758</u>	<u>59,704</u>	<u>291,616</u>	<u>1,163,363</u>	<u>(1,830,773)</u>
Total liabilities and fund balances	<u>\$ 464,456</u>	<u>\$ 64,755</u>	<u>\$ 291,634</u>	<u>\$ 1,187,317</u>	<u>\$ 419,724</u>

Special Revenue Funds					
Residential Development Tax	Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Service Grant	Federal and State Asset Forfeiture
\$ 583,141	\$ 3,260,368	\$ 84,389	\$ 823,480	\$ 371,552	\$ 565,099
2,073	12,609	212	2,980	20,718	2,056
			493,328		
<u>\$ 585,214</u>	<u>\$ 3,272,977</u>	<u>\$ 84,601</u>	<u>\$ 1,319,788</u>	<u>\$ 392,270</u>	<u>\$ 567,155</u>
\$ 6,523	\$ 22,124	\$ 714	\$ 53	\$ 24	\$ 37
	1,341		493,328	256,097	
<u>6,523</u>	<u>23,465</u>	<u>714</u>	<u>493,381</u>	<u>256,121</u>	<u>37</u>
			826,407		
					567,118
	3,249,512	83,887			
578,691				136,149	
<u>578,691</u>	<u>3,249,512</u>	<u>83,887</u>	<u>826,407</u>	<u>136,149</u>	<u>567,118</u>
<u>\$ 585,214</u>	<u>\$ 3,272,977</u>	<u>\$ 84,601</u>	<u>\$ 1,319,788</u>	<u>\$ 392,270</u>	<u>\$ 567,155</u>

(continued)

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2012

	Special Revenue Funds				
	Gas Tax	Street Grant	Local Streets	Workforce Investment Act Grant	Redevelopment Agency
ASSETS					
Cash and investments	\$ 3,139,321	\$ 574,614	\$ 1,758,232	\$ 8,733	\$
Cash with fiscal agent					
Accounts receivable	297,252	542,200	10,719		
Accrued revenue receivable			21,910		
Loans receivable					
Total assets	<u>\$ 3,436,573</u>	<u>\$ 1,116,814</u>	<u>\$ 1,790,861</u>	<u>\$ 8,733</u>	<u>\$</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 181,081	\$ 74,989	\$ 90,567		
Matured interest payable					
Due to other funds				20,000	\$
Accrued payroll			4,035		
Deferred revenue					
Total liabilities	<u>181,081</u>	<u>74,989</u>	<u>94,602</u>	<u>20,000</u>	
Fund balances:					
Restricted for:					
Road maintenance	3,255,492	1,041,825	1,696,259		
Community development					
Library					
Education					
Public safety					
Drainage					
Landscape maintenance					
Park acquisition					
Park development					
Debt service reserve					
Assigned to:					
Capital Projects					
Unassigned:				(11,267)	
Total fund balances	<u>3,255,492</u>	<u>1,041,825</u>	<u>1,696,259</u>	<u>(11,267)</u>	
Total liabilities and fund balances	<u>\$ 3,436,573</u>	<u>\$ 1,116,814</u>	<u>\$ 1,790,861</u>	<u>\$ 8,733</u>	<u>\$</u>

Special Revenue Funds		
Public Access Television	Grant (Non- recurring)	Total Special Revenue Funds
\$ 175,545	\$ 383,464	\$ 14,039,484
755	1,610,711	2,536,075
		104,459
		493,328
<u>\$ 176,300</u>	<u>\$ 1,994,175</u>	<u>\$ 17,173,346</u>
\$ 597	\$ 494,175	\$ 1,164,540
	1,500,000	3,520,000
225		9,960
		750,625
<u>822</u>	<u>1,994,175</u>	<u>5,445,125</u>
		5,993,576
		826,407
		444,758
175,478		175,478
		626,822
		291,616
		3,333,399
		1,163,363
		578,691
		(1,705,890)
<u>175,478</u>		<u>11,728,220</u>
<u>\$ 176,300</u>	<u>\$ 1,994,175</u>	<u>\$ 17,173,346</u>

City of Santa Maria
COMBINING BALANCE SHEET
Non-major Governmental Funds
June 30, 2012

	Debt Service			Capital Projects	
	Public Financing Authority	RDA Debt Service	City Debt Service	General Capital Projects	Community Development
ASSETS					
Cash and investments				\$ 13,237,411	\$ 188,525
Cash with fiscal agent	\$ 278,199		\$ 2,426,844		
Accounts receivable					
Accrued revenue receivable				37,155	391,457
Loans receivable					3,999,507
Total assets	<u>\$ 278,199</u>	<u>\$</u>	<u>\$ 2,426,844</u>	<u>\$ 13,274,566</u>	<u>\$ 4,579,489</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable				\$ 182,540	\$ 138,190
Matured interest payable					
Due to other funds					
Accrued payroll					
Deferred revenue					3,999,507
Total liabilities				<u>182,540</u>	<u>4,137,697</u>
Fund balances:					
Restricted for:					
Road maintenance					
Community development					441,792
Library					
Education					
Public safety					
Drainage					
Landscape maintenance					
Park acquisition					
Park development					
Debt service reserve	278,199		2,426,844		
Assigned to:					
Capital Projects				13,092,026	
Unassigned:					
Total fund balances	<u>278,199</u>		<u>2,426,844</u>	<u>13,092,026</u>	<u>441,792</u>
Total liabilities and fund balances	<u>\$ 278,199</u>	<u>\$</u>	<u>\$ 2,426,844</u>	<u>\$ 13,274,566</u>	<u>\$ 4,579,489</u>

Total
Nonmajor
Governmental
Funds

\$ 27,465,419
2,705,043
2,536,076
533,072

4,492,835

\$ 37,732,445

\$ 1,485,273

3,520,000
9,960

4,750,132

9,765,365

5,993,576
1,268,199
444,758
175,478
626,822
291,616
3,333,399
1,163,363
578,691
2,705,043

13,092,026

(1,705,890)

27,967,080

\$ 37,732,445
(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, 2012

	Special Revenues Funds				
	Library	Traffic Safety	Drainage Districts	Land Acquisition Tax	Growth Mitigation
REVENUES:					
Taxes					
Permits, fines and forfeitures		\$ 339,247			
Revenues from use of money	\$ 20,003		\$ 2,884	\$ 12,711	\$ 171,486
Aid from governmental agencies	811,642				
Charges for current services	121,872			196,257	2,637,668
Other	4,746	12,309		495	
Total revenues	958,263	351,556	2,884	209,463	2,809,154
EXPENDITURES:					
Current:					
Community development					
Public safety		43,269			
Recreation and parks					
Public works					
Library	2,425,505				
Capital outlay				251,246	980,060
Debt service:					
Principal					
Interest and fiscal charges					15,791
Total expenditures	2,425,505	43,269		251,246	995,851
Excess (deficiency) of revenues over expenditures	(1,467,242)	308,287	2,884	(41,783)	1,813,303
Other financing sources (uses):					
Transfers in	1,438,660				
Transfers out		(281,197)			
Total other financing sources (uses)	1,438,660	(281,197)			
Extraordinary Gain (Loss)					
Net change in fund balances	(28,582)	27,090	2,884	(41,783)	1,813,303
FUND BALANCES:					
Beginning of fiscal year	473,340	32,614	288,732	1,205,146	(3,644,076)
Prior period adjustments					
Beginning of fiscal year, restated	473,340	32,614	288,732	1,205,146	(3,644,076)
End of fiscal year	\$ 444,758	\$ 59,704	\$ 291,616	\$ 1,163,363	\$ (1,830,773)

Special Revenues Funds					
Residential Development Tax	Landscape Maintenance	Stowell Parking and Lighting	Business Attraction Loan	Supplemental Law Enforcement Service Grant	Federal and State Asset Forfeiture
\$ 192,648					
6,048	\$ 27,257	\$ 639	\$ 19,348	\$ 3,458	\$ 5,699
	2,540,982	124		171,404	29,615
91	19,660	48,682	60,150		
198,787	2,587,899	19	79,498	174,862	35,314
			19,364		20,880
34,722	2,392,679	10,633			
	322,766				
34,722	2,715,445	10,633	19,364		20,880
164,065	(127,546)	38,831	60,134	174,862	14,434
	631,753				
	(220,070)	(740)			
	411,683	(740)			
164,065	284,137	38,091	60,134	174,862	14,434
414,626	2,965,375	45,796	766,273	(38,713)	552,684
414,626	2,965,375	45,796	766,273	(38,713)	552,684
\$ 578,691	\$ 3,249,512	\$ 83,887	\$ 826,407	\$ 136,149	\$ 567,118

(continued)

City of Santa Maria

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

Non-major Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds				
	Gas Tax	Street Grant	Local Streets	Workforce Investment Act Grant	Redevelopment Agency
REVENUES:					
Taxes	\$ 2,788,557		\$ 4,088,529		\$ 674,803
Permits, fines and forfeitures					
Revenues from use of money	29,343	\$ 1,610	28,997		20,580
Aid from governmental agencies		2,402,565		\$	
Charges for current services			84,188		
Other	8,857				
Total revenues	2,826,757	2,404,175	4,201,714		695,383
EXPENDITURES:					
Current:					
Community development					
Public safety					
Recreation and parks					
Public works			2,360,350		
Library					
Capital outlay	2,556,824	1,683,349	422,760		
Debt service:					
Principal					
Interest and fiscal charges					
Total expenditures	2,556,824	1,683,349	2,783,110		
Excess (deficiency) of revenues over expenditures	269,933	720,826	1,418,604		695,383
Other financing sources (uses):					
Transfers in			362,410		
Transfers out	(667,560)		(1,167,010)		(188,600)
Total other financing sources (uses)	(667,560)		(804,600)		(188,600)
Extraordinary Gain (Loss)					(516,788)
Net change in fund balances	(397,627)	720,826	614,004		(10,005)
FUND BALANCES:					
Beginning of fiscal year	3,653,119	320,999	1,082,255	(11,267)	10,005
Prior period adjustments					
Beginning of fiscal year, restated	3,653,119	320,999	1,082,255	(11,267)	10,005
End of fiscal year	\$ 3,255,492	\$ 1,041,825	\$ 1,696,259	\$ (11,267)	\$

Public Access Television	Grant (Non- recurring)	Total Special Revenue Funds
		\$ 7,744,537
		339,247
\$ 1,068		351,133
	\$ 4,636,060	8,051,411
228,588		5,858,237
200		106,527
229,856	4,636,060	22,451,092
212,549	226,992	458,905
		64,150
		2,427,401
		2,370,983
		2,425,505
	4,386,536	10,603,541
		15,791
212,549	4,613,528	18,366,276
17,307	22,532	4,084,815
(11,140)		2,432,823
		(2,536,317)
(11,140)		(103,494)
		(516,788)
6,167	22,532	3,464,533
169,311	(22,532)	8,263,687
169,311	(22,532)	8,263,687
\$ 175,478	\$	\$ 11,728,220

City of Santa Maria

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

Non-major Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2012

	Debt Service			Capital Projects	
	Public Financing Authority	RDA Debt Service	City Debt Service	General Capital Projects	Community Development
REVENUES:					
Taxes					
Permits, fines and forfeitures					
Revenues from use of money			\$ 85,853	\$ 809,878	\$ (1,170)
Aid from governmental agencies				3,546	1,757,239
Charges for current services					
Other				161,039	23,726
Total revenues			85,853	974,463	1,779,795
EXPENDITURES:					
Current:					
Community development					1,550,815
Public safety					
Recreation and parks					
Public works					
Library					
Capital outlay				529,183	
Debt service:					
Principal			2,215,000		
Interest and fiscal charges		\$ 67,948	466,325		
Total expenditures		67,948	2,681,325	529,183	1,550,815
Excess (deficiency) of revenues over expenditure		(67,948)	(2,595,472)	445,280	228,980
Other financing sources (uses):					
Transfers in			2,592,198		
Transfers out				(6,130)	(234,410)
Total other financing sources (uses)			2,592,198	(6,130)	(234,410)
Extraordinary Gain (Loss)		14,115,893			
Net change in fund balance		14,047,945	(3,274)	439,150	(5,430)
FUND BALANCES:					
Beginning of fiscal year	278,199	(11,617,827)		12,652,876	447,221
Prior period adjustments		(2,430,118)	2,430,118		
Beginning of fiscal year, restated	278,199	(14,047,945)	2,430,118	12,652,876	447,221
End of fiscal year	\$ 278,199	\$	\$ 2,426,844	\$ 13,092,026	\$ 441,791

<u>Total Non-major Governmental Funds</u>	
\$	7,744,537
	339,247
	1,245,694
	9,812,196
	5,858,237
	291,292
	<u>25,291,203</u>
	2,009,720
	64,150
	2,427,401
	2,370,983
	2,425,505
	11,132,725
	2,215,000
	550,064
	<u>23,195,548</u>
	2,095,655
	5,025,021
	<u>(2,776,857)</u>
	2,248,164
	<u>13,599,105</u>
	<u>17,942,924</u>
	10,024,156
	<u>10,024,156</u>
\$	<u>27,967,080</u>

(concluded)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds

For the Fiscal Year Ended June 30, 2012

	Library		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 29,505	\$ 20,003	\$ (9,502)
Aid from governmental agencies	811,080	811,642	562
Charges for current services	136,620	121,872	(14,748)
Other revenues	11,575	4,746	(6,829)
	<u>988,780</u>	<u>958,263</u>	<u>(30,517)</u>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library	2,825,117	2,425,505	(399,612)
Capital outlay			
Debt service			
Interest and fiscal charges			
	<u>2,825,117</u>	<u>2,425,505</u>	<u>(399,612)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,836,337)</u>	<u>(1,467,242)</u>	<u>369,095</u>
Other financing sources (uses):			
Transfers in	1,438,660	1,438,660	
Transfers out			
	<u>1,438,660</u>	<u>1,438,660</u>	
Extraordinary Gain (Loss)			
Net change in fund balances	<u><u>\$ (397,677)</u></u>	<u><u>(28,582)</u></u>	<u><u>\$ 369,095</u></u>
FUND BALANCES:			
Beginning of fiscal year		<u>473,340</u>	
End of fiscal year		<u><u>\$ 444,758</u></u>	

Traffic Safety			Drainage Districts		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 367,740	\$ 339,247	\$ (28,493)	\$ 3,560	\$ 2,884	\$ (676)
	12,309	12,309			
<u>367,740</u>	<u>351,556</u>	<u>(16,184)</u>	<u>3,560</u>	<u>2,884</u>	<u>(676)</u>
41,006	43,269	2,263			
<u>41,006</u>	<u>43,269</u>	<u>2,263</u>			
<u>326,734</u>	<u>308,287</u>	<u>(18,447)</u>	<u>3,560</u>	<u>2,884</u>	<u>(676)</u>
<u>(313,500)</u>	<u>(281,197)</u>	<u>32,303</u>			
<u>(313,500)</u>	<u>(281,197)</u>	<u>32,303</u>			
<u>\$ 13,234</u>	<u>27,090</u>	<u>\$ 13,856</u>	<u>\$ 3,560</u>	<u>2,884</u>	<u>\$ (676)</u>
	<u>32,614</u>			<u>288,732</u>	
	<u>\$ 59,704</u>			<u>\$ 291,616</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2012

	Land Acquisition Tax		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 10,050	\$ 12,711	\$ 2,661
Aid from governmental agencies			
Charges for current services	121,000	196,257	75,257
Other revenues		495	495
Total revenues	131,050	209,463	78,413
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay	1,022,831	251,246	(771,585)
Debt service			
Interest and fiscal charges			
Total expenditures	1,022,831	251,246	(771,585)
Excess (deficiency) of revenues over expenditures	(891,781)	(41,783)	849,998
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses):			
Extraordinary Gain (Loss)			
Net change in fund balances	\$ (891,781)	(41,783)	\$ 849,998
FUND BALANCES:			
Beginning of fiscal year		1,205,146	
End of fiscal Year		\$ 1,163,363	

Growth Mitigation			Residential Development Tax		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
			\$ 118,000	\$ 192,648	\$ 74,648
\$ 150,750	\$ 171,486	\$ 20,736	1,010	6,048	5,038
3,049,000	2,637,668	(411,332)		91	91
3,199,750	2,809,154	(390,596)	119,010	198,787	79,777
			143,671	34,722	(108,949)
6,714,184	980,060	(5,734,124)			
	15,791	15,791			
6,714,184	995,851	(5,718,333)	143,671	34,722	(108,949)
(3,514,434)	1,813,303	5,327,737	(24,661)	164,065	188,726
\$ (3,514,434)	1,813,303	\$ 5,327,737	\$ (24,661)	164,065	\$ 188,726
	(3,644,076)			414,626	
	\$ (1,830,773)			\$ 578,691	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2012

	Landscape Maintenance		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 17,840	\$ 27,257	\$ 9,417
Aid from governmental agencies			
Charges for current services	2,541,148	2,540,982	(166)
Other revenues		19,660	19,660
Total revenues	2,558,988	2,587,899	28,911
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks	4,415,279	2,392,679	(2,022,600)
Public works			
Library			
Capital outlay	445,580	322,766	(122,814)
Debt service			
Interest and fiscal charges			
Total expenditures	4,860,859	2,715,445	(2,145,414)
Excess (deficiency) of revenues over expenditures	(2,301,871)	(127,546)	2,174,325
Other financing sources (uses):			
Transfers in	631,753	631,753	
Transfers out	(220,070)	(220,070)	
Total other financing sources (uses):	411,683	411,683	
Extraordinary Gain (Loss)			
Net change in fund balances	\$ (1,890,188)	284,137	\$ 2,174,325
FUND BALANCES:			
Beginning of fiscal year		2,965,375	
End of fiscal year		\$ 3,249,512	

Stowell Parking and Lighting			Business Attraction Loan		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 100	\$ 639	\$ 539	\$ 26,290	\$ 19,348	\$ (6,942)
150	124	(26)			
46,981	48,682	1,701			
	19	19	79,560	60,150	(19,410)
47,231	49,464	2,233	105,850	79,498	(26,352)
			19,365	19,364	(1)
74,709	10,633	(64,076)			
1,600		(1,600)			
76,309	10,633	(65,676)	19,365	19,364	(1)
(29,078)	38,831	67,909	86,485	60,134	(26,351)
(740)	(740)				
(740)	(740)				
\$ (29,818)	38,091	\$ 67,909	\$ 86,485	60,134	\$ (26,351)
	45,796			766,273	
	\$ 83,887			\$ 826,407	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2012

	Supplemental Law Enforcement Service Grant		
	Budget	Actual	Variance Over (Under)
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property	\$ 2,010	\$ 3,458	\$ 1,448
Aid from governmental agencies		171,404	171,404
Charges for current services			
Other revenues			
Total revenues	<u>2,010</u>	<u>174,862</u>	<u>172,852</u>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay			
Debt service			
Interest and fiscal charges			
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>2,010</u>	<u>174,862</u>	<u>172,852</u>
Other financing sources (uses):			
Transfers in			
Transfers out	(100,000)		100,000
Total other financing sources (uses):	<u>(100,000)</u>		<u>100,000</u>
Extraordinary Gain (Loss)			
Net change in fund balances	<u>\$ (97,990)</u>	<u>174,862</u>	<u>\$ 272,852</u>
FUND BALANCES:			
Beginning of fiscal year		(38,713)	
End of fiscal year		<u>\$ 136,149</u>	

Federal and State Asset Forfeiture			Gas Tax		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
			\$ 2,511,440	\$ 2,788,557	\$ 277,117
\$ 3,520	\$ 5,699 29,615	\$ 2,179 29,615	40,200	29,343	(10,857)
				8,857	8,857
<u>3,520</u>	<u>35,314</u>	<u>31,794</u>	<u>2,551,640</u>	<u>2,826,757</u>	<u>275,117</u>
	20,880	20,880			
			4,112,024	2,556,824	(1,555,200)
	<u>20,880</u>	<u>20,880</u>	<u>4,112,024</u>	<u>2,556,824</u>	<u>(1,555,200)</u>
<u>3,520</u>	<u>14,434</u>	<u>10,914</u>	<u>(1,560,384)</u>	<u>269,933</u>	<u>1,830,317</u>
			<u>(657,560)</u>	<u>(667,560)</u>	<u>(10,000)</u>
			<u>(657,560)</u>	<u>(667,560)</u>	<u>(10,000)</u>
<u>\$ 3,520</u>	<u>14,434</u>	<u>\$ 10,914</u>	<u>\$ (2,217,944)</u>	<u>(397,627)</u>	<u>\$ 1,820,317</u>
	<u>552,684</u>			<u>3,653,119</u>	
	<u>\$ 567,118</u>			<u>\$ 3,255,492</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2012

	Street Grant		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes			
Permits, fines and forfeitures			
Revenues from use of money and property		\$ 1,610	\$ 1,610
Aid from governmental agencies	\$ 138,380	2,402,565	2,264,185
Charges for current services			
Other revenues			
	<u>138,380</u>	<u>2,404,175</u>	<u>2,265,795</u>
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay	2,872,885	1,683,349	(1,189,536)
Debt service			
Interest and fiscal charges			
	<u>2,872,885</u>	<u>1,683,349</u>	<u>(1,189,536)</u>
Total expenditures			
	<u>2,872,885</u>	<u>1,683,349</u>	<u>(1,189,536)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,734,505)</u>	<u>720,826</u>	<u>3,455,331</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
	<u></u>	<u></u>	<u></u>
Total other financing sources (uses):			
	<u></u>	<u></u>	<u></u>
Extraordinary Gain (Loss)			
	<u></u>	<u></u>	<u></u>
Net change in fund balances	<u>\$ (2,734,505)</u>	<u>720,826</u>	<u>\$ 3,455,331</u>
FUND BALANCES:			
Beginning of fiscal year		<u>320,999</u>	
End of fiscal year		<u>\$1,041,825</u>	

Local Streets			Workforce Investment Act Grant		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 3,636,700	\$ 4,088,529	\$ 451,829			
2,510	28,997	26,487			
	84,188	84,188			
<u>3,639,210</u>	<u>4,201,714</u>	<u>562,504</u>			
2,721,950	2,360,350	(361,600)			
538,143	422,760	(115,383)			
<u>3,260,093</u>	<u>2,783,110</u>	<u>(476,983)</u>			
379,117	1,418,604	1,039,487			
210,000	362,410	152,410			
<u>(1,167,010)</u>	<u>(1,167,010)</u>				
<u>(957,010)</u>	<u>(804,600)</u>	<u>152,410</u>			
<u>\$ (577,893)</u>	<u>614,004</u>	<u>\$ 1,191,897</u>	<u>\$</u>		<u>\$</u>
	<u>1,082,255</u>			<u>\$ (11,267)</u>	
	<u>\$ 1,696,259</u>			<u>\$ (11,267)</u>	

(continued)

City of Santa Maria

BUDGETARY COMPARISON SCHEDULES

Special Revenue Funds, Continued

For Fiscal Year Ended June 30, 2012

	Redevelopment Agency		Variance Over (Under)
	Budget	Actual	
REVENUES:			
Taxes	\$ 1,275,000	\$ 674,803	\$ (600,197)
Permits, fines and forfeitures			
Revenues from use of money and property	33,320	20,580	(12,740)
Aid from governmental agencies			
Charges for current services			
Other revenues			
Total revenues	1,308,320	695,383	(612,937)
EXPENDITURES:			
Current:			
Community development			
Public safety			
Recreation and parks			
Public works			
Library			
Capital outlay			
Debt service			
Interest and fiscal charges			
Total expenditures			
Excess (deficiency) of revenues over expenditures	1,308,320	695,383	(612,937)
Other financing sources (uses):			
Transfers in			
Transfers out		(188,600)	(188,600)
Total other financing sources (uses):		(188,600)	(188,600)
Extraordinary Gain (Loss)		(516,788)	(516,788)
Net change in fund balances	\$ 1,308,320	(10,005)	\$ (1,318,325)
FUND BALANCES:			
Beginning of fiscal year		10,005	
End of fiscal year		\$	

Public Access Television			Grant (Non-recurring)		
Budget	Actual	Variance Over (Under)	Budget	Actual	Variance Over (Under)
\$ 1,510	\$ 1,068	\$ (442)	\$ 100,000	\$ 4,636,060	\$ 4,536,060
224,350	228,588	4,238			
100	200	100			
<u>225,960</u>	<u>229,856</u>	<u>3,896</u>	<u>100,000</u>	<u>4,636,060</u>	<u>4,536,060</u>
228,560	212,549	(16,011)	613,701	226,992	(386,709)
			4,512,370	4,386,536	(125,834)
<u>228,560</u>	<u>212,549</u>	<u>(16,011)</u>	<u>5,126,071</u>	<u>4,613,528</u>	<u>(512,543)</u>
<u>(2,600)</u>	<u>17,307</u>	<u>19,907</u>	<u>(5,026,071)</u>	<u>22,532</u>	<u>5,048,604</u>
<u>(11,140)</u>	<u>(11,140)</u>				
<u>(11,140)</u>	<u>(11,140)</u>				
<u>\$ (13,740)</u>	<u>6,167</u>	<u>\$ 19,907</u>	<u>\$ (5,026,071)</u>	<u>22,532</u>	<u>\$ 5,048,604</u>
	<u>169,311</u>			<u>(22,532)</u>	
	<u>\$ 175,478</u>			<u>\$</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 ASSETS

Internal Service Funds

June 30, 2012

	Fleet Services	Business Equipment	Insurance	Total
ASSETS				
Current:				
Cash and investments	\$ 7,218,210	\$ 3,176,212	\$ 15,149,732	\$ 25,544,154
Accounts receivable, net	142,705			142,705
Deposits			180,000	180,000
Prepaid expenses		88,544		88,544
Inventory	41,074			41,074
Due from other funds			3,520,000	3,520,000
Total current assets	<u>7,401,989</u>	<u>3,264,756</u>	<u>18,849,732</u>	<u>29,516,477</u>
Capital assets:				
Construction in progress	209,170	238,396		447,566
Facilities	763,975			763,975
Equipment	21,279,614	8,016,517		29,296,131
Less: accumulated depreciation	<u>(13,141,806)</u>	<u>(5,647,324)</u>		<u>(18,789,130)</u>
Net capital assets	<u>9,110,953</u>	<u>2,607,589</u>		<u>11,718,542</u>
Total assets	<u>16,512,942</u>	<u>5,872,345</u>	<u>18,849,732</u>	<u>41,235,019</u>
LIABILITIES				
Current liabilities:				
Accounts payable	222,071	23,527	77,314	322,912
Wages payable	1,699		454	2,153
Debt due within one year	40,018		3,176,925	3,216,943
Total current liabilities	<u>263,788</u>	<u>23,527</u>	<u>3,254,693</u>	<u>3,542,008</u>
Noncurrent:				
Accrued compensated absences	6,515		4,599	11,114
OPEB liability	23,332		7,897	31,229
Claims payable			6,243,433	6,243,433
Total noncurrent liabilities	<u>29,847</u>		<u>6,255,929</u>	<u>6,285,776</u>
Total liabilities	<u>293,635</u>	<u>23,527</u>	<u>9,510,622</u>	<u>9,827,784</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,110,953	2,607,589		11,718,542
Unrestricted	7,108,354	3,241,229	9,339,110	19,688,693
Total net assets	<u>\$ 16,219,307</u>	<u>\$ 5,848,818</u>	<u>\$ 9,339,110</u>	<u>\$ 31,407,235</u>

City of Santa Maria

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

	Fleet Services	Business Equipment	Insurance	Total
OPERATING REVENUES:				
Charges for current services	\$ 4,633,242	\$ 1,167,718	\$ 2,208,638	\$ 8,009,598
Other revenue	187,308		14,348	201,656
Total operating revenues	4,820,550	1,167,718	2,222,986	8,211,254
OPERATING EXPENSES:				
Salaries, wages and benefits	586,354		161,492	747,846
Materials and supplies	1,867,823	122,405	3,771	1,993,999
Equipment maintenance and operation	718,036	671,269	1,558	1,390,863
Depreciation	738,476	460,214		1,198,690
Contracts and services	306,463		2,994,494	3,300,957
Capital outlay	99,749	108,830		208,579
Total operating expenses	4,316,901	1,362,718	3,161,315	8,840,934
OPERATING INCOME (LOSS)	503,649	(195,000)	(938,329)	(629,680)
NONOPERATING REVENUES (EXPENSES):				
Interest income			(41,164)	(41,164)
Other	94,433			94,433
Gain (loss) on sale of equipment	(22,940)	(8,836)		(31,776)
Total nonoperating revenues (expenses)	71,493	(8,836)	(41,164)	21,493
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	575,142	(203,836)	(979,493)	(608,187)
Capital contributions	216,948	92,022		308,970
Transfers in				
Transfers out	(115,820)	(10,380)	(1,501,910)	(1,628,110)
Change in net assets	676,270	(122,194)	(2,481,403)	(1,927,327)
NET ASSETS:				
Beginning of fiscal year	15,543,037	5,971,012	11,820,513	33,334,562
End of fiscal year	<u>\$ 16,219,307</u>	<u>\$ 5,848,818</u>	<u>\$ 9,339,110</u>	<u>\$ 31,407,235</u>

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

	Fleet Services	Business Equipment	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for current services	\$ 4,723,883	\$ 1,167,718	\$ 3,672,986	\$ 9,564,587
Payments for goods and services	(3,072,232)	(958,160)	(2,513,909)	(6,544,301)
Payments to employees	(625,850)		(180,079)	(805,929)
Net cash provided by (used for) operating activities	1,025,801	209,558	978,998	2,214,357
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out other funds	(115,820)	(10,380)	(1,501,910)	(1,628,110)
Net cash provided by (used for) noncapital financing activities	(115,820)	(10,380)	(1,501,910)	(1,628,110)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(1,022,728)	(471,161)		(1,493,889)
Proceeds from sale of assets	94,433			94,433
Net cash provided by (used for) capital and related financing activities	(928,295)	(471,161)		(1,399,456)
CASH FLOW FROM INVESTING ACTIVITIES:				
Interest on investments			(41,164)	(41,164)
Net cash provided by (used for) investing activities			(41,164)	(41,164)
Net increase (decrease) in cash and cash equivalents	(18,314)	(271,983)	(564,076)	(854,373)
CASH AND CASH EQUIVALENTS:				
Beginning of fiscal year	7,236,524	3,448,195	15,713,808	26,398,527
End of fiscal year	\$ 7,218,210	\$ 3,176,212	\$ 15,149,732	\$ 25,544,154

(continued)

City of Santa Maria

COMBINING STATEMENT OF CASH FLOWS

Internal Service Funds, continued

For the Fiscal Year Ended June 30, 2012

	Fleet Services	Business Equipment	Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 503,649	\$ (195,000)	\$ (938,329)	\$ (629,680)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	738,476	460,214		1,198,690
Changes in assets and liabilities:				
Accounts receivable	(96,635)			(96,635)
Inventory	(52,520)			(52,520)
Prepaid expenses		24,293		24,293
Accounts payable	(27,673)	(79,949)	12,101	(95,521)
Accrued payroll	(18,434)		(5,577)	(24,011)
Due to other funds			1,450,000	1,450,000
Claims payable			473,813	473,813
OPEB liability	4,427		1,476	5,903
Compensated absences payable	(25,489)		(14,486)	(39,975)
Total adjustments	522,152	404,558	1,917,327	2,844,037
Net cash provided by (used for) operating activities	<u>\$ 1,025,801</u>	<u>\$ 209,558</u>	<u>\$ 978,998</u>	<u>\$ 2,214,357</u>
NON CASH ACTIVITY:				
Contributed capital assets	\$ 216,948	\$ 92,022		\$ 308,970

(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 NET ASSETS
Agency Funds
June 30, 2012

Assets	<u>Treasurer's Trust</u>	<u>Maintenance Annuity Fund</u>	<u>Twitchell Mgmt Authority</u>	<u>Total Agency Funds</u>
Cash and investments	\$ 4,925,977	\$ 191,160	\$ 806,514	\$ 5,923,651
Accounts receivable			155,075	155,075
 Total Assets	 <u>\$ 4,925,977</u>	 <u>\$ 191,160</u>	 <u>\$ 961,589</u>	 <u>\$ 6,078,726</u>
 Liabilities				
Other trust deposits	\$ 4,925,977	\$ 191,160	\$ 961,589	\$ 6,078,726
 Total Liabilities	 <u>\$ 4,925,977</u>	 <u>\$ 191,160</u>	 <u>\$ 961,589</u>	 <u>\$ 6,078,726</u>

City of Santa Maria

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

For the Fiscal Year Ended June 30, 2012

<u>Treasurer's Trust</u>	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Assets:				
Cash and investments	\$ 5,843,331	\$ 253,796	\$ 1,171,150	\$ 4,925,977
Total assets	<u>\$ 5,843,331</u>	<u>\$ 253,796</u>	<u>\$ 1,171,150</u>	<u>\$ 4,925,977</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 5,843,331	\$ 253,796	\$ 1,171,150	\$ 4,925,977
Total liabilities - trust deposits	<u>\$ 5,843,331</u>	<u>\$ 253,796</u>	<u>\$ 1,171,150</u>	<u>\$ 4,925,977</u>

<u>Maintenance Annuity Fund</u>	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
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:				
Other trust deposits	\$ 191,160	\$	\$	\$ 191,160
Total liabilities - trust deposits	<u>\$ 191,160</u>	<u>\$</u>	<u>\$</u>	<u>\$ 191,160</u>

<u>Twitchell Management Authority</u>	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Assets:				
Cash and investments	\$ 428,344	\$ 1,636,352	\$ 1,258,182	\$ 806,514
Accounts receivable	150,239	384,607	379,771	155,075
Total assets	<u>\$ 578,583</u>	<u>\$ 2,020,959</u>	<u>\$ 1,637,953</u>	<u>\$ 961,589</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 578,583	\$ 2,020,959	\$ 1,637,953	\$ 961,589
Total liabilities - trust deposits	<u>\$ 578,583</u>	<u>\$ 2,020,959</u>	<u>\$ 1,637,953</u>	<u>\$ 961,589</u>
<u>Total Agency Funds</u>	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Assets:				
Cash and investments	\$ 6,462,835	\$ 1,890,148	\$ 2,429,332	\$ 5,923,651
Accounts receivable	150,239	384,607	379,771	155,075
Total assets	<u>\$ 6,613,074</u>	<u>\$ 2,274,755</u>	<u>\$ 2,809,103</u>	<u>\$ 6,078,726</u>
Liabilities - trust deposits:				
Other trust deposits	\$ 6,613,074	\$ 2,274,755	\$ 2,809,103	\$ 6,078,726
Total liabilities - trust deposits	<u>\$ 6,613,074</u>	<u>\$ 2,274,755</u>	<u>\$ 2,809,103</u>	<u>\$ 6,078,726</u>





STATISTICAL SECTION

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City of Santa Maria

STATISTICAL NARRATIVE

For the Fiscal Year Ended June 30, 2012

<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 ASSETS BY COMPONENT
Last Ten Fiscal Years

	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 159,817,031	\$ 166,104,150	\$ 148,170,994	\$ 164,037,582
Restricted	21,015,648	33,989,896	54,128,546	57,270,454
Unrestricted	38,771,216	45,960,199	31,794,190	28,177,053
Total governmental activities net assets	219,603,895	246,054,245	234,093,730	249,485,089
Business-type activities:				
Invested in capital assets, net of related debt	26,750,132	35,265,605	34,172,030	36,417,715
Restricted				10,293,386
Unrestricted	73,202,992	74,616,875	81,399,676	90,024,778
Total business-type activities net assets	99,953,124	109,882,480	115,571,706	136,735,879
Primary government:				
Invested in capital assets, net of related debt	186,567,163	201,369,755	182,343,024	200,455,297
Restricted	21,015,648	33,989,896	54,128,546	67,563,840
Unrestricted	111,974,208	120,577,074	113,193,866	118,201,831
Total primary government net assets	\$ 319,557,019	\$ 355,936,725	\$ 349,665,436	\$ 386,220,968

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

	2007	2008	2009	2010	2011	2012
\$	175,266,893	\$ 182,189,614	\$ 196,570,092	\$ 201,165,622	\$ 191,139,585	\$ 192,111,417
	59,165,908	63,741,146	53,394,252	21,374,294	14,242,819	16,580,945
	31,742,343	34,013,605	30,983,737	54,913,132	64,860,795	63,942,788
	<u>266,175,144</u>	<u>279,944,365</u>	<u>280,948,081</u>	<u>277,453,048</u>	<u>270,243,199</u>	<u>272,635,150</u>
	39,926,984	38,946,983	79,293,638	59,215,521	71,545,818	\$ 74,477,063
	10,366,777	10,425,720	10,156,406	9,649,160	9,656,112	9,438,575
	94,072,663	104,613,628	68,311,239	92,438,651	90,913,322	91,124,060
	<u>144,366,424</u>	<u>153,986,331</u>	<u>157,761,283</u>	<u>161,303,332</u>	<u>172,115,252</u>	<u>175,039,698</u>
	215,193,877	221,136,597	275,863,730	260,381,143	262,685,403	266,588,480
	69,532,685	74,166,866	63,550,658	31,023,454	23,898,931	26,019,520
	125,815,006	138,627,233	99,294,976	147,351,783	155,774,117	155,066,848
\$	<u>410,541,568</u>	<u>\$ 433,930,696</u>	<u>\$ 438,709,364</u>	<u>\$ 438,756,380</u>	<u>\$ 442,358,451</u>	<u>\$ 447,674,848</u>

City of Santa Maria

CHANGES IN NET ASSETS

Last Ten Fiscal Years

	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 4,350,656	\$ 6,381,187	\$ 7,167,095	\$ 10,838,467
Public safety	15,997,541	17,128,740	23,820,953	26,861,561
Public works	19,780,197	15,022,719	17,847,164	23,247,129
Library	1,444,338	1,356,390	2,823,034	(2,540,803)
Community development	3,419,160	2,230,758	2,773,784	5,354,419
Recreation and parks	5,830,343	10,229,711	8,915,152	7,732,441
Interest & fiscal charges	1,087,565	2,251,095	1,155,240	1,012,761
Total governmental activities expenses	51,909,800	54,600,600	64,502,422	72,505,975
Business-type activities:				
Water and wastewater	26,622,954	24,424,189	25,846,300	25,396,688
Solid Waste	9,748,850	14,108,035	17,632,587	14,719,075
Public transit	2,653,005	2,909,670	3,036,658	4,010,199
Total business-type activities expenses	39,024,809	41,441,894	46,515,545	44,125,962
Total primary government expenses	90,934,609	96,042,494	111,017,967	116,631,937
Program Revenues				
Governmental activities:				
Charges for services:				
General government	3,647,735	7,354,336	8,623,290	7,373,878
Public safety	1,476,660	2,485,278	1,993,990	2,360,254
Public works	3,838,690	5,049,735	4,591,386	5,912,584
Library	108,447	1,433,635	1,898,624	484,672
Community development	7,729,959	6,069,546	1,138,034	598,555
Recreation and parks	839,500	3,419,914	1,589,646	1,559,721
Operating grants and contributions	10,977,678	3,624,524	9,779,756	13,583,260
Capital grants and contributions	13,773,902	5,280,680	6,162,270	10,656,453
Total governmental activities revenues	42,392,571	34,717,648	35,776,996	42,529,377
Business-type activities:				
Charges for services:				
Water and wastewater	23,816,759	25,614,811	27,088,908	29,136,959
Solid waste	15,120,695	15,179,091	17,344,393	16,610,624
Public transit	279,951	220,635	400,279	1,513,204
Operating grants and contributions	1,729,020	1,468,127	530,849	
Capital grants and contributions	4,435,083	5,220,037	4,648,308	2,785,136
Total business-type activities program revenues	45,381,508	47,702,701	50,012,737	50,045,923
Total primary government program revenues	87,774,079	82,420,349	85,789,733	92,575,300

	2007	2008	2009	2010	2011	2012
\$	7,766,992	\$ 9,114,122	\$ 11,161,958	\$ 9,018,262	\$ 8,230,946	\$ 7,603,331
	27,153,605	29,959,234	31,138,825	29,583,710	29,278,112	29,073,153
	23,509,786	19,871,330	12,464,751	19,850,452	13,518,414	14,991,119
	3,148,153	1,179,798	4,255,495	3,778,788	3,497,409	3,220,926
	4,178,098	5,580,313	3,934,760	4,872,301	4,703,671	5,386,829
	8,748,523	11,814,315	13,764,775	11,549,567	11,932,463	11,028,926
	1,172,202	592,818	778,946	722,568	521,500	481,130
	<u>75,677,359</u>	<u>78,111,930</u>	<u>77,499,510</u>	<u>79,375,648</u>	<u>71,682,515</u>	<u>71,785,414</u>
	30,606,551	31,394,738	34,782,630	32,761,079	34,916,887	33,459,891
	14,851,056	15,828,140	18,013,667	18,260,204	18,093,584	17,421,849
	4,439,395	4,952,170	5,331,516	5,345,420	6,833,916	7,858,226
	<u>49,897,002</u>	<u>52,175,048</u>	<u>58,127,813</u>	<u>56,366,703</u>	<u>59,844,387</u>	<u>58,739,966</u>
	<u>125,574,361</u>	<u>130,286,978</u>	<u>135,627,323</u>	<u>135,742,351</u>	<u>131,526,902</u>	<u>130,525,380</u>
	7,961,580	8,548,672	7,863,933	4,948,795	2,691,168	2,849,587
	2,812,013	2,726,261	2,896,162	1,771,559	1,372,576	1,710,795
	4,260,310	3,588,859	3,014,599	2,609,280	4,052,970	3,265,217
	363,131	648,651	491,201	158,627	215,408	210,463
	775,939	533,133	302,321	282,506	1,148,105	819,711
	1,275,582	1,395,784	1,009,008	3,344,401	3,864,146	3,877,914
	16,600,659	18,423,969	12,602,578	2,964,267	2,247,363	2,201,503
	8,506,395	4,965,521	2,650,002	11,327,388	7,654,140	9,323,585
	<u>42,555,609</u>	<u>40,830,850</u>	<u>30,829,804</u>	<u>27,406,823</u>	<u>23,245,876</u>	<u>24,258,775</u>
	31,709,915	31,664,089	33,139,664	31,865,644	33,999,060	36,086,815
	16,882,214	17,018,873	16,796,317	16,674,004	16,751,192	17,124,050
	777,109	5,519,825	1,658,181	976,448	1,916,361	1,956,833
				3,870,297	4,474,802	5,834,863
	<u>3,235,816</u>	<u>3,926,821</u>	<u>8,061,279</u>	<u>4,675,288</u>	<u>5,710,300</u>	<u>1,381,705</u>
	<u>52,605,054</u>	<u>58,129,608</u>	<u>59,655,441</u>	<u>58,061,681</u>	<u>62,851,715</u>	<u>62,384,266</u>
	<u>95,160,663</u>	<u>98,960,458</u>	<u>90,485,245</u>	<u>85,468,504</u>	<u>86,097,591</u>	<u>86,643,041</u>

Continued

City of Santa Maria

CHANGES IN NET ASSETS, Continued

Last Nine Fiscal Years

	2003	2004	2005	2006
Net (expense)/revenue				
Governmental activities	(9,517,229)	(19,882,952)	(28,725,426)	(29,976,598)
Business-type activities	6,356,699	6,260,807	3,497,192	5,919,961
Total primary government net expense	<u>(3,160,530)</u>	<u>(13,622,145)</u>	<u>(25,228,234)</u>	<u>(24,056,637)</u>
General revenues and other changes in net assets				
Governmental Activities:				
Taxes				
Property taxes ¹	5,771,665	5,945,044	5,939,368	7,307,768
Sales taxes	17,212,263	19,468,534	17,025,452	16,439,093
Franchise taxes	1,379,024	3,118,187	3,241,690	3,341,810
Transient occupancy taxes	1,011,711	2,044,413	2,237,880	2,220,887
Other taxes		3,356,933	3,016,500	3,227,354
Motor vehicle in-lieu tax	4,637,721	3,759,879	6,495,388	6,574,470
Use of money and property	3,108,159	1,790,385	3,260,601	3,240,223
Other revenues	1,376,845	3,942,501	406,890	233,078
Loss on sale of assets	(53,128)			
Intergovernmental revenues - unrestricted	154,001	421,016	329,709	503,668
Extraordinary items		3,189,390		
Contributions	538,542			
Transfers	(936,688)	(702,980)	729,160	2,294,130
Total governmental activities	<u>34,200,115</u>	<u>46,333,302</u>	<u>42,682,638</u>	<u>45,382,481</u>
Business-type activities:				
Use of money and property	2,612,547	1,783,060	2,679,472	2,251,316
Other revenues	1,011,044	119,378		
Loss on sale of assets	(113,595)			
Contributions	383,294			
Transfers	936,688	702,980	(729,160)	(2,294,130)
Total business-type activities	<u>4,829,978</u>	<u>2,605,418</u>	<u>1,950,312</u>	<u>(42,814)</u>
Total primary activities	<u>39,030,093</u>	<u>48,938,720</u>	<u>44,632,950</u>	<u>45,339,667</u>
Change in net assets				
Governmental activities	24,682,886	26,450,350	13,957,212	15,405,883
Business-type activities	11,186,677	8,866,225	5,447,504	5,877,147
Total primary government	<u>\$ 35,869,563</u>	<u>\$ 35,316,575</u>	<u>\$ 19,404,716</u>	<u>\$ 21,283,030</u>

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

2007	2008	2009	2010	2011	2012
(33,121,750)	(37,281,080)	(46,669,706)	(51,968,825)	(48,436,639)	(47,526,639)
2,708,052	5,954,560	1,527,628	1,694,978	3,007,328	3,644,300
(30,413,698)	(31,326,520)	(45,142,078)	(50,273,847)	(45,429,311)	(43,882,339)
9,067,171	9,749,641	9,336,050	15,338,302	15,357,803	14,926,979
17,672,381	18,060,497	15,906,435	19,621,992	21,711,665	23,644,020
3,443,105	3,600,993	3,427,069	3,366,190	3,578,754	3,787,686
2,373,910	2,393,491	2,201,546	2,116,310	2,363,467	2,440,980
3,099,677	3,469,254	3,282,414	527,518	733,034	668,699
6,937,373	7,291,040	7,136,333	302,938	431,934	49,503
5,805,704	4,927,456	4,602,199	4,498,446	2,439,648	2,210,175
429,121	234,577	340,869	682,132	405,292	519,746
512,842	447,845	531,217	474,600	511,728	392,473 (516,788)
872,510	872,510	1,237,482	1,615,511	(7,046,991)	1,570,117
50,213,794	51,047,304	48,001,614	48,543,939	40,486,334	49,693,590
5,481,556	4,428,857	3,484,806	3,462,582	1,340,213	1,075,263
(872,510)	(872,510)	(1,237,482)	(1,615,511)	7,046,991	(1,570,117)
4,609,046	3,556,347	2,247,324	1,847,071	8,387,204	(494,854)
54,822,840	54,603,651	50,248,938	50,391,010	48,873,538	49,198,736
17,092,044	13,766,224	1,331,908	(3,424,886)	(7,950,305)	2,166,951
7,317,098	9,510,907	3,774,952	3,542,049	11,394,532	3,149,446
\$ 24,409,142	\$ 23,277,131	\$ 5,106,860	\$ 117,163	\$ 3,444,227	\$ 5,316,397

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	Other Sales Tax	Franchise Tax
2002	\$ 4,886,327		\$ 14,006,921	\$ 7,354,840	\$ 1,115,754
2003	5,318,818		15,411,370	6,752,049	1,099,966
2004	5,920,003		15,866,944	6,408,715	3,118,187
2005	5,919,017	\$ 4,545,987	16,445,600	7,068,191	3,241,690
2006	7,307,769	5,959,787	17,018,945	8,633,632	3,341,810
2007	9,067,171	6,448,316	17,672,311	8,514,985	3,443,105
2008	9,749,641	6,889,596	18,060,497	7,627,249	3,600,994
2009	9,336,050	6,791,613	15,906,434	6,196,508	3,427,070
2010	8,859,906	6,422,352	14,146,555	5,591,211	3,366,190
2011	8,983,688	6,374,115	15,703,090	6,008,575	3,578,754
2012	8,496,284	6,430,695	16,766,934	6,877,086	3,787,686

NOTE:

Includes all governmental fund types.

SOURCE:

+Santa Barbara County

*California Franchise Tax Board; VLF Program Commenced in 2005

#California State Board of Equalization

	TOT Tax	Other Tax	Total
\$	1,800,186	\$ 1,551,673	\$ 30,715,701
	1,800,893	1,516,203	31,899,299
	2,044,413	2,154,384	35,512,646
	2,237,880	1,689,063	41,147,428
	2,220,887	1,497,842	45,980,672
	2,373,910	1,125,239	48,645,037
	2,396,491	1,082,894	49,407,362
	2,201,546	711,643	44,570,864
	2,116,310	527,518	41,030,042
	2,363,467	733,034	43,744,723
	2,440,980	668,699	45,468,364

City of Santa Maria

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2003	2004	2005	2006
General fund				
Reserved	\$ 13,300,916	\$ 13,327,903	\$ 13,871,989	\$ 14,095,037
Unreserved	12,205,337	20,823,802	23,137,842	29,436,230
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>25,506,253</u>	<u>34,151,705</u>	<u>37,009,831</u>	<u>43,531,267</u>
All other governmental funds				
Reserved	5,873,738	5,869,697	10,813,767	8,063,857
Unreserved, reported in:				
Special revenue funds	15,373,416	20,312,760	14,001,624	15,035,784
Capital projects funds	16,408,968	13,432,832	17,400,697	14,525,718
Debt service funds	(12,694,240)	(13,176,966)	(13,298,820)	(13,427,071)
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 24,961,882</u>	<u>\$ 26,438,323</u>	<u>\$ 28,917,268</u>	<u>\$ 24,198,288</u>

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

	2007	2008	2009	2010	*2011	2012
\$	13,881,493	\$ 13,994,214	\$ 14,171,769	\$ 15,125,183		
	36,145,698	36,840,884	39,389,382	39,530,536		
					\$ 14,048,953	
					19,800,000	\$ 19,800,000
					6,909,711	6,909,711
					14,045,532	14,039,407
	<u>50,027,191</u>	<u>50,835,098</u>	<u>53,561,151</u>	<u>54,655,719</u>	<u>54,804,196</u>	<u>40,749,118</u>
	13,542,452	6,970,228	4,082,015	2,704,278		
	5,337,762	13,079,640	11,036,074	4,325,076		
	17,065,112	20,320,812	12,541,368	12,722,097		
	(13,560,955)	(13,692,783)	(13,815,810)	(13,932,228)		
					14,242,819	16,580,944
					12,652,876	13,092,026
					(16,871,539)	(1,705,890)
\$	<u>22,384,371</u>	<u>26,677,897</u>	<u>13,843,647</u>	<u>5,819,223</u>	<u>10,024,156</u>	<u>27,967,080</u>

City of Santa Maria

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS Last Ten Fiscal Years

	2003	2004	2005	2006
Revenues				
Taxes	\$ 32,873,375	\$ 36,458,445	\$ 37,889,066	\$ 41,061,576
Permits, fines, and forfeitures	2,380,415	2,652,735	2,048,222	2,864,723
Revenues from use of money and property	3,076,115	1,682,269	3,017,322	3,129,821
Aid from governmental agencies	9,788,716	9,408,840	11,186,274	14,032,852
Charges for current services	11,511,606	17,996,838	16,845,337	12,852,201
Other revenues	4,308,382	5,603,114	1,433,403	3,372,544
Total revenues	63,938,609	73,802,241	72,419,624	77,313,717
Expenditures				
Current:				
General government	4,833,573	5,160,333	5,780,061	6,653,079
Community development	2,645,503	3,031,443	2,728,003	4,459,988
Public safety	18,035,711	20,585,834	23,129,448	25,598,091
Recreation and parks	6,902,829	7,582,288	7,935,893	8,395,466
Public works	4,264,783	4,539,747	4,131,676	4,957,342
Library	1,562,479	1,616,811	1,795,536	1,925,776
Capital outlay	11,769,136	15,006,580	16,471,985	22,672,713
Debt service:				
Principal	500,605	1,891,479	5,697,256	2,051,788
Payment to bond escrow agent	2,899,805			
Cost of issuance	443,944			
Interest and fiscal charges	880,916	1,453,901	1,126,023	1,043,148
Total expenditures	54,739,284	60,868,416	68,795,881	77,757,391
Excess of revenues over (under) expenditures	9,199,325	12,933,825	3,623,743	(443,674)
Other financing sources (uses)				
Transfers in	7,235,695	12,859,509	24,949,992	11,397,212
Transfers out	(10,982,446)	(15,671,429)	(24,595,832)	(9,103,082)
Bond issuance	23,460,000			
Premium on bonds	1,733,275			
Payment to refunded bond escrow agent	(24,669,715)			
Other	154,001			
Total other financing sources (uses)	(3,069,190)	(2,811,920)	354,160	2,294,130
Extraordinary Gain (Loss)				
Net change in fund balances	\$ 6,130,135	\$ 10,121,905	\$ 3,977,903	\$ 1,850,456
Debt service as a percentage of non-capital expenditures	13.2%	6.8%	11.7%	5.4%

	2007	2008	2009	2010	2011	2012
\$	44,102,953	\$ 44,836,981	\$ 40,286,816	\$ 41,030,042	\$ 43,744,723	\$ 45,468,364
	3,020,855	2,258,146	1,964,835	2,032,625	1,368,214	1,103,627
	5,704,531	4,692,725	3,623,715	3,657,552	2,530,588	2,193,493
	17,307,547	20,719,295	15,426,843	15,424,318	9,690,422	11,020,727
	13,441,085	14,003,746	12,929,787	10,769,671	12,175,204	12,561,301
	1,470,302	1,106,376	871,480	1,125,411	334,376	527,117
	85,047,273	87,617,269	75,103,476	74,039,619	69,843,527	72,874,629
	7,199,453	7,766,778	8,262,292	7,067,465	7,182,507	7,206,265
	4,158,854	4,756,217	3,911,112	4,872,363	4,650,157	4,520,096
	26,697,389	29,388,999	29,289,806	28,553,613	27,848,391	28,465,201
	8,727,125	9,731,596	10,269,522	9,982,054	9,757,902	9,661,463
	4,755,772	4,980,324	5,056,695	5,227,336	5,001,666	4,811,965
	2,062,596	2,217,526	3,019,728	3,121,202	2,698,807	2,425,505
	24,282,030	21,801,353	24,615,828	22,830,682	7,906,083	11,379,276
	1,755,000	1,830,000	1,920,000	2,010,000	2,110,000	2,215,000
	1,356,691	915,550	870,895	790,277	589,810	550,064
	80,994,910	83,388,343	87,215,878	84,454,992	67,745,323	71,234,835
	4,052,363	4,228,926	(12,112,402)	(10,415,373)	2,098,204	1,639,794
	12,660,010	14,946,392	11,491,823	12,018,459	9,383,087	10,465,679
	(11,787,500)	(14,073,882)	(9,159,426)	(8,462,795)	(8,018,247)	(7,700,839)
	872,510	872,510	2,332,397	3,555,664	1,364,840	2,764,840
						(516,788)
\$	4,924,873	\$ 5,101,436	\$ (9,780,005)	\$ (6,859,709)	\$ 3,463,044	\$ 3,887,846
	4.8%	3.9%	4.3%	3.3%	4.0%	3.9%

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
2003	\$	1,344,382,383	\$	2,320,370,993	\$ 296,639,339	3,961,392,715
2004		1,505,499,138		2,568,979,473	288,456,341	4,362,934,952
2005		1,742,052,139		2,919,197,802	310,338,288	4,971,588,229
2006		2,134,358,374		3,331,952,571	348,701,433	5,815,012,378
2007		2,532,797,174		3,736,636,782	349,941,019	6,619,374,975
2008		2,779,359,925		3,929,898,972	359,102,179	7,068,361,076
2009		2,688,233,211		3,897,913,199	374,342,508	6,960,488,918
2010		2,525,129,754		3,749,048,530	403,055,878	6,677,234,162
2011		2,473,964,135		3,808,611,113	391,104,570	6,673,679,818
2012		2,480,988,107		3,974,603,905	410,707,524	6,866,299,536

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	Assessed to Property Value
\$ 230,254,691	\$ 3,731,138,024	100.0%
235,303,640	4,127,631,312	100.0%
266,011,261	4,705,576,968	100.0%
287,071,107	5,527,941,271	100.0%
304,933,916	6,314,441,059	100.0%
313,273,773	6,755,087,303	100.0%
305,957,101	6,654,531,817	100.0%
347,561,243	6,329,672,919	100.0%
388,166,023	6,285,513,795	100.0%
522,499,674	6,343,799,862	100.0%



City of Santa Maria

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

As of June 30, 2012

Fiscal Year	*City of Santa Maria	*Santa Barbara County	Schools	Other	Total
2003	0.00000%	1.00000%	0.02362%	0.01635%	1.03997%
2004	0.00000%	1.00000%	0.02059%	0.01210%	1.03269%
2005	0.00000%	1.00000%	0.01923%	0.00000%	1.01923%
2006	0.00000%	1.00000%	0.01815%	0.00000%	1.01815%
2007	0.00000%	1.00000%	0.01548%	0.00000%	1.01548%
2008	0.00000%	1.00000%	0.18603%	0.00000%	1.18603%
2009	0.00000%	1.00000%	0.17497%	0.00000%	1.17497%
2010	0.00000%	1.00000%	0.38552%	0.00000%	1.38552%
2011	0.00000%	1.00000%	0.42302%	0.00000%	1.42302%
2012	0.00000%	1.00000%	0.43729%	0.00000%	1.43729%

*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

2012			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Okonite Company, Inc.	\$ 86,722,567	1	1.37%
MGP 50, LLC	43,468,325	2	0.69%
Town Center Street Scape, LLC	39,921,830	3	0.63%
Santa Maria Partners, LLC	31,583,430	4	0.50%
Pini, Dario L	28,683,517	5	0.45%
Santa Maria Land Partners, LLC	27,253,625	6	0.43%
Country Oaks, LLC	25,800,000	7	0.41%
UAI Real Estate Acquisition, LLC	20,632,659	8	0.33%
Terry Kwanyu Chan Trustee	18,014,315	9	0.28%
Arbor Ridge	16,642,690	10	0.26%
LB Santa Maria, LLC			
SP Village Green, LLC			
United Foods			
Mideb Nominees, Incorporated			
Chan Fook Kheong/Terry Kwanyu Trustees			
Den-Mat Corporation			
Santa Maria Senior Living, LLC			
American Stores Properties, Incorporated			
Sierra Equitie, Incorporated			
	\$ 338,722,958		5.35%

SOURCE:

Santa Barbara County Auditor-Controller

2003

Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 28,647,304	2	0.77%
30,436,718	1	0.82%
23,567,484	3	0.63%
16,931,388	4	0.45%
15,996,380	5	0.43%
14,826,218	6	0.40%
12,910,959	7	0.35%
12,588,124	8	0.34%
12,363,072	9	0.33%
12,192,515	10	0.33%
<hr/> \$ 180,460,162 <hr/>		<hr/> 4.85% <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	
2003	\$ 4,215,268	\$ 4,215,268	100%	
2004	5,715,906	5,715,906	100%	
2005	6,349,144	6,349,144	100%	
2006	6,485,547	6,485,547	100%	
2007	7,501,048	7,501,048	100%	
2008	8,170,585	8,170,585	100%	
2009	8,102,791	8,102,791	100%	
2010	7,650,506	7,650,506	100%	
2011	7,516,780	7,516,780	100%	
2012	7,596,097	7,596,097	100%	

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 2011-12 Preliminary Prop Tax Report (located in vault under CAFR Binders)

Total Collections to Date		
	Amount	Percentage of Levy
\$	4,215,268	100%
	5,715,906	100%
	6,349,144	100%
	6,485,547	100%
	7,501,048	100%
	8,170,585	100%
	8,102,791	100%
	7,650,506	100%
	7,516,780	100%
	7,596,097	100%

City of Santa Maria

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

FY Ended June 30	Governmental Activities			
	Refunding Revenue Bonds	Certificates of Participation	Capital Leases	Property Purchase Obligation
2003	\$ 23,460,000	\$ 3,464,747	\$ 3,225,790	
2004	22,140,000	3,464,747	3,747,075	\$ 658,825
2005	20,520,000		1,730,758	641,479
2006	18,840,000		1,122,523	623,612
2007	17,085,000		488,322	847,208
2008	15,255,000		249,485	586,252
2009	13,335,000			566,727
2010	11,325,000			546,616
2011	9,215,000			525,900
2012	7,000,000			504,563

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

Business-Type Activities					
Refunding Revenue Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
	\$ 53,410,195	\$ 2,421,355	\$ 85,982,087	15.19%	\$ 1,047
	53,410,195	1,603,843	85,024,685	17.05%	996
	53,410,195	2,124,524	78,426,956	19.56%	883
	53,292,039	1,597,780	75,475,954	20.33%	837
	52,728,238	618,167	71,766,935	26.50%	794
	51,718,798	315,824	68,125,359	28.98%	754
	50,640,095		64,541,822	29.40%	697
	48,785,007		60,656,623	31.25%	651
	46,748,931		56,489,831	**33.55%	565
\$ 50,119,493	6,437,099		64,061,155	**29.08%	639

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
2003	\$ 23,460,000	\$ 2,757,656	\$ 20,702,344	0.55%	\$ 252
2004	22,140,000	2,786,175	19,353,825	0.47%	227
2005	20,520,000	2,789,000	17,731,000	0.38%	200
2006	18,840,000	2,766,658	16,073,342	0.29%	178
2007	17,085,000	2,383,266	14,701,734	0.23%	163
2008	15,255,000	2,403,435	12,851,565	0.19%	142
2009	13,335,000	2,424,574	10,910,426	0.16%	118
2010	11,325,000	2,426,079	8,898,921	0.14%	95
2011	9,215,000	2,430,118	6,784,882	0.11%	68
2012	7,000,000	2,426,844	4,573,156	0.07%	46

Source: City of Santa Maria
Santa Barbara County

City of Santa Maria

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Santa Barbara County General Fund Obligations	\$ 77,830,000	10.847%	\$ 8,442,220
Santa Maria Joint Union High School District COP	23,435,000	57.926%	13,574,958
Santa Maria-Bonita School District COP	21,335,000	94.285%	20,115,705
Santa Maria Cemetery District COP	1,090,000	64.160%	699,344
Subtotal, overlapping debt			42,832,227
City of Santa Maria, direct debt			7,000,000
Total direct and overlapping debt			\$ 49,832,227

Source:

California Municipal Statistics, Inc.

City of Santa Maria

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2003	2004	2005	2006
Debt Limit	\$ 148,552,227	\$ 163,610,061	\$ 186,436,434	\$ 218,062,964
Total net debt applicable to limit	30,150,537	29,468,019	23,415,799	21,062,100
Legal Debt Margin	<u>\$ 118,401,690</u>	<u>\$ 134,142,042</u>	<u>\$ 163,020,635</u>	<u>\$ 197,000,864</u>
Total net debt applicable to the limit as a percentage of debt limit	20.30%	18.01%	12.56%	9.66%

Legal Debt Margin Calculation for 2011-12:

Assessed value

Debt limit (3.75 percent of assessed value)

Revenue bonds and other long-term debt

Legal debt margin

	2007	2008	2009	2010	2011	2012
\$	248,226,562	\$ 265,063,540	\$ 261,018,334	\$ 250,396,281	\$ 250,262,993	\$ 257,486,233
	18,848,900	16,471,510	14,234,903	12,157,195	9,978,883	7,694,949
\$	229,377,662	\$ 248,592,030	\$ 246,783,431	\$ 238,239,086	\$ 240,284,110	\$ 249,791,284

7.59% 6.21% 5.45% 4.86% 3.99% 2.99%

\$ 6,866,299,536
257,486,233
7,694,949
\$ 249,791,284

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
2003	\$ 24,074,427	\$ 21,092,903		\$ 2,981,524		
2004	26,167,639	19,431,475		6,736,164		
2005	30,794,371	21,460,431		9,333,940		\$ 1,001,914
2006	30,043,493	19,332,826		10,710,667	\$ 118,156	2,085,672
2007	34,814,990	24,486,047		10,328,943	563,801	2,470,026
2008	33,740,272	25,312,860		8,427,412	900,187	2,873,641
2009	33,887,395	27,634,577		6,252,818	1,078,703	3,617,962
2010	32,909,945	25,802,618		7,107,327	1,855,088	4,218,928
2011	35,194,266	27,945,217		7,249,049	2,036,076	4,590,727
2012	36,164,866	26,334,303		9,830,563	1,991,438	4,640,815

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
	\$ 3,954,354
	4,016,958
9.32	4,031,382
4.86	4,189,590
3.40	4,206,333
2.23	4,212,296
1.33	4,258,071
1.17	4,277,459
1.09	4,288,071
1.48	4,299,526

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
2003	82,148	\$ 13,059,171	\$ 32,496	30
2004	85,325	13,638,326	33,942	30
2005	88,793	14,493,150	38,313	30
2006	90,204	15,341,976	40,486	31
2007	90,333	19,020,000	47,302	32
2008	91,110	19,740,000	48,693	29
2009	92,542	18,976,000	46,619	29
2010	93,225	18,629,574	43,872	29
2011	100,062	**18,629,574	**43,872	**29
2012	100,199	**18,629,574	**43,872	**29

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 not released for year ending June 30, 2012

#+School Enrollment	++Unemployment Rate
34,963	4.9%
35,565	4.6%
36,385	4.1%
36,817	4.0%
30,299	4.2%
47,734	4.3%
24,917	9.8%
45,869	14.2%
46,563	14.6%
43,190	12.3%

City of Santa Maria

PRINCIPAL EMPLOYERS

Current Fiscal Year and Ten Fiscal Years Ago

*Employer	*2011-12		
	Employees	Rank	Percentage of Total City Employment
Vandenberg Air Force Base	4,300	1	8.75%
Marian Medical Center	1,450	2	2.95%
Santa Maria-Bonita School District	1,400	3	2.85%
Allan Hancock College	890	4	1.81%
Santa Maria Joint Union High School District	871	5	1.77%
City of Santa Maria	622	6	1.27%
Betteravia Farms	533	7	1.08%
C&D Zodiac, Incorporated	491	8	1.00%
Den-Mat Corporation	361	9	0.73%
Vocational Training Center	340	10	0.69%
United Parcel Service			
	11,258		22.90%

SOURCE:

* City of Santa Maria 2010-12 Budget

** Northern Santa Barbara County Economic Outlook 2002

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.

**2002-03

Employees	Rank	Percentage of Total City Employment
5,250	1	15.60%
1,300	3	3.86%
1,725	2	5.13%
988	4	2.94%
575	7	1.71%
375	8	1.11%
359	9	1.07%
580	6	1.72%
315	10	0.94%
600	5	1.78%
<hr/> <hr/> 12,067		<hr/> <hr/> 35.86%

City of Santa Maria

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007
Public safety					
Police protection services	155.5	157.5	162.0	162.0	170.0
Fire and emergency services	52.5	55.5	58.5	58.5	59.0
Utilities					
Water distribution services	33.5	33.5	34.5	34.5	41.5
Solid waste collection/disposal services	33.0	33.0	39.0	39.0	47.0
Public ways and facilities					
Streets services	21.5	21.5	25.5	25.5	24.5
Public transit services	1.0	1.0	2.5	2.5	2.5
Recreation and parks					
Recreation and parks services	101.5	101.5	121.0	121.0	129.0
Library					
Library services	38.0	38.0	38.5	38.5	38.5
Community development					
Planning and inspection services	22.5	22.5	23.0	23.0	30.0
Block grant/special project services	7.0	7.0	4.5	4.5	2.0
General government					
Legislative services	5.0	5.0	5.0	5.0	5.0
Legal services	11.0	11.0	11.5	11.5	12.0
Administration	11.0	11.0	12.0	12.0	12.0
Administrative services	19.0	19.0	18.5	18.5	22.0
Engineering and facilities maintenance	22.5	22.5	24.5	24.5	22.5
Special revenue					
Landscaping services	*	*	8.0	8.0	4.5
Public, education, government television	*	*	4.0	4.0	2.0
Internal service					
Fleet services	4.0	4.0	4.5	4.5	5.5
Risk Management	1.0	1.0	1.0	1.0	1.0
Total	539.5	544.5	598.0	598.0	630.5

NOTE:

*Employee by Function was not budgeted.

SOURCE: 2012-14 City of Santa Maria Budget

2008	2009	2010	2011	2012
172.0	172.0	169.0	169.5	169.5
59.0	63.0	60.0	54.0	51.3
39.5	40.5	40.5	41.5	41.5
47.0	48.0	47.0	48.0	48.0
24.5	24.5	24.5	23.5	23.5
2.5	2.5	2.5	2.5	2.5
136.5	136.5	134.0	119.5	121.0
49.0	49.0	46.5	40.0	41.0
26.0	30.5	28.5	26.5	26.5
2.0	2.0	2.0	2.0	2.0
5.0	5.0	5.0	5.0	5.0
12.0	12.0	12.5	11.0	11.0
13.5	12.0	12.0	11.5	12.5
25.5	25.5	24.5	23.5	23.5
22.5	24.5	23.5	21.5	21.5
4.5	4.5	4.5	10.5	10.5
2.0	2.0	2.0	2.0	2.0
7.5	7.5	7.5	8.5	8.5
1.0	1.0	1.0	1.0	1.0
651.5	662.5	647.0	621.5	622.3



City of Santa Maria

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function/Program	2004-06	2006-08	2008-10	2010-12
Police				
Number of stations	1	1	1	1
Calls for service	248,307	265,571	267,500	269,500
Fire and emergency services				
Number of stations	3	4	4	5
Calls for service	14,160	16,300	17,656	17,353
Utilities				
Water production/per acre feet	28,000	29,160	29,030	29,150
Meters Read	509,000	504,000	504,000	507,500
Wastewater treated/mgd	8.55	8.42	8.50	8.30
Solid waste collection and disposal services				
Residential and commercial accounts serviced	43,900	30,765	36,700	37,550
Residential and commercial tons collected	118,950	120,875	120,530	127,300
Average tons received at landfill/day	360	616	533	534
Street Services				
Streetlight maintenance/hours	4,242	5,446	6,774	8,637
Traffic Signal maintenance/hours	2,900	2,888	2,906	2,961
Transit				
Passengers	1,833,600	2,195,781	2,377,749	2,651,392
Miles	1,428,200	1,558,968	1,700,351	2,086,429
Recreation and Parks				
Program registrations	26,790	27,541	34,112	35,000
Facility attendance	1,428,533	2,364,519	2,742,883	2,800,000
*Park acres maintained	300	237	772	772
Trees managed	27,200	27,200	32,685	33,491
Library				
Cardholders	85,000	75,000	70,000	80,000
Materials checked-out	1,580,500	1,024,740	1,030,000	1,200,000
Community development				
Plan checks	4,500	3,052	1,239	1,300
Building permits issued	4,901	2,967	2,631	2,800

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: 2010-12 City of Santa Maria Budget

City of Santa Maria

CAPITAL ASSETS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008
Police						
Stations	1	1	1	1	1	1
Patrol units	29	33	41	42	43	41
Fire stations	3	3	4	4	4	4
Solid waste						
Refuse collection trucks	18	17	19	25	21	24
Highways and streets						
Street miles	188	196	206	203	219	220
Streetlights	5,654	6,100	6,500	6,654	6,600	6,900
Park acreage/Open Space	248	248	248	248	248	*772
Water hydrants	2,700	2,800	2,909	3,000	3,108	4,500
Sewer miles	198	206	237	240	240	330

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

SOURCE: 2010-12 City of Santa Maria Budget

2009	2010	2011	2012
1	1	1	1
41	41	41	41
4	4	5	5
23	23	23	23
222	224	224	224
6,900	6,890	7,090	6,708
772	772	772	772
4,500	*3,280	3,300	3,300
529	*200	210	213

