



CITY OF SANTA ANA, CALIFORNIA

2009 Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Prepared by
Finance & Management Services Agency

Francisco Gutierrez
Executive Director



Comprehensive Annual Financial Report
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CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

MAYOR

Miguel A. Pulido

MAYOR PRO TEM

Claudia C. Alvarez

COUNCIL MEMBERS

P. David Benavides

Carlos Bustamante

Michele Martínez

Vincent F. Sarmiento

Sal Tinajero



CITY OF SANTA ANA

CITY MANAGER

David N. Ream

CITY ATTORNEY

Joseph W. Fletcher

CLERK OF THE COUNCIL

Maria D. Huizar

December 14, 2009

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

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 generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed independent certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Santa Ana for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Santa Ana. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Santa Ana has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Santa Ana's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Santa Ana'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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Santa Ana's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Ana for the fiscal year ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Santa Ana's financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Santa Ana 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 of Santa Ana's separately issued Single Audit Report.

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

Profile of the Government

The City of Santa Ana, incorporated in 1886, is located in Orange County, California, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City of Santa Ana currently occupies a land area of 27.2 square miles and serves a population of 355,662. The City of Santa Ana is empowered to levy a property tax on both real and personal properties located within its boundaries. Increases in the property tax rate are subject to voter approval. It also is empowered by state statute to extend its corporate limits by annexation when deemed appropriate by the governing council.

The City of Santa Ana has operated under the council-manager form of government since 1952, having been one of the first in the state to adopt this form of government. Policy-making and legislative authority are vested in a governing city council consisting of the mayor and six other members. The City Council, among other things, is responsible, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and the City Clerk. 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 for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a two-year term. The mayor and all council members are elected at large.

The City of Santa Ana provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities; public library and cultural events. The City of Santa Ana is also responsible for three legally separate entities: The Community Redevelopment Agency of the City of Santa Ana, the Housing Authority, and the Santa Ana Financing Authority, each of which are reported separately within the City of Santa Ana's financial statements. Additional information on all three of these legally separate entities can be found in Note 1A in the notes to the basic financial statements.

The annual budget serves as the foundation for the City of Santa Ana's financial planning and control. During the months of January through April of each year, the City of Santa Ana agencies submit requests for appropriation to the City Manager which are then used to develop the proposed budget. The City Manager then presents this proposed budget to the council for review prior to June 15. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than July 31. The appropriated budget is prepared by fund, department (e.g., police), and program (e.g., police patrol). Upon adoption of the budget, department heads may make appropriation adjustments within a department. Appropriation adjustments between departments; however, require the special approval of the City Council. The Comprehensive Annual Financial Report includes budgetary comparisons for individual governmental funds for which a budget has been adopted. The general fund comparison is presented on page 109 as part of the basic financial statements for the governmental funds. Governmental funds comparison, other than the general fund, with appropriated

annual budgets, is presented in the governmental fund subsection of this report, which starts on pages 107 through 109 as well as on pages 124 and 127.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Santa Ana operates.

Economic base. Orange County is the fourth richest county in the nation with a Gross County Product of \$179.7 billion. The City of Santa Ana is known as the heart of Orange County and the center of government, commerce and transportation. Santa Ana is home to over 15,000 businesses with the top 25 businesses generating more than 30% of the jurisdiction's total sales/use tax revenue. Major companies with headquarters and divisions located within the City's boundaries include computer hardware and software manufacturers, electrical controls and electronic component manufacturers, food manufacturers, and several financial and insurance institutions. A key component in enhancing the City's economic base is its focus on business attraction and retention program. The City's designation as an Enterprise Zone provides a competitive edge in attracting new businesses to the area. Private sector developers also recognize the benefits of building in Santa Ana and as a result several new commercial and residential projects were developed, which resulted in over 1,500 new residential units and over 30,000 square feet of new retail space.

Local economy. The downturn in the economy and the affects it's had on real estate and retail sectors have negatively impacted the State of California and local jurisdictions within Orange County. Substantial revenue declines have led to a surge in job losses at both private and public sectors. California's unemployment rate reached a record high of 12.2% in September 2009 while Orange County is expected to rise to 9.4%. Both State and County unemployment rates are expected to rise even further due to the shrinkage in the mortgage, finance, retail and real estate market as it may take several years to generate new sustainable job growth. Economists expect California will experience a sluggish economic recovery in 2010 or early 2011. The current economic downturn has eroded the City of Santa Ana General Fund revenues as fiscal year 2009/10 projected revenues are anticipated to decline by 5% when compared to fiscal year 2008/09. The two largest revenue sources, sales tax and property tax are projected to decline 14.8% and 7.8% respectively. The City is developing a strategic financial plan to address impacts of the current economic situation on its budget.

Long-term financial planning. Ensuring the City's financial stability is a fundamental responsibility of the administration of our organization. In addition to the ongoing fiduciary functions, strategy for our long-term financial ability to deliver quality services includes; aggressively seeking grant monies available to local government to fund capital projects or enhance operations; refinancing debt to reduce annual payments by capitalizing on lower interest rates; actively pursuing competitive bids for goods, services, and capital projects; providing adequate reserves for liability and workers compensation funds; and minimizing credit and market risks while maintaining a competitive yield on the City's investment portfolio. In 2009-10, the City will continue to research grant opportunities provided by the Federal and State governments and aggressively apply for programs that are in alignment with our goals. Through the efforts of our departments and the citywide grants task force, the City secured \$79 million in competitive grant funding in fiscal year 2009-2010. Also through the efforts of the Santa Ana Police Department, the Department of Homeland Security has awarded the City the Fiscal Year 2010 Urban Area Security Initiative Grant for \$20 million. This financial assistance will provide funding to address the unique planning, equipment, training, and exercise needs of large urban areas

and to assist the City in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism.

The City's population has increased by almost 55% in the last twenty plus years. It is anticipated that Santa Ana will continue to experience modest population growth through 2025. Providing and maintaining infrastructure and community facilities are essential goals of the City's administration. One of the priorities under these goals is to ensure proper levels of maintenance for our infrastructure, public buildings, parks and neighborhoods. Another priority is the improvement of local neighborhood streets. The \$104 million Capital Improvement Program for the 2009-2010 fiscal year includes: the commitment to neighborhood improvements, with more than \$38.5 million budgeted for neighborhood street improvements, street resurfacing, and reconstruction of damaged curbs and sidewalks; \$1 million for improvements at City parks; \$39.5 million for arterial improvements of which \$28.7 million was awarded from the Orange County Transportation Authority gas tax subvention for the Bristol Street corridor widening project; \$4.6 million for improvements to the water and sewer systems improvements; and \$6 million for traffic improvements.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, securities issued by federal agencies commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's investment pool. The maturities of the investments range from 3 days to 5 years, with an average maturity of 13 months. The average yield on investments was 2.16 percent. Investment income includes the increase in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City of Santa Ana has a comprehensive risk management program for workers' compensation, liability and property risks. As part of this comprehensive plan, resources are being accumulated in the self-insurance fund to meet potential losses. In addition, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. Insurance coverage is maintained for workers compensation claims greater than \$500,000. The City is currently self-insured for liability claims up to \$1 million. In FY 88-89, the City entered the Big Independent Cities Excess Pool (BICEP), a risk-sharing joint powers authority with four other cities, which has assumed loss risk for liability claims between \$1 million and \$25 million against the City. BICEP, in turn, has obtained excess insurance coverage for liability claims between \$2 million to \$102 million. In 1993, the City became a charter member of the Public Entity Property Insurance Program (PEPIP). Current PEPIP limits are \$1 billion per occurrence for "all risk", and \$82.5 million for flood coverage. Additional information on the City of Santa Ana's risk management activity can be found in Note 4A of the notes to the basic financial statements.

Pension and other post-employment benefits. The City has contracted with the California Public Employee's Retirement System (CalPERS) to provide certain retirement, disability, death and survivor benefits for full-time city employees. The annual actuarial valuation of CalPERS continues to reflect relative stability in the City's and employees' funding of the system. The City's actuarial determined contribution rate for Safety members was 23.906% effective rate for fiscal year 08-09. The contribution rate for miscellaneous members has remained at a 6.816% effective rate for fiscal year 08-09.

The City of Santa Ana also provides limited postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 414 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

Additional information on the City of Santa Ana's pension arrangements and post-employment benefits can be found in pages 98 through 103 as well as pages 112 and 113 in the notes to the basic financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Ana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the thirty one consecutive years that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the city also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2008-09 budget document. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The same budget document also received an award for "Excellence in Budgeting" from the California Society of Finance Officers Association (CSMFO).

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the Finance Department, particularly the Accounting Division. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Santa Ana's finances.

Respectfully submitted,



David N. Ream
City Manager



Francisco Gutierrez
Executive Director
Finance & Management Services



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

GFOA Certificate of Achievement

Excellence in Financial Reporting for Fiscal Year Ended June 30, 2008

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Santa Ana
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



President

Executive Director

Directory of City Officials

June 30, 2009

Miguel A. Pulido
Mayor

Claudia C. Alvarez
Mayor Pro Tem

P. David Benavides
Councilmember

Carlos Bustamante
Councilmember

Michele Martinez
Councilmember

Vicent F. Sarmiento
Councilmember

Sal Tinajero
Councilmember

David N. Ream
City Manager

Joseph W. Fletcher
City Attorney

Maria D. Huizar
Clerk of the Council

Cynthia Nelson
Deputy City Manager

Development Services

Jill Arthur
Executive Director

External Affairs

Francisco Gutierrez
Executive Director

Finance & Management Services Agency

Marc Martin
Fire Chief

Fire Department

Robert J. Richard
Executive Director

Library Services Agency

Enrique J. Alva
Executive Director

Personnel Services Agency

Jay M. Trevino
Executive Director

Planning & Building Agency

Paul M. Walters
Police Chief

Police Department

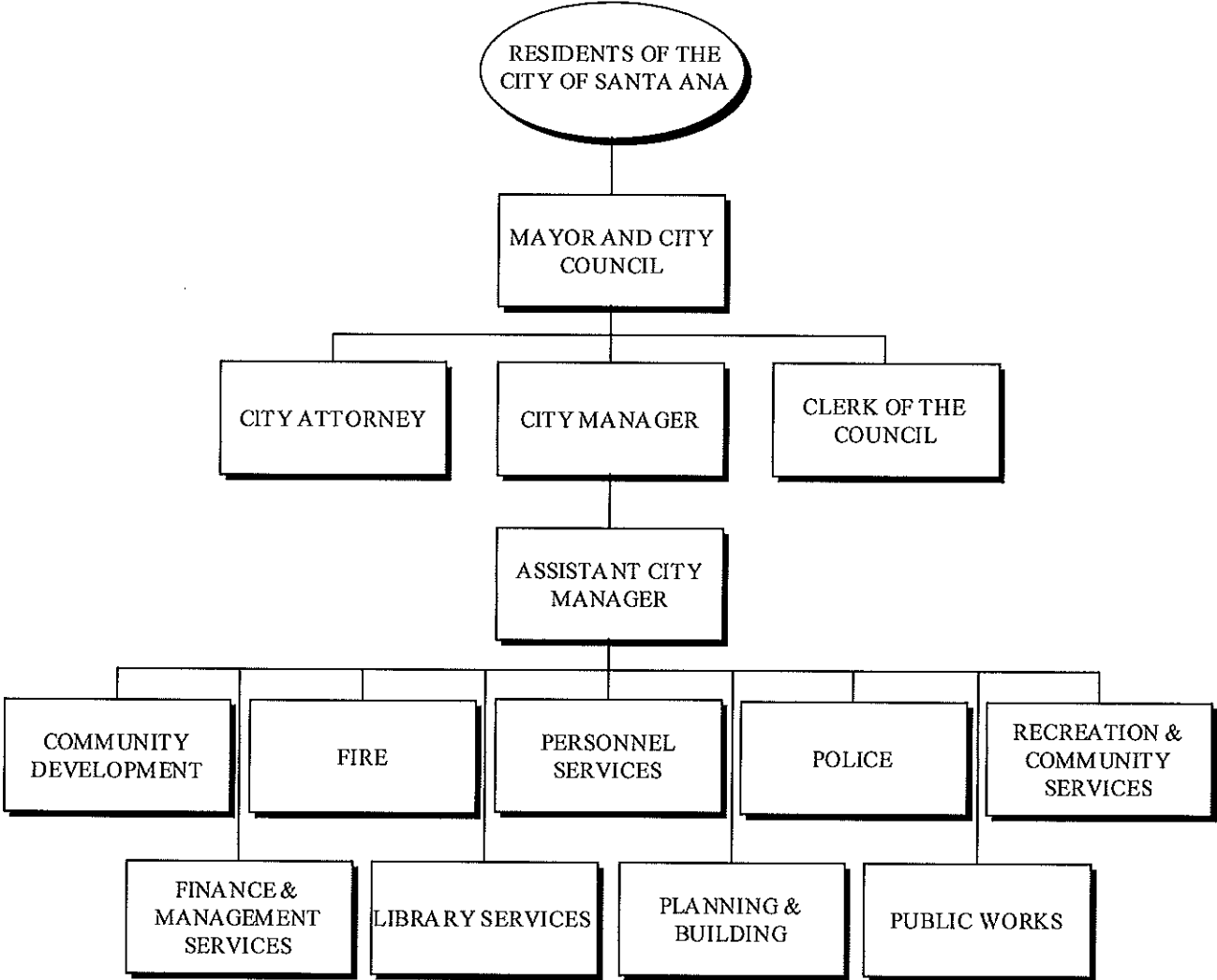
Gerardo R. Mouet
Executive Director

Parks, Recreation & Community Service Agency

James Ross
Executive Director

Public Works Agency

Table of Organization
Fiscal Year 2008-2009





CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of
the City of Santa Ana, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Santa Ana, California (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Santa Ana'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and opinion in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Ana, California, as of June 30, 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the City of Santa Ana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Ana's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Macias Jini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

December 14, 2009

Management's Discussion and Analysis

As management of the City of Santa Ana (City), we offer readers of the City of Santa Ana's financial statements this narrative overview and analysis of the financial activities of the City of Santa Ana for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The City of Santa Ana's combined governmental activities and business-type activities assets exceeded its liabilities at the close of the most recent fiscal year by \$987,643 (net assets). Of this amount, \$29,911 is unrestricted. The City's investment in capital assets net of related debt is \$767,781 and \$189,951 restricted for debt service, capital projects and specific projects and programs. The City's general revenue decreased (\$7,267) or 3.43 percent from fiscal year 2007-08 due to decreases in Sales taxes, Hotels visitors' taxes, however the City's total net assets increased by \$53,890 due to increases in the operating grants and City's charges for services.
- As of the close of the current fiscal year, the City of Santa Ana's governmental funds reported combined ending fund balances of \$233,677, a decrease of (\$5,723) as compared to the prior fiscal year. The decrease was primarily due to the construction cost for the Local Street Improvement Project. At the end of the current fiscal year the fund balance for the general fund decreased by \$19,792 as compared to the prior fiscal year primarily due to the decrease in sale taxes revenue as well as the increase in expenditures. The amount of \$11,093 is available for spending which is 5.09 percent of total general fund appropriations in fiscal year 2009-10. (See Note 4G on page 103).
- The City experienced a net decrease in its total bonded debt and loans by \$14,059 in the fiscal year under review due to the principal repayments of existing debt. (See Note 3E on page 79).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Santa Ana's basic financial statements. The City of Santa Ana's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Santa Ana's finances, in a manner similar to a private sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Santa Ana that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City of Santa Ana include general government, human resources, finance and management services, museum, library, recreation and community services, police, fire, planning and building, public works and community development. The business type activities of the City of Santa Ana include Water, Refuse Collection, Parking, Sanitation, a Regional Transportation Center, Sewer and the Federal Clean Water Protection.

The government-wide financial statements include not only the City of Santa Ana itself (known as the *primary government*), but also blended component units. Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Community Redevelopment Agency of the City of Santa Ana (RDA), the Housing Authority, and the Santa Ana Financing Authority (SAFA) are reported as part of the primary government.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Santa Ana, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Santa Ana can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Santa Ana maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Grants Fund, Special Revenue Housing Authority Fund, Special Revenue Gas Tax Fund, RDA Capital Projects Fund, Capital Projects Street Construction Fund, RDA Debt Service and the SAFA Debt Service Funds, all of which are considered to be major funds. Data from the other seven governmental funds are 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* elsewhere in this report.

The City of Santa Ana adopts an annual appropriated budget for its General Fund, Housing Authority Special Revenue Fund, Special Gas Tax Fund and other non-major Special Revenue Funds, including Sewer Connection Fee, Civic Center and Maintenance, Inmate Welfare Fund and Air Quality Management. A budgetary comparison statement has been provided for both to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 40-46 of this report.

Proprietary funds. The City of Santa Ana 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 of Santa Ana uses enterprise funds to account for its Water, Refuse Collection, Parking, Sanitation, Regional Transportation Center operations, the Sewer Enterprise Fund, and the Federal Clean Water Protection Enterprise Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Santa Ana's various functions. The City of Santa Ana uses internal service funds to account for, amongst others, its self insurance and equipment maintenance/replacement, and for its management information systems. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities*, in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, and the parking operation, which are considered to be major funds of the City of Santa Ana. Conversely, all 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 statement* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 48-55 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Santa Ana's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 56 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-104 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Santa Ana's budgetary information and compliance. Required supplementary information can be found on pages 107-109 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, enterprise funds, and internal service funds are presented immediately following the required supplementary information captioned supplementary schedules. Combining and individual fund statements and schedules can be found on pages 117-160 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Santa Ana, assets of the City's governmental activities exceeded liabilities by \$872,721 at the close of fiscal year 08-09 as compared to the net assets of \$829,493 in fiscal year 07-08.

By far the largest portion of the City of Santa Ana net assets reflects its investment in capital assets (e.g., land, rights of way, infrastructure, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Santa Ana uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Santa Ana's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Santa Ana Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 411,052	\$ 401,115	\$ 40,290	\$ 35,254	\$ 451,342	\$ 436,369
Capital assets	857,098	829,724	109,508	107,771	966,606	937,495
Total assets	<u>1,268,150</u>	<u>1,230,839</u>	<u>149,798</u>	<u>143,025</u>	<u>1,417,948</u>	<u>1,373,864</u>
Long-term liabilities	364,674	369,766	27,744	29,941	392,418	399,707
Other liabilities	30,755	31,580	7,132	8,824	37,887	40,404
Total liabilities	<u>395,429</u>	<u>401,346</u>	<u>34,876</u>	<u>38,765</u>	<u>430,305</u>	<u>440,111</u>
Net assets:						
Invested in capital assets- net of related debt	684,618	650,254	83,163	79,764	767,781	730,018
Restricted	182,937	185,518	7,014	4,111	189,951	189,629
Unrestricted	5,166	(6,279)	24,745	20,385	29,911	14,106
Total net assets, as Restated*						
* 2008	<u>\$ 872,721</u>	<u>\$ 829,493</u>	<u>\$ 114,922</u>	<u>\$ 104,260</u>	<u>\$ 987,643</u>	<u>\$ 933,753</u>

An additional portion of the City of Santa Ana's governmental activities net assets (21.02 percent) represents resources that are subject to external restrictions on how they may be used. As June 30, 2009 the City's unrestricted net assets is a positive \$5,166 or a positive 0.59 percent. The positive in unrestricted net assets primarily due to the increase in net assets of \$43,228 as compared to fiscal year 07-08.

At the end of the current fiscal year, the City of Santa Ana is able to report positive balances in three categories of net assets for its governmental activities. In the business-type activities the City also has positive balances in the three categories of net assets. The same situation held true for the prior fiscal year.

The government's total net assets are increased by \$53,892 during the current fiscal year. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

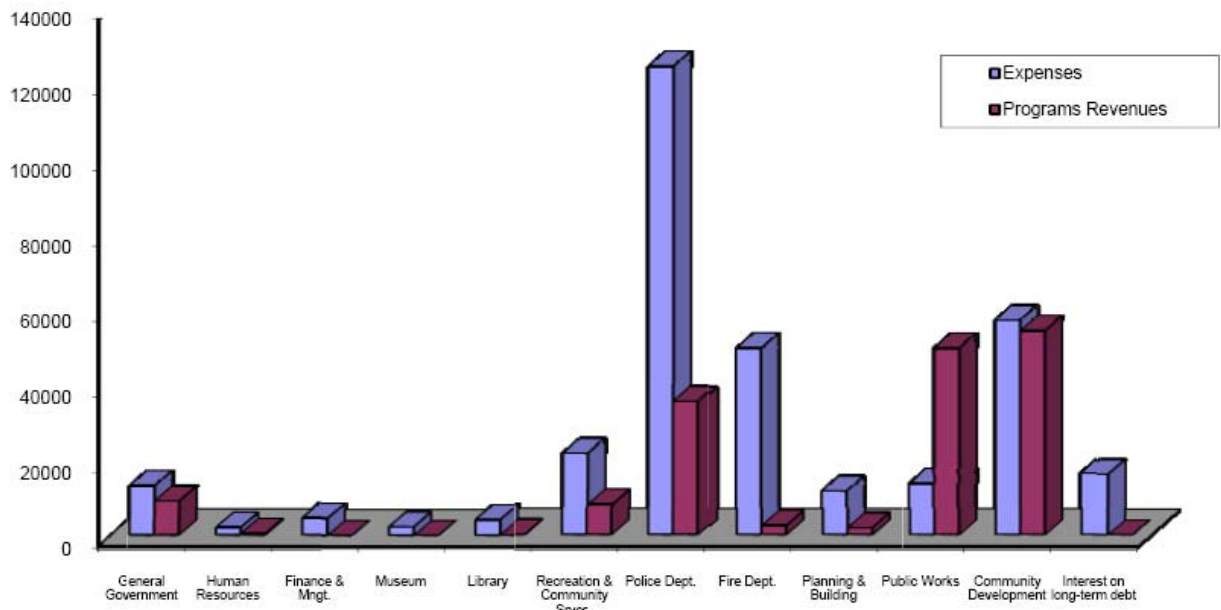
Governmental activities. Governmental activities increased the City of Santa Ana's net assets by \$43,228, thereby accounting for 80.22 percent of the total growth in the net assets of the City of Santa Ana. Key elements of this increase are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

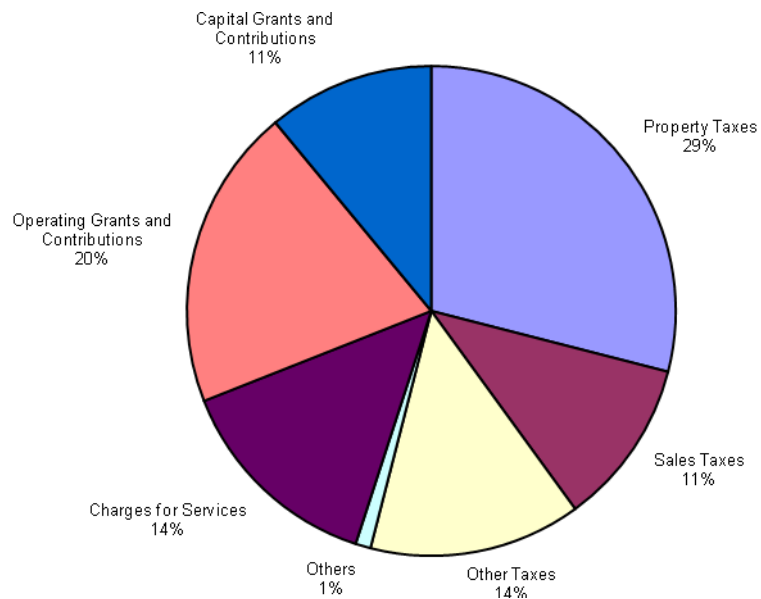
	Activities		Activities		Total	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 51,451	\$ 34,295	\$ 76,251	\$ 69,073	\$ 127,702	\$ 103,368
Operating grants and contribution	72,232	61,202	6,442	6,185	78,674	67,387
Capital grants and contribution	38,694	37,448	-	-	38,694	37,448
General revenues:						
Property taxes	106,966	103,339	-	-	106,966	103,339
Other taxes	90,934	100,147	-	-	90,934	100,147
Intergovernmental, unrestricted	1,203	1,672	-	-	1,203	1,672
Investment income	4,613	5,219	463	850	5,076	6,069
Others	542	761	-	-	542	761
Total revenues	366,635	344,083	83,156	76,108	449,791	420,191
Expenses:						
General government	13,718	318	-	-	13,718	318
Human resources	2,056	1,929	-	-	2,056	1,929
Finance and management services	4,682	4,666	-	-	4,682	4,666
Museum	2,413	2,365	-	-	2,413	2,365
Library	4,427	4,572	-	-	4,427	4,572
Recreation and community services	21,097	17,119	-	-	21,097	17,119
Police department	125,224	112,249	-	-	125,224	112,249
Fire department	49,812	45,542	-	-	49,812	45,542
Planning and building	11,796	12,214	-	-	11,796	12,214
Public works	18,054	32,076	-	-	18,054	32,076
Community development	53,598	58,798	-	-	53,598	58,798
Interest on long-term debt	16,580	16,585	-	-	16,580	16,585
Water	-	-	41,911	41,295	41,911	41,295
Parking	-	-	2,767	2,973	2,767	2,973
Refuse	-	-	13,205	13,345	13,205	13,345
Transportaion center	-	-	1,422	1,300	1,422	1,300
Sewer	-	-	3,141	3,445	3,141	3,445
Sanitation	-	-	7,781	7,641	7,781	7,641
Federal clean water protection	-	-	2,217	2,585	2,217	2,585
Total expenses	323,457	308,433	72,444	72,584	395,901	381,017
Increase in net assets before transfers	43,178	35,650	10,712	3,524	53,890	39,174
Transfers in (out)	50	128	(50)	(128)	-	-
Increase in net assets	43,228	35,778	10,662	3,396	53,890	39,174
Net assets beginning	829,493	793,715	104,260	100,864	933,753	794,771
Net assets ending	\$ 872,721	\$ 829,493	\$ 114,922	\$ 104,260	\$ 987,643	\$ 833,945

- Property taxes increased by \$3,627 (3.51 percent) during the year. The increase is primarily due to the overall rise in property sales from prior year and assessed valuations. As a result of the downturn in the local economy, sales taxes for governmental activities decreased by \$6,723 (14.48 percent). Investment income decreased by \$606 (11.61 percent), due to the decrease in the average yield on investments. Capital Grants, and operating grants and contributions for governmental activities increased by \$1,246(3.33 percent) and \$11,030 (18.02 percent) respectively, as a result of the State released of the prior year withholding distributions. The grant awards provided resources to support three functions: police services, community development services and public works services. The total expenses in Governmental Activities increased 4.87% as compared to fiscal 07-08. The increase in expenses was primarily due to spending on grants received and the increase in labor contracts.

Expenses and Program Revenues - Government Activities



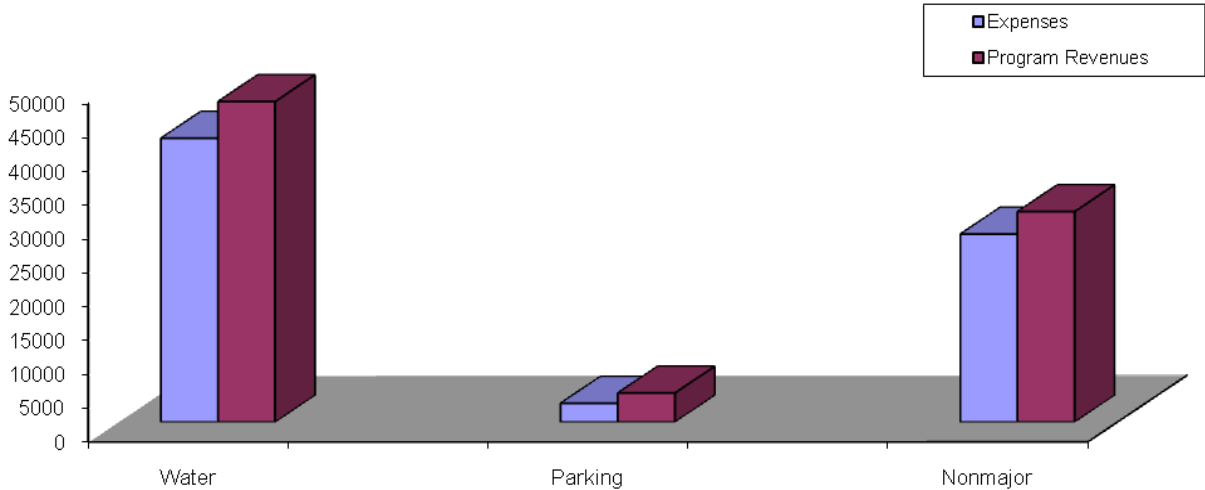
Revenue by Source - Governmental Activities



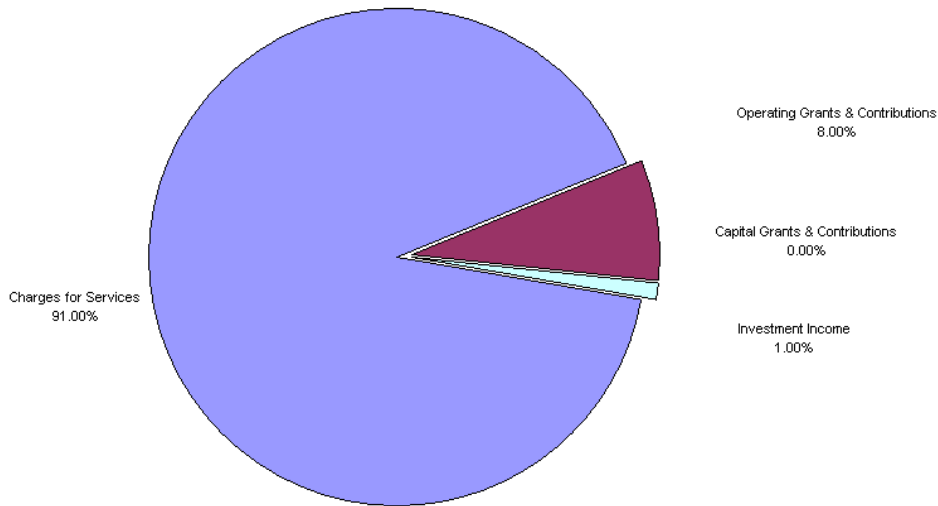
Business-type activities. Business-type activities increased the City of Santa Ana’s net assets by \$10,662, accounting for 10.23 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$7,178 (10.39 percent) as compared to the prior fiscal year. The Water Enterprise accounted for \$4,764, Parking Funds accounted for an increase of \$517. The non-major enterprise funds accounted for the increase of \$1,897.
- Investment earnings decreased by (\$387) (-45.53 percent) for business-type activities because of overall decrease in the size of the investment portfolio due to the increase in capital improvement expenses, as well as the decrease in interest rates.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Santa Ana uses fund accounting to ensure a demonstrated compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Santa Ana's governmental funds reported combined ending fund balances of \$233,677. \$85,495 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved for commitments: 1) to liquidate contracts and purchase orders of the prior period (\$100,213); 2) to pay debt service (\$13,025); or 3) a variety of other reserved purposes (\$34,944).

The General Fund is the chief operating fund of the City of Santa Ana. At the end of the current fiscal year, the fund balance of the general fund was \$16,336 as compared to \$36,128 in fiscal year 07-08. The 54.78 percent reduction is primarily due to the overall condition of the national economy. Santa Ana's major revenue sources for the general fund have begun to show signs of the economy's downturn. In fiscal year 08-09, sales taxes decreased 14.48 percent as compared to fiscal year 07-08. At the same time expenditures in the general fund increased 3 percent in fiscal year 08-09 due to labor contracts.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance in the General Fund was \$11,093 represents 7.43 percent of total general fund expenditures, while total fund balance represents 5.05 percent of that same amount. The City is developing and implementing a strategic financial plan to address impacts of the current economic situation on its budget.

The Special Revenue Grants Fund had a balance of \$4,875 in fiscal year 08-09 as compared to the fund balance of \$698 in fiscal year 07-08. The 698% increase is due to the grants received in advance for Police Criminal Activities grants and FEMA grants for ST Joseph's Hospital.

The Special Revenue Housing Authority's Fund had a balance of \$5,107 in fiscal year 08-09 as compared to the fund balance of \$4,827 in fiscal year 07-08. The 6 percent increase is due to the saving in administrative cost.

The Special Revenue Gas Tax Fund had a net decrease of \$14,710 in the current fiscal year. The decrease is primarily due to the spending on the proceeds received from the issuance of the Gas Tax Revenue Certificates of Participation for the 2007 Local Street Improvement Project.

The Capital Projects Street Construction Fund ended with a fund balance of \$23,344 in fiscal year 08-09 as compared to the fund balance of \$15,881 in fiscal year 07-08. The increase was primarily due to the advance received from OCTA for Bristol Street Widening Project.

The RDA debt service fund has a deficit fund balance of (\$63,943), of which \$8,812 is reserved for payment of debt service. This negative number is largely due to the RDA obligation to the SA Financing Authority. The SAFA debt service fund has a total fund balance of \$79,530, all of which is reserved for payment of debt service. The fund balance decreased by \$3,343 primarily due to principal repayments of the refunding lease revenue bonds. As required by GASB Statement No. 34, the intra-entity obligation between the RDA Debt Service Fund and the SA Financing Authority of \$72,755 was eliminated from the government-wide financial statements because repayment is not expected within a reasonable period of time.

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

The Water fund ended with total net assets of \$67,240 in fiscal year 08-09 as compared to the net assets of \$61,515 in fiscal year 07-08. The increase was primarily due to the rate charges for services increased and the capital projects were carried over to fiscal year 09-10.

The Parking fund ended with total net assets of \$6,821 in fiscal year 08-09 as compared to the net assets of \$5,254 in fiscal year 07-08. The increase was primarily due to the rate charges for services increased.

Unrestricted net assets of the of the business-type activities at the end of the year amounted to \$24,745 as compared to \$20,385 in fiscal year 07-08. As indicated earlier, the 21 percent increase was primarily due to the increase in rate charges for services increased and the capital projects were carried over to fiscal year 09-10.

General Fund Budgetary Highlights

During the year, there was a \$479 increase in appropriations between the original and final amended budget. Following are the main components of the increase (decrease):

- \$3,847 to roll forward 2007-08 active purchase orders provided for in prior reserve balances and budgets.
- \$1,105 to roll forward 2007-08 for the construction of the Federal Appellate Court Garage project
- (\$5,770) was decreased in appropriation 2008-09 budget in order to balance the revenue received during the fiscal year 2008-09. .
- \$44 supplemental appropriation to the Planning and Building Agency in anticipation of the revenue received from various building plan checks.
- \$500 supplemental appropriation to the Parks, Recreation & Community Services Agency in anticipation of the fund received from Friends of the Santa Ana Zoo donations for the Tierra De Las Pampas project.
- \$33 supplemental appropriation to the Police department in anticipation of the fund received from County of Orange for basketball court, monkey bar, alarm system and exterior parking gate at Santa Ana police Athletic & Activity League building.
- \$100 supplemental appropriation to the Parks, Recreation & Community Services Agency in anticipation of the fund received from County of Orange for the Jerome Center renovation project.
- \$1 supplemental appropriation to the Police department in anticipation of the fund received from Target Stores for the Graffiti Task Force.
- \$200 supplemental appropriation to the Public Works Agency in anticipation of the interest received from Trust account and appropriated the same amount to Ross Street Rehab project.
- \$373 supplemental appropriation to General Fund capital outlay in anticipation of the purchase of land from the Redevelopment Agency.
- \$46 supplemental appropriation to the Parks, Recreation & Community Services Agency in anticipation of the revenue received from Ompoint Communications for El Salvador Park and Thornton Park cell tower for El Salvador and Thornton Parks improvement.

General Fund revenues of \$204,895 were under budgeted revenues of \$211,884 by \$6,989 (3%). The short fall was primarily due the unfavorable variances for the following revenues: sales taxes (\$7,560), Utility Users Taxes (\$547), charges for services (\$467). However the favorable variance for fines and forfeits was \$103, Police Jail facility rental was \$2,358 and various rental incomes was \$423. Overall the unfavorable variances were due to the downturn in the economy. General Fund expenditures were less than budgeted. The variances were primarily due to the saving in administrative cost.

Capital Asset and Debt Administration

Capital assets. The City of Santa Ana's investment in capital assets for its governmental and business-type activities as of June 30, 2009, was \$966,606 (net of accumulated depreciation). This investment in capital assets includes land, right of way, street trees, buildings, improvements, machinery and equipment, park facilities, streets, and bridges.

City of Santa Ana Capital Assets

(net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 14,036	\$ 13,542	\$ 7,987	\$ 7,987	\$ 22,023	\$ 21,529
Rights of way	427,118	427,002	-	-	427,118	427,002
Street trees	5,963	5,956	-	-	5,963	5,956
Construction in progress	69,706	44,812	3,164	4,810	72,870	49,622
Building	104,241	110,286	3,433	3,652	107,674	113,938
Improvements	35,784	37,924	77,674	73,794	113,458	111,718
Equipment	14,592	16,990	4,812	4,675	19,404	21,665
Infrastructure	184,322	172,054	12,438	12,853	196,760	184,907
Library materials	1,336	1,158	0	-	1,336	1,158
Total	\$ 857,098	\$ 829,724	\$ 109,508	\$ 107,771	\$ 966,606	\$ 937,495

At the end of the current fiscal year, the City total assets increased by \$29,111 (3.11 percent). The increase is primarily due to the City wide local streets improvement projects and the Water Main improvements. Additional information on the City of Santa Ana's capital assets can be found in note 3C on pages 74-76 of this report.

Long-term debt. At the end of the current fiscal year, the City of Santa Ana had total bonded debt and loans outstanding of \$317,066. Of this amount, \$125,803 comprises debt backed by the full faith and credit of the government, \$175,770 represents bonds secured solely by specified revenue sources, \$5,705 in capitalized lease obligations and \$9,788 in long-term loans.

City of Santa Ana

Long-term Bonded Debt and Loans

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Tax allocation bonds	\$ 18,520	\$ 19,020	\$ -	\$ -	\$ 18,520	\$ 19,020
Tax allocation refunding bonds	24,500	26,160	-	-	24,500	26,160
Capital leases	5,705	8,517	-	-	5,705	8,517
Certificates of participation	77,845	78,160	-	-	77,845	78,160
Revenue bonds	158,710	167,166	17,060	17,850	175,770	185,016
Long-term loans and notes	8,329	7,050	1,459	1,604	9,788	8,654
Refunding certificates of participation	-	-	8,680	9,485	8,680	9,485
Less: deferred amounts	(5,989)	(6,484)	(853)	(932)	(6,842)	(7,416)
Add: bond premium	3,100	3,529	-	-	3,100	3,529
Total	\$ 290,720	\$ 303,118	\$ 26,346	\$ 28,007	\$ 317,066	\$ 331,125

At the end of the current fiscal year, the Governmental Activities long-term debt decreased by (\$12,398) and the Long-term debt in Business-type Activities decreased (\$1,661). The decreases represented the principal repayments of existing debts. Additional information on the City of Santa Ana's long-term debt can be found in note 3E on pages 79 through 92.

The City of Santa Ana maintains an "AAA" rating from Standard & Poor's and an "Aaa" by Moody's. The City currently has no general obligation debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Santa Ana is \$548,286.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Orange County Metropolitan Statistical Area was 9.3 percent in June 2009, an increase from a rate of 3.73 percent a year ago. This compares favorably to the state's average unemployment rate of 11.6 percent and the national average rate of 10.2 percent.
- Consistent with the condition of the national economy, the California financial outlook will continue to be volatile. At the local level, Santa Ana's major revenues sources continued to show signs of the economy's downturn.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Santa Ana's budget for the 2009-2010 fiscal year.

During the current fiscal year, total fund balance in the general fund was \$16,336. The City of Santa Ana has appropriated \$5,243 of this amount for spending in the 2009-10 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2009-10 fiscal year.

Both the Water and Refuse Collection rates increased for the 09-10 budget year. The water rates increased by an average of 17 percent for all customers, while the average increase in the refuse rates was 4.97 percent. These rate increases were necessary to cover the increased costs of providing these services in 2009-10.

Requests for Information

This financial report is designed to provide a general overview of the City of Santa Ana's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance & Mgmt. Services, City of Santa Ana, 20 Civic Center Plaza, Santa Ana, CA 92701.



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments (Note 3A)	\$ 230,748,236	\$ 26,228,386	\$ 256,976,622
Receivables:			
Taxes	10,847,488	-	10,847,488
Interest	803,626	63,204	866,830
Accounts	143,815	11,574,765	11,718,580
Allowance for uncollectible accounts	-	(271,568)	(271,568)
Intergovernmental	14,070,743	-	14,070,743
Loans and notes (Note 3I)	65,354,012	-	65,354,012
Internal balances	(2,000,000)	2,000,000	-
Inventory of supplies	1,049,594	-	1,049,594
Restricted assets:			
Cash and investments (Note 3A)	46,166,657	694,584	46,861,241
Cash and investments with fiscal agents (Note 3A)	19,166,581	185	19,166,766
Land held for resale	24,701,710	-	24,701,710
Capital assets, undepreciated (Note 3C)	516,823,952	11,151,646	527,975,598
Capital assets, net of accumulated depreciation (Note 3C)	340,273,950	98,356,825	438,630,775
Total assets	1,268,150,364	149,798,027	1,417,948,391
Liabilities:			
Accounts payable	9,834,403	5,430,363	15,264,766
Interest payable	6,582,150	288,095	6,870,245
Retention payable	524,861	84,285	609,146
Due to governmental agencies	6,790,395	-	6,790,395
Customer's deposits	106,343	1,328,532	1,434,875
Unearned revenue	6,917,167	-	6,917,167
Non current liabilities- due within one year (Note 3E)	30,069,337	2,154,219	32,223,556
Non current liabilities- due over one year (Note 3E)	320,958,866	25,267,820	346,226,686
Postemployment benefits obligation (Note 4F)	13,645,540	322,460	13,968,000
Total liabilities	395,429,062	34,875,774	430,304,836
Net Assets:			
Invested in capital assets, net of related debt	684,617,739	83,162,821	767,780,560
Restricted for:			
Debt service	13,864,334	-	13,864,334
Capital projects	100,526,992	7,014,026	107,541,018
Special Revenue Grants	10,665,861	-	10,665,861
Special Revenue Housing Authority	5,106,878	-	5,106,878
Local Street Improvements	52,773,688	-	52,773,688
Unrestricted	5,165,810	24,745,406	29,911,216
Total net assets	\$ 872,721,302	\$ 114,922,253	\$ 987,643,555

See Accompanying Notes to the Basic Financial Statements.

Statement of Activities
Year ended June 30, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 13,718,283	5,481,811	3,758,723	-
Human resources	2,055,895	-	424,634	-
Finance and management services	4,682,264	-	-	-
Museum	2,412,777	-	-	-
Library	4,427,625	-	155,380	-
Recreation and community services	21,096,749	2,597,863	4,243,781	1,231,880
Police department	125,223,575	18,771,147	16,074,150	616,165
Fire department	49,812,010	2,072,696	398,145	-
Planning and building	11,795,743	1,971,935	-	-
Public works	18,053,694	11,861,660	1,274,000	36,845,793
Community development	53,597,900	8,693,966	45,903,032	-
Interest on long-term debt	16,579,939	-	-	-
Total governmental activities	323,456,454	51,451,078	72,231,845	38,693,838
Business-type activities:				
Water	41,910,639	47,338,418	-	-
Parking	2,767,369	4,273,802	-	-
Refuse collections	13,204,578	8,614,749	6,441,742	-
Transportation center	1,422,037	1,026,823	-	-
Sewer	3,140,224	4,521,995	-	-
Sanitation	7,780,621	8,090,574	-	-
Federal clean water protection	2,216,696	2,384,192	-	-
Total business-type activities	72,442,164	76,250,553	6,441,742	-
Total	\$ 395,898,618	127,701,631	78,673,587	38,693,838

General revenues:

- Property taxes
- Sales taxes
- Hotels visitors' taxes
- Utility users taxes
- Business taxes
- Franchise taxes
- Other taxes
- Intergovernmental, unrestricted
- Investment income
- Other revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Accompanying Notes to the Basic Financial Statements.

STATEMENT OF ACTIVITIES

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
(4,477,749)	-	\$ (4,477,749)
(1,631,261)	-	(1,631,261)
(4,682,264)	-	(4,682,264)
(2,412,777)	-	(2,412,777)
(4,272,245)	-	(4,272,245)
(13,023,225)	-	(13,023,225)
(89,762,113)	-	(89,762,113)
(47,341,169)	-	(47,341,169)
(9,823,808)	-	(9,823,808)
31,927,759	-	31,927,759
999,098	-	999,098
(16,579,939)	-	(16,579,939)
(161,079,693)	-	(161,079,693)
-	5,427,779	5,427,779
-	1,506,433	1,506,433
-	1,851,913	1,851,913
-	(395,214)	(395,214)
-	1,381,771	1,381,771
-	309,953	309,953
-	167,496	167,496
-	10,250,131	10,250,131
(161,079,693)	10,250,131	(150,829,562)
106,966,182	-	106,966,182
39,698,745	-	39,698,745
6,148,803	-	6,148,803
27,692,711	-	27,692,711
10,026,518	-	10,026,518
5,866,855	-	5,866,855
1,500,258	-	1,500,258
1,202,703	-	1,202,703
4,612,907	462,781	5,075,688
542,796	-	542,796
50,183	(50,183)	-
204,308,661	412,598	204,721,259
43,228,968	10,662,729	53,891,697
829,492,334	104,259,524	933,751,858
872,721,302	114,922,253	\$ 987,643,555



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

Governmental Funds

Major Governmental Funds

GENERAL FUND

The General Fund must be classified as a major fund and is used to account for revenues and expenditures that are not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of special revenue sources that are restricted by law or administrative action to expenditures for specific purposes. The following have been classified as major funds in the accompanying financial statements:

Grants Fund is a combined report of various grants awarded to the City by the Federal, State, and local governments not otherwise accounted for in the General Fund or Capital Projects Funds. A detailed report by program is available under a separate report meeting the criteria of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, for all grants operated by the City.

Housing Authority Fund accounts for the receipt and disbursement of funds received from the U.S. Department of Housing and Urban Development to provide rental assistance programs for low income residents and senior citizens under Section 8 of the Federal Housing Act of 1937 as amended, and for the receipt of revenues from the issuance of Residential Mortgage Revenue Bonds. The City has elected to treat this fund as a major fund in the accompanying financial statements.

Gas Tax Fund accounts for the receipts and expenditures of money apportioned under Streets and Highway Code Sections 2105, 2106 and 2107 of the State of California.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for the acquisition of fixed assets or construction of major capital project not being financed by proprietary or nonexpendable trust funds. The following Capital Project Fund has been classified as a major fund in the accompanying financial statements:

Community Redevelopment Agency Fund is a combined report of revenues and expenditures for the merged redevelopment project area authorized under the provisions of the California Redevelopment Law.

Street Construction Fund – This fund is used to account for the receipts and disbursements of funds for right-of-way acquisition, construction and improvements related to the City's street system. These projects are funded by gas taxes, Measure M, Intermodal Surface Transportation Efficiency Act and improvement fees.

DEBT SERVICE FUNDS

The Debt Service Funds account for the servicing of the long-term debt not being financed by proprietary or nonexpendable trust funds. The following Debt Service Funds have been classified as major funds in the accompanying financial statements:

Community Redevelopment Agency (RDA) Funds account for the receipt of tax increment revenues which by State of California Law regulating redevelopment agencies, must be used for the payment of debt.

Santa Ana Financing Authority (SAFA) Fund accounts for the receipt of revenues and payment of debt service related to the Police Administration and Holding Facility Lease Revenue and the 1998 Refunding Revenue Bonds.

Nonmajor Governmental Funds

Other Governmental Funds - These funds constitute all other governmental funds that do not meet the major 10% tests of assets, liabilities, revenues or expenditures for the governmental funds and the 5% test of total assets, liabilities, revenues or expenditures for the total governmental and enterprise funds combined. These funds include other Special Revenue Funds and several Capital Projects Funds, including the Capital Grants Fund.

Balance Sheet
Governmental Funds
June 30, 2009

	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax
Assets				
Cash and investments (Note 3A)	\$ 17,739,457	3,184,416	5,212,297	4,363,033
Investment in RDA Bonds (Note 3E)	-	-	-	-
Receivables:				
Taxes	8,852,536	-	-	-
Interest	-	4,155	11,499	111,932
Accounts	10,512	133,303	-	-
Intergovernmental	1,869,723	5,744,160	-	445,656
Loans and notes (Note 3I)	-	30,046,730	-	-
Due from other funds (Note 3D)	1,288,308	500	-	-
Advances to other funds (Note 3D)	-	-	-	-
Restricted assets:				
Cash and investments (Note 3A)	-	-	-	45,871,372
Cash and investments with fiscal agents (Note 3A)	470,967	53,751	563,999	4,213,530
Court deposits	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>\$ 30,231,503</u>	<u>39,167,015</u>	<u>5,787,795</u>	<u>55,005,523</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,764,150	2,786,947	116,918	125,662
Interest payable	31,282	-	-	-
Retention payable	29,498	117,309	-	-
Due to other funds (Note 3D)	13,692	3,619	-	1,670,517
Due to other governmental agencies	-	5,588	-	-
Deferred revenues	6,917,167	31,378,335	563,999	435,656
Deposits	-	-	-	-
Advances payable to other funds (Note 3D)	5,140,000	-	-	-
Obligation to SA Financing Authority (Note 3E)	-	-	-	-
Total liabilities	<u>13,895,789</u>	<u>34,291,798</u>	<u>680,917</u>	<u>2,231,835</u>
Fund balances (deficit):				
Reserved for:				
Encumbrances and continuing appropriations	5,242,697	-	32,734	-
Debt service	-	-	-	4,213,529
Deposits	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Unreserved, designated for, reported in (Note 4G):				
General fund	11,093,017	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved, undesignated reported in:				
Debt service	-	-	-	-
Special revenue funds	-	4,875,217	5,074,144	48,560,159
Capital projects funds	-	-	-	-
Total fund balances (deficit)	<u>16,335,714</u>	<u>4,875,217</u>	<u>5,106,878</u>	<u>52,773,688</u>
Total liabilities and fund balances	<u>\$ 30,231,503</u>	<u>39,167,015</u>	<u>5,787,795</u>	<u>55,005,523</u>

See Accompanying Notes to the Basic Financial Statements.

GOVERNMENTAL FUNDS

Capital Projects Community Redevelopment Agency	Capital Projects Street Construction	Debt Service Community Redevelopment Agency	Debt Service SA Financing Authority	Nonmajor Governmental Funds	Total
68,337,997	22,068,529	16,429,212	1,481,702	13,128,080	\$ 151,944,723
-	-	-	72,755,000	-	72,755,000
-	-	1,994,952	-	-	10,847,488
140,917	41,292	182,454	16,317	27,789	536,355
-	-	-	-	-	143,815
-	4,354,474	-	-	1,656,730	14,070,743
35,307,282	-	-	-	-	65,354,012
451,132	1,670,517	-	-	32,995	3,443,452
10,242,359	-	-	-	-	10,242,359
-	-	-	-	-	45,871,372
-	-	8,587,541	5,276,793	-	19,166,581
100	-	-	-	-	100
24,628,103	73,607	-	-	-	24,701,710
<u>139,107,890</u>	<u>28,208,419</u>	<u>27,194,159</u>	<u>79,529,812</u>	<u>14,845,594</u>	<u>\$ 419,077,710</u>
885,231	1,617,041	904,191	-	117,753	\$ 8,317,893
-	-	-	-	-	31,282
-	372,518	-	-	5,536	524,861
-	8,100	451,132	-	1,296,392	3,443,452
-	-	6,784,807	-	-	6,790,395
34,772,282	2,867,180	-	-	1,114,159	78,048,778
106,343	-	-	-	-	106,343
-	-	10,242,359	-	-	15,382,359
-	-	72,755,000	-	-	72,755,000
<u>35,763,856</u>	<u>4,864,839</u>	<u>91,137,489</u>	<u>-</u>	<u>2,533,840</u>	<u>185,400,363</u>
66,007,714	21,264,534	-	6,774,812	890,202	100,212,693
-	-	8,811,670	-	-	13,025,199
100	-	-	-	-	100
24,628,103	73,607	-	-	-	24,701,710
10,242,359	-	-	-	-	10,242,359
-	-	-	-	-	11,093,017
-	-	-	-	5,469,328	5,469,328
-	2,005,439	-	-	2,683,103	4,688,542
-	-	(72,755,000)	72,755,000	-	-
-	-	-	-	(297,772)	58,211,748
2,465,758	-	-	-	3,566,893	6,032,651
<u>103,344,034</u>	<u>23,343,580</u>	<u>(63,943,330)</u>	<u>79,529,812</u>	<u>12,311,754</u>	<u>233,677,347</u>
<u>139,107,890</u>	<u>28,208,419</u>	<u>27,194,159</u>	<u>79,529,812</u>	<u>14,845,594</u>	<u>\$ 419,077,710</u>



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009**

Fund balances of governmental funds		\$ 233,677,347
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		845,405,734
Long-term liabilities, including bonds payable, loans, capital leases, and compensated absences, are not due and payable in the current period and, therefore are not reported in the funds.		
Long-term debt	\$ (299,657,807)	
Compensated absences	<u>(35,178,502)</u>	(334,836,309)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.		(6,508,872)
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis in governmental funds.		71,131,511
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		<u>63,851,891</u>
Net assets of governmental activities		<u><u>\$ 872,721,302</u></u>

See Accompanying Notes to the Basic Financial Statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2009

	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax
Revenues:				
Taxes	\$ 146,641,055	-	-	-
License and permits	3,485,312	-	-	-
Intergovernmental	2,982,459	35,424,498	28,631,163	7,204,917
Charges for services	8,906,590	-	-	-
Fines and forfeits	7,332,158	-	-	-
Investment income	1,223,583	19,187	111,165	1,320,254
Miscellaneous	34,323,833	1,763,242	263,253	-
Total revenues	<u>204,894,990</u>	<u>37,206,927</u>	<u>29,005,581</u>	<u>8,525,171</u>
Expenditures:				
Current:				
General government	9,674,765	3,995,862	-	-
Human resources	1,914,578	-	-	-
Finance and management services	4,481,132	-	-	-
Museum	1,974,553	-	-	-
Library	3,996,619	218,636	-	-
Recreation and community services	15,143,658	1,433,887	-	-
Police department	110,845,858	11,654,995	-	-
Fire department	50,532,224	363,311	-	-
Planning and building	10,533,955	1,738,919	-	-
Public works	5,115,788	249,927	-	2,730,045
Community development	313,047	9,606,904	28,726,183	-
Pass-through payments to districts and other agencies	-	-	-	-
County administrative charge	-	-	-	-
Loss on sale of land held for resale	-	-	-	-
Capital outlay	1,523,601	3,824,792	-	-
Debt service:				
Principal retirement	676,654	-	-	-
Interest and fiscal charges	548,231	-	-	3,088,241
Total expenditures	<u>217,274,663</u>	<u>33,087,233</u>	<u>28,726,183</u>	<u>5,818,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,379,673)</u>	<u>4,119,694</u>	<u>279,398</u>	<u>2,706,885</u>
Other financing sources (uses):				
Transfers in (Note 3D)	6,850,067	57,860	-	-
Transfers out (Note 3D)	(14,962,749)	-	-	(17,416,479)
Proceeds from long-term loan	700,000	-	-	-
Total other financing sources (uses)	<u>(7,412,682)</u>	<u>57,860</u>	<u>-</u>	<u>(17,416,479)</u>
Net change in fund balances	(19,792,355)	4,177,554	279,398	(14,709,594)
Fund balances (deficit) - beginning	<u>36,128,069</u>	<u>697,663</u>	<u>4,827,480</u>	<u>67,483,282</u>
Fund balances (deficit) - ending	<u>\$ 16,335,714</u>	<u>4,875,217</u>	<u>5,106,878</u>	<u>52,773,688</u>

See Accompanying Notes to the Basic Financial Statements.

GOVERNMENTAL FUNDS

Capital Projects Community Redevelopment Agency	Capital Projects Street Construction	Debt Service Community Redevelopment Agency	Debt Service SA Financing Authority	Nonmajor Governmental Funds	Total
-	156,087	58,972,010	-	47,794	\$ 205,816,946
-	-	-	-	-	3,485,312
-	30,144,980	-	-	4,797,760	109,185,777
-	-	-	-	254,598	9,161,188
-	-	-	-	-	7,332,158
1,802,451	436,413	277,964	6,030,368	282,677	11,504,062
2,068,136	445,853	-	-	494,794	39,359,111
<u>3,870,587</u>	<u>31,183,333</u>	<u>59,249,974</u>	<u>6,030,368</u>	<u>5,877,623</u>	<u>385,844,554</u>
-	-	-	-	-	13,670,627
-	-	-	-	234,120	2,148,698
-	-	-	-	-	4,481,132
-	-	-	-	-	1,974,553
-	-	-	-	-	4,215,255
-	-	-	-	4,115,934	20,693,479
-	-	-	-	396,815	122,897,668
-	-	-	-	-	50,895,535
-	-	-	-	83,442	12,356,316
65,672	1,504,529	-	-	-	9,665,961
14,792,391	-	-	-	-	53,438,525
-	-	10,398,573	-	-	10,398,573
-	-	390,666	-	-	390,666
948,599	-	-	-	-	948,599
-	39,622,555	-	-	1,848,275	46,819,223
4,254	-	2,160,000	9,950,000	-	12,790,908
6,390	-	8,250,401	9,098,928	-	20,992,191
<u>15,817,306</u>	<u>41,127,084</u>	<u>21,199,640</u>	<u>19,048,928</u>	<u>6,678,586</u>	<u>388,777,909</u>
<u>(11,946,719)</u>	<u>(9,943,751)</u>	<u>38,050,334</u>	<u>(13,018,560)</u>	<u>(800,963)</u>	<u>(2,933,355)</u>
27,694,681	17,406,479	1,181,800	10,857,322	1,599,085	65,647,294
(2,042,507)	-	(33,533,421)	(1,181,800)	-	(69,136,956)
-	-	-	-	-	700,000
<u>25,652,174</u>	<u>17,406,479</u>	<u>(32,351,621)</u>	<u>9,675,522</u>	<u>1,599,085</u>	<u>(2,789,662)</u>
13,705,455	7,462,728	5,698,713	(3,343,038)	798,122	(5,723,017)
<u>89,638,579</u>	<u>15,880,852</u>	<u>(69,642,043)</u>	<u>82,872,850</u>	<u>11,513,632</u>	<u>239,400,364</u>
<u>103,344,034</u>	<u>23,343,580</u>	<u>(63,943,330)</u>	<u>79,529,812</u>	<u>12,311,754</u>	<u>\$ 233,677,347</u>

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in the Fund Balances to the Statement of Activities
June 30, 2009**

Net change in fund balances governmental funds	\$ (5,723,017)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	
Capital outlay	\$ 46,819,223
Depreciation expense	(21,481,888)
Net of deletions	<u>(475,372)</u>
	24,861,963
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund.	9,338,152
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, the governmental funds report the effect of the issuance of long-term debt, issuance costs, premiums, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	11,442,658
Accrued interest for long term liabilities including bonds payable. This is the net change in accrued interest for the current period.	(220,428)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(8,901,368)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenues of the internal service funds is reported with governmental activities.	<u>12,431,008</u>
Change in net assets of governmental activities	<u>\$ 43,228,968</u>

See Accompanying Notes to the Basic Financial Statements.

Major Enterprise Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

Water - For the provision of water services to the residential, commercial and industrial segments of the City.

Parking - For the provision of the parking meter program and the downtown parking structures operations.

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Water	Parking
Assets:		
Current assets:		
Cash and investments (Note 3A)	\$ 15,806,719	2,836,637
Receivables:		
Accounts	7,727,277	9,046
Allowance for uncollectible accounts	(271,568)	-
Interest	27,191	19,529
Inventory of supplies	-	-
Total current assets	<u>23,289,619</u>	<u>2,865,212</u>
Noncurrent assets:		
Advances to other funds (Note 3D)	2,000,000	-
Restricted cash and investments (Note 3A)	694,583	1
Cash and investments with fiscal agent (Note 3A)	185	-
Capital assets (Note 3C):		
Land	603,544	3,591,049
Buildings	223,583	-
Improvements other than buildings	107,514,544	-
Equipment	13,330,610	360,909
Parking structures	-	14,748,556
Construction work in progress	3,164,562	-
Less accumulated depreciation	(58,190,723)	(6,283,617)
Total capital assets (net of accumulated depreciation)	<u>66,646,120</u>	<u>12,416,897</u>
Total noncurrent assets	<u>69,340,888</u>	<u>12,416,898</u>
Total assets	<u>92,630,507</u>	<u>15,282,110</u>
Liabilities:		
Current liabilities:		
Accounts payable	5,158,402	23,589
Retention payable	84,285	-
Compensated absences payable (current portion) (Note 3E)	117,149	6,537
Notes payable (current portion) (Note 3G)	150,122	-
Interest payable	254,152	33,943
Deposits payable	1,317,532	-
Claims payable (current portion) (Note 3E)	-	-
Capital lease payable (current portion) (Note 3E)	-	-
Revenue bonds payable (current portion) (Note 3F)	810,000	-
Certificates of participation payable (current portion) (Note 3H)	-	925,000
Total current liabilities	<u>7,891,642</u>	<u>989,069</u>
Noncurrent liabilities:		
Compensated absences payable	351,448	19,612
Notes payable	1,308,434	-
Claims payable	-	-
Postemployment benefits obligation	126,134	12,628
Capital lease payable	-	-
Revenue bonds payable, net of deferred amounts	15,712,409	-
Certificate of participation payable, net of deferred amounts	-	7,439,685
Total noncurrent liabilities	<u>17,498,425</u>	<u>7,471,925</u>
Total liabilities	<u>25,390,067</u>	<u>8,460,994</u>
Net assets:		
Invested in capital assets, net of related debt	48,665,155	4,052,212
Restricted for:		
Capital projects	694,583	-
Unrestricted	17,880,702	2,768,904
Total net assets	<u>\$ 67,240,440</u>	<u>6,821,116</u>

See Accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Nonmajor	Business-Type Activities- Enterprise Funds Totals	Governmental Activities- Internal Service Funds
7,585,030	\$ 26,228,386	\$ 78,803,513
3,838,442	11,574,765	-
-	(271,568)	-
16,484	63,204	267,271
-	-	1,049,594
<u>11,439,956</u>	<u>37,594,787</u>	<u>80,120,378</u>
-	2,000,000	3,140,000
-	694,584	295,285
-	185	-
3,792,491	7,987,084	-
8,607,909	8,831,492	-
41,345,826	148,860,370	859,017
9,303,242	22,994,761	33,891,227
4,817,295	19,565,851	-
-	3,164,562	3,918,752
(37,421,309)	(101,895,649)	(26,976,828)
<u>30,445,454</u>	<u>109,508,471</u>	<u>11,692,168</u>
<u>30,445,454</u>	<u>112,203,240</u>	<u>15,127,453</u>
<u>41,885,410</u>	<u>149,798,027</u>	<u>95,247,831</u>
248,372	5,430,363	1,516,510
-	84,285	-
145,411	269,097	461,967
-	150,122	-
-	288,095	41,996
11,000	1,328,532	-
-	-	8,025,000
-	-	983,595
-	810,000	-
-	925,000	-
<u>404,783</u>	<u>9,285,494</u>	<u>11,029,068</u>
436,232	807,292	1,385,910
-	1,308,434	-
-	-	15,256,932
183,698	322,460	593,740
-	-	3,130,290
-	15,712,409	-
-	7,439,685	-
<u>619,930</u>	<u>25,590,280</u>	<u>20,366,872</u>
<u>1,024,713</u>	<u>34,875,774</u>	<u>31,395,940</u>
30,445,454	83,162,821	7,578,283
6,319,443	7,014,026	-
4,095,800	24,745,406	56,273,608
<u>40,860,697</u>	<u>\$ 114,922,253</u>	<u>\$ 63,851,891</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2009

	Water	Parking
Operating revenues:		
Charges for services	\$ 46,837,451	4,265,101
Miscellaneous	500,967	8,701
Total operating revenues	<u>47,338,418</u>	<u>4,273,802</u>
Operating expenses:		
Cost of goods sold	-	-
Personnel services	3,874,893	680,523
Contractual services	12,174,099	1,062,493
Materials and supplies	7,592,208	39,042
Other services and charges	15,092,913	176,894
Administration	-	-
Insurance	-	-
Provision for self-insured losses	-	-
Depreciation	2,366,656	326,543
Total operating expenses	<u>41,100,769</u>	<u>2,285,495</u>
Operating income	<u>6,237,649</u>	<u>1,988,307</u>
Nonoperating revenues (expenses):		
Investment earnings	295,915	60,811
Interest expense	(808,395)	(436,829)
Gain (loss) on disposal of capital assets	-	-
Amortization of bond discount and issuance costs	-	(45,045)
Total nonoperating revenues (expenses)	<u>(512,480)</u>	<u>(421,063)</u>
Income before transfers	5,725,169	1,567,244
Transfers in (Note 3D)	-	-
Transfers out (Note 3D)	-	-
Change in net assets	5,725,169	1,567,244
Net assets - beginning	<u>61,515,271</u>	<u>5,253,872</u>
Net assets - ending	<u>\$ 67,240,440</u>	<u>6,821,116</u>

See Accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

		Business-Type Activities- Enterprise Funds	Governmental Activities- Internal Service Funds
Nonmajor	Totals		
17,599,700	\$ 68,702,252	\$ 71,800,426	
13,480,375	13,990,043	3,890,427	
31,080,075	82,692,295	75,690,853	
-	-	1,762,040	
6,349,342	10,904,758	16,404,477	
10,159,145	23,395,737	7,227,024	
498,251	8,129,501	4,306,683	
9,803,653	25,073,460	3,312,127	
-	-	4,674,304	
-	-	20,810,592	
-	-	7,205,603	
953,765	3,646,964	2,513,879	
27,764,156	71,150,420	68,216,729	
3,315,919	11,541,875	7,474,124	
106,055	462,781	1,580,213	
-	(1,245,224)	(143,026)	
(1,475)	(1,475)	(20,148)	
-	(45,045)	-	
104,580	(828,963)	1,417,039	
3,420,499	10,712,912	8,891,163	
-	-	4,068,202	
(50,183)	(50,183)	(528,357)	
3,370,316	10,662,729	12,431,008	
37,490,381	104,259,524	51,420,883	
40,860,697	\$ 114,922,253	\$ 63,851,891	

**Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2009**

	Water	Parking
Cash flows from operating activities:		
Receipts from customers	\$ 45,209,317	4,265,101
Receipts from interfund services provided	-	-
Receipts from other operating sources	500,967	8,701
Payments to suppliers for goods and services	(35,768,515)	(1,298,742)
Payments from interfund services used	-	-
Payments to employees	(4,090,527)	(704,992)
Net cash provided by operating activities	<u>5,851,242</u>	<u>2,270,068</u>
Cash flows from noncapital financing activities:		
Transfer in	-	-
Transfer out	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(5,336,440)	-
Proceeds from sale of capital assets	-	-
Retirement of long-term liabilities	(935,003)	(805,000)
Interest paid	(783,517)	(439,512)
Net cash provided by (used for) capital and related financing activities	<u>(7,054,960)</u>	<u>(1,244,512)</u>
Cash flows from investing activities:		
Interest received	358,522	51,019
Net increase in the fair value of investments	-	-
Net cash provided by investing activities	<u>358,522</u>	<u>51,019</u>
Net increase (decrease) in cash and cash equivalents	(845,196)	1,076,575
Cash and cash equivalents - beginning	<u>17,346,683</u>	<u>1,760,063</u>
Cash and cash equivalents - ending (Includes restricted assets)	<u>\$ 16,501,487</u>	<u>2,836,638</u>

See Accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Nonmajor	Business -Type Activities- Enterprise Funds	Governmental Activities- Internal Service Funds
Nonmajor	Totals	Funds
16,944,965	\$ 66,419,383	\$ -
-	-	71,800,426
13,480,375	13,990,043	3,890,427
(21,246,794)	(58,314,051)	(45,705,863)
-	-	(3,312,127)
(6,644,516)	(11,440,035)	(18,000,770)
2,534,030	10,655,340	8,672,093
-	-	4,068,202
(50,183)	(50,183)	(528,357)
(50,183)	(50,183)	3,539,845
(49,613)	(5,386,053)	(5,045,613)
-	-	-
-	(1,740,003)	(955,115)
-	(1,223,029)	(143,026)
(49,613)	(8,349,085)	(6,143,754)
111,096	520,637	1,496,295
-	-	191,971
111,096	520,637	1,688,266
2,545,330	2,776,709	7,756,450
5,039,700	24,146,446	71,342,348
7,585,030	\$ 26,923,155	\$ 79,098,798

Continued

**Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2009**

	Water	Parking
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,237,649	1,988,307
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,366,656	326,543
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,662,438)	-
Decrease (increase) in inventory of supplies	-	-
Increase (decrease) in accounts payable	(962,027)	(30,783)
Increase (decrease) in compensated absences payable	(278,701)	(20,313)
Increase (decrease) in deposits payable	34,304	-
Increase (decrease) in retention payable	52,732	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in postemployment benefits obligation	63,067	6,314
Net cash provided by operating activities	<u>\$ 5,851,242</u>	<u>2,270,068</u>
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>-</u>

See Accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Nonmajor	Business -Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
	Totals			
3,315,919	\$	11,541,875	\$	7,474,124
953,765		3,646,964		2,513,879
(654,734)		(2,317,172)		-
-		-		(27,429)
(785,746)		(1,778,556)		307,812
(387,023)		(686,037)		(1,024,838)
-		34,304		-
-		52,732		-
-		-		(868,325)
91,849		161,230		296,870
2,534,030	\$	10,655,340	\$	8,672,093
-	\$	-	\$	191,971

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets

Current assets:

Cash and investments (Note 3A) \$ 33,663,058

Receivables:

Loans and notes 868,288

Interest 73,010

Total assets \$ 34,604,356

Liabilities

Accounts payable \$ 1,403

Due to City employees 8,563,602

Due to other governmental agencies 26,039,351

Total liabilities \$ 34,604,356

See Accompanying Notes to the Basic Financial Statements.

Notes to the Basic Financial Statements, JUNE 30, 2009

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Santa Ana (the “City”) was incorporated on June 1, 1886 and operates under a Council/Manager form of government. The Council is composed of an elected Mayor and six Council members. As required by generally accepted accounting principles, these financial statements present the government and its component units for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with the data of the primary government. Each blended component unit as described below has a June 30 year-end. The City has no discretely presented component units.

Blended Component Units

Community Redevelopment Agency of the City of Santa Ana

The Redevelopment Agency (RDA) was originally established in 1973 to eliminate blighted areas through the redevelopment of six project areas under provisions of the California Community Development Law. Effective September 1, 2004, the RDA amended its project area plans to create one merged project area within the City. The City’s Council members serve as the Agency’s Directors, designate management, and have full accountability for the RDA’s fiscal matters. The RDA’s financial data and transactions are included within the Debt Service Funds and Capital Projects Funds. The RDA prepares a separate Component Unit Financial Report (CUFR) and a copy can be obtained from the City’s Finance and Management Services Agency.

Housing Authority of the City of Santa Ana

The Housing Authority (the “Authority”) was established in 1972 pursuant to Housing Authority Laws of California to provide rental assistance programs to low-income families and senior citizens, and to operate a Housing Rehabilitation Loan Program. The Authority is governed by a commission of seven members comprised of the City Council, which designates management and has full accountability for the Authority’s fiscal affairs. The Authority’s financial data and transactions are included within the Special Revenue Funds. There is no separate Component Unit Financial Report (CUFR) prepared for the Housing Authority.

Santa Ana Financing Authority

The Santa Ana Financing Authority (Financing Authority or SAFA) was organized in August 1993, for the primary purpose of assisting in the financing and refinancing of certain redevelopment activities of the RDA and certain public programs and projects of the City. The Financing Authority is administered by a board whose members shall be, at all times, the Mayor of the City and the members of the City Council. The Financing Authority’s board has full accountability for the Financing Authority’s fiscal affairs. The Financing Authority’s financial data and transactions are included with the Debt Service Funds and the Water Enterprise Fund. There is no separate Component Unit Financial Report (CUFR) prepared for the Santa Ana Financing Authority.

B. Government-wide and Fund Financial Statements

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

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentations

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Agency funds, however, are unlike all other types of funds, reporting only assets and liabilities. Therefore the Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, utility user's taxes, hotel visitors' taxes, interest and business taxes are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying

expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as deferred revenues.

The City reports the following major governmental funds:

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

Special Revenue Grants Fund. This fund accounts for revenue sources awarded to the City by the Federal, State and local governments not otherwise accounted for in the General Fund or Capital Projects Funds.

Special Revenue Housing Authority Fund. This fund accounts for the receipt and disbursement of funds received from the U.S. Department of Housing and Urban Development to provide rental assistance under Section 8 of the Federal Housing Act as amended. The City has elected to treat this fund as a major governmental fund.

Special Revenue Gas Tax Fund. This fund is used to account for the receipts and expenditures of money apportioned under Streets and Highway Code Sections 2105, 2106, and 2107 of the State of California.

Capital Projects Community Redevelopment Agency. This fund accounts for the receipts and expenditures relating to the City's merged redevelopment project area in accordance with the California Health and Safety Code.

Capital Projects Street Construction Fund. This fund is used to account for the receipts and disbursements of funds for right-of-way acquisition, construction and improvements related to the City's street system. These projects are funded by gas taxes, Measure M, Intermodal Surface Transportation Efficiency Act and improvement fees.

Community Redevelopment Agency Debt Service Fund. This fund accounts for the receipt of tax increment revenues which by State of California Law regulating redevelopment Agencies, must be used for the payment of debt.

Santa Ana (SA) Financing Authority Debt Service Fund. This fund accounts for the receipt of revenues and payment of debt service related to the Police Administration and Holding Facility Lease Revenue and the 1998 Refunding Revenue Bonds.

The City reports the following major proprietary funds:

Water Enterprise Fund. This fund is used to account for the provision of water services to the residential, commercial and industrial segments of the City.

Parking Enterprise Fund. This fund is used to account for the provision of the parking meter program and the downtown parking structures operation of the City.

Additionally, the City reports the following fund types:

Internal Service Funds. These funds account for fleet services, facilities management, equipment maintenance and replacement, the administration of the self-insurance programs, installation and maintenance of all data networking and financial management systems, engineering, designing, project management and construction services, and training and support services provided to other departments or agencies of the City, on a cost reimbursement basis.

Agency Funds. These funds are used to account for money and property held by the City as trustee or custodian. Among the activities are the disposition of funds charged to departments for the payment of salaries and retirement benefits to City employees, deposits made for the account of other governmental agencies, developers, tax increment pass-through and others under the terms of agreements for which the deposits were made.

Private sector standards of accounting and financial reporting issued by Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the business-type activities in the government-wide financial statements 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and other enterprise functions, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments. For purposes of the statement of cash flows, the City considered cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling the cash and investments of all funds, including the City's Enterprise Internal Service Funds and Agency Funds. As amounts are available to these funds on demand, all cash and investments are considered to be cash and cash equivalents for statement of cash flows purposes.

Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market rates. Changes in fair value that occur during the fiscal year are recognized as revenue from investment income (Governmental Funds) and investment earnings (Proprietary Funds). These revenues include interest earnings, changes in fair value, rentals, leases and any gains or losses realized upon liquidation, maturity, or sale of investments.

The City carries certain investments, which include money market securities (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less, at amortized cost.

Cash and investments are pooled to maximize investment yields. The net change in fair value and interest earned on the investments is allocated monthly to the respective funds based on each fund's daily average cash and investments balance.

Cash and Investments with Fiscal Agents. This account includes unexpended bond proceeds and amounts set aside for revenues and payment of debt service.

Receivables and Payables. Interagency current receivables and payables are classified as amounts "due from" and "due to" other funds. Intragency long-term receivables and payables with a repayment schedule are classified as "advances to" and "advances from" other funds. The City considers interagency long-term loans without a repayment schedule to be operating transfers. Accordingly, "loans receivable" are classified as "transfers out" while "loans payable" are "transfers in". Interest on such loans is recorded only when due. Loan amounts, including interest, are noted in Note 3B. When these loans are repaid, such transactions are also recorded as "transfers out" (typically from the Debt Service Funds) and "transfers in", and the loan balance is reduced in the footnotes. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

Property Taxes. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in September and are payable in two installments due on November 1, and February 1, and are considered delinquent after December 10 and April 10. The County of Orange, California bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied on the government-wide statements, and to the extent that they result in current receivables within 60 days in the governmental funds financial statements.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

Inventories. Inventories of materials and supplies are valued at average cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Land Held for Resale. Land held for resale is carried at the lower of cost or estimated net realizable value, as determined upon the execution of a disposition and development agreement.

Restricted Assets. Certain proceeds of the City's long-term debt proceeds are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$17,968,189. No interest amount was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and Parking Structures	30-50
Building Improvements	20
Public domain infrastructure	50
Storm Drain Pipe, Catch Basins	75
Sewer System	75
Water System	50
Vehicles	5
Office Equipment	3-5
Computer equipment	3-5

Arbitrage Liability. Any liability for arbitrated interest is recorded in the fund incurring the liability and interest income is reduced by the amount of liability incurred during the year. The City paid \$134,173 in arbitrage liability during the year ended June 30, 2009.

Compensated Absences. It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for unpaid accumulated sick leave is accrued

for employees who have attained ten (10) years or more of continuous service equivalent to one-third (1/3) of the total accumulated sick leave benefit credited to the employee, to a maximum of 427 hours for each employee. All vacation, compensated time, and vested sick leave pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements.

Long-term Obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Difference between Governmental Funds Balance Sheet and the Statement of Net Assets

The "total fund balances" of the City's governmental funds \$233,677,347 differs from "net assets" of governmental activities \$872,721,302 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Long-term liabilities of the internal service funds of \$29,837,434 are included in the internal service funds adjustment.

Tax allocation bonds payable	\$	(18,520,000)
Tax allocation refunding bonds		(24,500,000)
Lease revenue bonds payable		(88,960,000)
Refunding revenue bonds		(69,750,000)
Certificates of participation		(77,845,000)
Long-term loans payable		(8,328,862)
Compensated absences payable		(35,178,502)
Capitalized lease obligations payable		(1,591,278)
Postemployment benefit obligation		(13,051,800)
Bond premium		(3,100,252)
Less: Deferred amount on refunding costs		<u>5,989,385</u>
Total governmental activities long-term debt	\$	<u><u>(334,836,309)</u></u>

Accrued Interest

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on outstanding debt payable.

Accrued interest added	\$	<u><u>(6,508,872)</u></u>
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Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, because they primarily serve governmental activities of the City.

Internal service - net assets	\$	<u><u>63,851,891</u></u>
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Deferred Revenues

Various home loans and RDA Housing Rehabilitation loans guaranteed by deeds of trust are not available to pay for current period expenditures and are deferred in the fund statements, but eliminated in the government wide financial statements.

Net reclassifications	\$	<u><u>71,131,511</u></u>
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B. Explanation of Differences between Governmental Funds Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$(5,723,017) differs from the “change in net assets” for governmental activities \$43,228,968 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year.

Capital outlay	\$ 46,819,223
Depreciation expense	(21,481,888)
Net deletions	(475,372)
Difference	<u>\$ 24,861,963</u>

Long-Term Debt Transactions

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net change in compensated absences	\$ (2,521,468)
Postemployment benefits obligation (less \$593,740 in internal service fund liabilities)	<u>(6,379,900)</u>
	<u>\$ (8,901,368)</u>

Repayment of debt service is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The effect of changes in internal service funds long-term debt of \$955,155 is reflected in the adjustment below.

Principal payments made:	
Refunding revenue bonds	\$ 4,585,000
Tax allocation bonds	2,160,000
Police administrative and holding facility lease revenue bonds	3,870,000
Certificates of participation	315,000
Capitalized lease obligations	2,811,769
Long-term loans payable	4,254
Total principal repayments	<u>13,746,023</u>
Internal service fund activity	(955,115)
Proceeds from long-term loan	(1,282,641)
Amortization of bond premium	429,202
Amortization of deferred charges	<u>(494,811)</u>
Net change	<u>\$ 11,442,658</u>

Accrued Interest

Accrual interest for long-term liabilities decreases net assets in the government-wide financial statements. This is the net change in accrued interest for the current period.

Accrued interest	\$ <u>(220,428)</u>
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Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for internal service funds “closes” those funds by crediting additional amounts to participating governmental activities to cover the internal service funds’ cost for the year.

Net change in net assets - internal service funds	\$ <u>12,431,008</u>
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Deferred Revenues

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.

Revenue adjustment	\$ <u>9,338,152</u>
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C. Fund Deficits

At June 30, 2009 the Community Redevelopment Agency Debt Service fund has accumulated deficits of \$63,943,330. The deficit in the Community Redevelopment Agency Debt Service Fund is attributable to the recognition of intra-entity liability reflected in the fund financials Capital Projects Fund as "Obligation to Santa Ana (SA) Financing authority". The deficit of \$853,029 in the nonmajor Capital Grants Capital Projects Fund and \$1,171 in the nonmajor Civic Center & Maintenance Special Revenue Fund are due primarily to the deferral of revenues due from granting agencies, which did not meet the revenue recognition criteria in accordance with GASB Statement 33. Subsequent collection of the receivables from the granting agencies will reduce the deficits.

Note 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 256,976,622
Restricted assets:	
Cash and investments	46,861,241
Cash and investments with fiscal agents	19,166,766
Statement of fiduciary assets and liabilities:	
Cash and investments	33,663,058
Total cash and investments	\$ 356,667,687

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 813,157
Deposits with financial institutions	(1,466,537)
Investments	357,321,067
Totals	\$ 356,667,687

Investments Authorized by the California Government Code and the City of Santa Ana's Investment Policy

The table below identifies the investment types that are authorized for the City of Santa Ana (City) by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	90 days	30%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	3 years	15%	5%
Mutual Funds investing in eligible securities	Yes	None	20%	10%
Money Market Mutual Funds	Yes	None	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	None	None	None
Local Agency Investment Fund (LAIF)	Yes	None	None	None
JPA Pools (other investment pools)	No	None	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorize Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Notes	None	None	None
Federal Agency Securities	None	None	None
Banker's Acceptances	180-365 Days	None	None
Certificates of Deposit	None	None	None
Commercial Paper	270 days	None	None
Municipal Obligations	None	None	None
Corporate bonds and notes	3 years	None	None
Money Market Mutual Funds	None	None	None
State of California Investment Pool	None	None	None
Savings Accounts	None	None	None
Money Market Deposit Accounts	None	None	None
Deposit Accounts	None	None	None
Investment Contracts	30 years	None	None
Repurchase Agreements	30 days	None	None

NOTES TO THE BASIC FINANCIAL STATEMENTS

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term 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 (for purposes of the schedule shown below, any callable securities are assumed to be maturing at the next call date):

Investment Type	Total	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More than 60 Months
Federal Agency Securities	\$ 250,925,174	\$ 207,102,935	\$ 21,959,138	\$ 21,863,101	\$ -
Certificate of Deposit	5,057,800	-	5,057,800	-	-
Mortgage-backed Securities	259,250	-	-	-	259,250
Treasury Strip	2,490,200	2,490,200	-	-	-
Local Agency Investment Fund	80,039,627	80,039,627	-	-	-
Held by Fiscal Agent:					
Money Market Funds	13,004,718	13,004,718	-	-	-
Local Agency Investment Fund	424,147	-	-	-	424,147
Investment Contracts	5,120,151	-	283,995	-	4,836,156
	<u>\$ 357,321,067</u>	<u>\$ 302,637,480</u>	<u>\$ 27,300,933</u>	<u>\$ 21,863,101</u>	<u>\$ 5,519,553</u>

The City's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Callable agency securities with interest rates that increase in ranges from 2 percent to 7 percent	<u>\$ 3,334,661</u>

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 (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

CITY OF SANTA ANA

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Not Rated
Federal Agency Securities	\$ 250,925,174	AAA	\$ 250,925,174	\$ -	\$ -
Negotiable Certificate of Deposit	5,057,800	N/A	-	-	5,057,800
Mortgage-backed Securities	259,250	AA	-	-	259,250
Treasury Strips	2,490,200	AAA	2,490,200	-	-
Local Agency Investment Fund	80,039,627	N/A	-	-	80,039,627
Held by Fiscal Agent:					
Money Market Funds	13,004,718	A	-	13,004,718	-
Local Agency Investment Fund	424,147	N/A	-	-	424,147
Investment Contracts	5,120,151	N/A	-	-	5,120,151
	<u>\$ 357,321,067</u>		<u>\$ 253,415,374</u>	<u>\$ 13,004,718</u>	<u>\$ 90,900,975</u>

Concentration of Credit Risk

The investment policy of the City 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 represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	\$ 84,248,188
Federal Home Loan Mortgage Corp.	Federal agency securities	32,509,070
Federal National Mortgage Association	Federal agency securities	87,683,408

Investments in any one issuer that represents 5% or more of total investments by reporting unit (governmental activities, major fund, nonmajor fund in the aggregate, etc.) are as follows:

\$5,120,151 of the cash and investments (including amounts held by bond trustee) reported in the Santa Ana Financing Authority Debt Service Fund (a major fund of the City) is held in the form of investment contracts issued by AIG Financial.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits. As of June 30, 2009, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

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.

The total amount invested by all public agencies in LAIF as of June 30, 2009 was \$25.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2009 had a balance of \$50.7 billion, of that amount, 14.71% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 235 days as of June 30, 2009.

- B. Interagency Long-Term Debt.** In prior years, the City of Santa Ana transferred monies to the Redevelopment Agency to fund redevelopment project costs. An obligation for the accumulated transfers has been reported eliminated from both the government-wide financial statements and the fund financial statements because repayment is not expected within a reasonable period of time. The balances of these obligations include \$113,382,159 accrued interest as of June 30, 2009 are as follows:

	Loans Receivable	Loans Payable
City of Santa Ana	\$ 435,332,654	\$ -
Redevelopment Agency:		
Merged Project	-	435,332,654
Total	\$ 435,332,654	\$ 435,332,654

C. Capital Assets. Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,542,260	\$ 494,000	\$ -	\$ 14,036,260
Rights of way	427,001,942	116,383	-	427,118,325
Street trees	5,956,374	7,355	(396)	5,963,333
Construction in progress	44,811,548	36,771,657	(11,877,171)	69,706,034
Total capital assets not being depreciated	<u>491,312,124</u>	<u>37,389,395</u>	<u>(11,877,567)</u>	<u>516,823,952</u>
Capital assets being depreciated:				
Buildings	199,706,276	-	-	199,706,276
Improvements	67,550,200	714,082	-	68,264,282
Equipment	53,646,096	2,037,885	(803,613)	54,880,368
Infrastructure	344,421,265	23,196,811	(10,731,295)	356,886,781
Library materials	6,975,682	403,833	(300,614)	7,078,901
Total capital assets being depreciated	<u>672,299,519</u>	<u>26,352,611</u>	<u>(11,835,522)</u>	<u>686,816,608</u>
Less: accumulated depreciation for:				
Buildings	(89,420,687)	(6,044,215)	-	(95,464,902)
Improvements	(29,625,786)	(2,855,090)	-	(32,480,876)
Equipment	(36,655,646)	(4,422,147)	788,940	(40,288,853)
Infrastructure	(172,367,550)	(10,455,863)	10,258,534	(172,564,879)
Library materials	(5,817,620)	(218,452)	292,924	(5,743,148)
Total accumulated depreciation	<u>(333,887,289)</u>	<u>(23,995,767)</u>	<u>11,340,398</u>	<u>(346,542,658)</u>
Capital assets being depreciated, net	<u>338,412,230</u>	<u>2,356,844</u>	<u>(495,124)</u>	<u>340,273,950</u>
Governmental activities capital assets, net	<u>\$ 829,724,354</u>	<u>\$ 39,746,239</u>	<u>\$ (12,372,691)</u>	<u>\$ 857,097,902</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,987,084	\$ -	\$ -	\$ 7,987,084
Construction in progress	4,809,604	5,264,665	(6,909,707)	3,164,562
Total capital assets not being depreciated	12,796,688	5,264,665	(6,909,707)	11,151,646
Capital assets being depreciated:				
Buildings	8,831,492	-	-	8,831,492
Water system and other improvements	142,304,798	6,659,180	(103,608)	148,860,370
Equipment	22,622,845	371,916	-	22,994,761
Parking structures	19,565,851	-	-	19,565,851
Total capital assets being depreciated	193,324,986	7,031,096	(103,608)	200,252,474
Less: accumulated depreciation for:				
Buildings	(5,179,624)	(218,482)	-	(5,398,106)
Improvements other than buildings	(68,511,069)	(2,777,792)	102,133	(71,186,728)
Equipment	(17,947,445)	(235,287)	-	(18,182,732)
Parking structures	(6,712,680)	(415,403)	-	(7,128,083)
Total accumulated depreciation	(98,350,818)	(3,646,964)	102,133	(101,895,649)
Capital assets being depreciated, net	94,974,168	3,384,132	(1,475)	98,356,825
Business-type capital assets, net	\$ 107,770,856	\$ 8,648,797	\$ (6,911,182)	\$ 109,508,471

Governmental activities:

General government	\$ 1,435,799
Human resources	1,544
Finance and management services	29,598
Museum	438,224
Library	297,789
Recreation and community services	2,003,295
Police	5,142,504
Fire	528,652
Planning and building	5,293
Public works	11,281,393
Community development	317,797
Capital assets held by the City's internal services funds are charged to the various functions based on their usage of the assets	2,513,879

Total depreciation expense - governmental activities \$ 23,995,767

Business-type activities:

Water	\$ 2,366,656
Parking	326,543
Transportation Center	422,193
Sewer	501,337
Sanitation	5,163
Federal Clean Water	<u>25,072</u>
Total depreciation expense - business-type activities	<u><u>\$ 3,646,964</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2009. The projects include street widening and improvements, various park improvements, improvements to the water system, sewer improvements and storm drain improvements.

<u>Projects:</u>	<u>Spent-to date</u>	<u>Remaining Commitment</u>	<u>Total Project Budget</u>
Street widening and improvements	\$ 157,668,238	\$ 141,612,439	\$ 299,280,677
Park improvements	14,509,558	5,031,985	19,541,543
Water system improvements	15,656,072	4,481,163	20,137,235
Sewer improvements	6,667,181	37,146	6,704,327
Other improvements	12,665,567	481,071	13,146,638

D. Interfund Receivables, Payables, Transfers and Advances. The composition of interfund balances as of and for the year ended June 30, 2009 was as follows:

Due To/From Other Funds:

	<u>Due From Other Funds (Receivable)</u>					<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Grants Fund</u>	<u>RDA Capital Projects Fund</u>	<u>Capital Projects Street Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	
<u>Due To Other Funds (Payable)</u>						
General Fund	\$ -	\$ 500	\$ -	\$ -	\$ 13,192	\$ 13,692
Special Revenue Grants Fund	3,619	-	-	-	-	3,619
Special Revenue Gas Tax Fund	-	-	-	1,670,517	-	1,670,517
Capital Projects Street Construction Fund	-	-	-	-	8,100	8,100
Redevelopment Agency Debt Service	-	-	451,132	-	-	451,132
Nonmajor Governmental Funds	1,284,689	-	-	-	11,703	1,296,392
Total	<u>\$ 1,288,308</u>	<u>\$ 500</u>	<u>\$ 451,132</u>	<u>\$ 1,670,517</u>	<u>\$ 32,995</u>	<u>\$ 3,443,452</u>

The non-major Capital Projects Grants Fund received temporary advances from the General Fund to cover deficit cash balances in the amount of \$1,284,689. The Special Revenue Gas Tax Fund has reflected a payable to the Capital Projects Street Construction Fund for \$1,670,517 representing the transfer of revenue from the former fund to the latter to cover street projects cost. The General Fund has reflected a payable to the major Special Revenue Grants Fund and the Nonmajor Civic Center & Maintenance Capital Projects Fund for \$500 and \$13,692 respectively, representing the return of the revenue from the former fund to the latter. The Special Revenue Grants Fund has reflected a payable to the General Fund for \$3,619 representing the return of the revenue from the former fund to the latter. The RDA Capital Projects Fund received \$451,132 from the RDA Debt Service Fund presenting its share of tax increment monies received in July

NOTES TO THE BASIC FINANCIAL STATEMENTS

2009. The nonmajor Park Acquisitions & Development Fund received \$11,703 and \$8,100 respectively, representing the labor cost reimbursement from the nonmajor Civic Center & Maintenance Special Revenue Fund and the Capital Projects Street Construction Fund.

Interfund Transfers:

Transfers Out	Transfers In								Total
	General Fund	Special Revenue Grants Fund	RDA Capital Projects	Street Construction Fund	RDA Debt Service Fund	SAFA Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 57,860	\$ -	\$ -	\$ -	\$ 9,325,895	\$ 1,599,085	\$ 3,979,909	\$ 14,962,749
Special Revenue Gas Tax Fund	-	-	-	17,406,479	-	-	-	10,000	17,416,479
RDA Capital Projects Fund	511,080	-	-	-	-	1,531,427	-	-	2,042,507
RDA Debt Service Fund	5,838,740	-	27,694,681	-	-	-	-	-	33,533,421
SAFA Debt Service Fund	-	-	-	-	1,181,800	-	-	-	1,181,800
Nonmajor Enterprise Funds	-	-	-	-	-	-	-	50,183	50,183
Internal Service Funds	500,247	-	-	-	-	-	-	28,110	528,357
	<u>\$ 6,850,067</u>	<u>\$ 57,860</u>	<u>\$ 27,694,681</u>	<u>\$ 17,406,479</u>	<u>\$ 1,181,800</u>	<u>\$ 10,857,322</u>	<u>\$ 1,599,085</u>	<u>\$ 4,068,202</u>	<u>\$ 69,715,496</u>

The \$5,838,740 and \$373,000 respectively, represents loan repayments from the RDA Debt Service Fund and Redevelopment Agency Capital Projects Fund to General Fund. The General Fund received \$304,129 from the Public Works Engineering and Administrative Internal Service Fund for its share in the energy conservation capital lease payment. The General Fund received \$196,118 from the Building Maintenance Internal Service Fund for its share in the City Hall Expansion Certificates of Participation payment.

The Special Revenue Grants Fund received transfers of \$57,860 representing the General Fund's support for matching requirements.

The General Fund received \$138,080 from the RDA Capital Projects Fund for the exchange of various land parcels held by the Community Development Agency. The RDA Capital Projects Fund received a transfer of \$27,694,681 from the RDA Debt Service Fund for the low and moderate housing share of tax increment 20% set-aside monies.

The RDA Debt Service Fund received from the SAFA Debt Service Fund the amount of \$1,181,800 representing savings from the issuance of the SAFA Refunding Revenue Bonds.

The SAFA Debt Service Fund received a transfer of \$9,325,895 from the General Fund for payment of the police lease revenue bonds debt service. Also it received \$1,531,427 from the RDA Capital Projects Fund for the payment on the Hutton Project capital lease debt service.

The amount of \$17,406,479 was received in the Capital Projects Street Construction Fund from Special Revenue Gas Tax Fund to reimburse the Capital Projects Street Construction Fund for eligible street related construction and maintenance costs. The nonmajor Special Revenue Funds received transfers of \$1,599,085 representing the General Fund's support for Civic Center and Centennial Park maintenance.

The Communications Internal Service Fund received a transfer of \$3,662,230 from the General Fund representing the General Fund's share in the implementation of the City's Communications Strategic Plan. The Building Maintenance Internal Service Fund received a transfer of \$250,000 from the General Fund representing the General Fund's share in the building maintenance cost of the fiscal year 2009. The Public Works Engineering and Administrative Internal Service Fund received \$10,000 from Special Revenue Gas Tax Fund representing Engineering Cost Allocation

from the State. The amount of \$67,679, \$50,183, and \$28,110 respectively, represents the equipments' cost sharing from the General funds, the Sanitation Fund and Engineering and Administrative Services.

Advances To/From Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 3,140,000
Water-Enterprise Fund	General Fund	2,000,000
Capital Projects	Debt Service	
Redevelopment Agency	Redevelopment Agency	<u>10,242,359</u>
		<u>\$ 15,382,359</u>

The \$3,140,000 amount represent advances made by the Self-Insurance Internal Service Fund to the General Fund for the construction of Fire Station #1 in the amount of \$2,920,000 and the balance of \$220,000 to partially fund the construction of the Children's' Zoo. The loan from the Water Enterprise Fund to the General Fund in the amount of \$2,000,000 is due on demand. The advances made to the RDA Capital Projects Fund to the RDA Debt Service Fund of \$10,242,359 were used for ERAF payments as mandated by the State to balance the State of California 2005-06, 2004-05 and 2009-10 budgets.

NOTES TO THE BASIC FINANCIAL STATEMENTS

E. Long-Term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Tax allocation bonds	\$ 19,020,000	\$ -	\$ 500,000	\$ 18,520,000	\$ 510,000
Tax allocation refunding bonds	26,160,000	-	1,660,000	24,500,000	1,730,000
Capital leases	8,516,932	-	2,811,769	5,705,163	1,363,159
Certificates of participation	78,160,000	-	315,000	77,845,000	330,000
Lease revenue bonds	92,830,000	-	3,870,000	88,960,000	4,030,000
Refunding revenue bonds	74,335,000	-	4,585,000	69,750,000	4,820,000
Long-term loans	7,050,475	1,282,641	4,254	8,328,862	4,583
Less: Deferred amounts	(6,484,196)	-	(494,811)	(5,989,385)	-
Add: Bond premium	3,529,454	-	429,202	3,100,252	-
Total bonds payable, long-term loans and capital leases	303,117,665	1,282,641	13,680,414	290,719,892	12,787,742
Compensated absences payable	35,529,749	13,220,762	11,724,132	37,026,379	9,256,595
Claims payable - workers' comp	18,276,678	4,545,027	4,231,565	18,590,140	4,525,000
Claims payable - liability insurance	5,873,579	-	1,181,787	4,691,792	3,500,000
Governmental activities Long-term liabilities	\$ 362,797,671	\$ 19,048,430	\$ 30,817,898	\$ 351,028,203	\$ 30,069,337
Business-type activities:					
Revenue bonds payable	\$ 17,850,000	\$ -	\$ 790,000	\$ 17,060,000	\$ 810,000
Refunding COP	9,485,000	-	805,000	8,680,000	925,000
Notes payable	1,603,559	-	145,003	1,458,556	150,122
Less: Deferred amounts	(931,551)	-	(78,645)	(852,906)	-
Total bonds payable and long-term notes payable	28,007,008	-	1,661,358	26,345,650	1,885,122
Compensated absences payable	1,772,896	1,332,949	2,029,456	1,076,389	269,097
Business-type activities long-term liabilities	\$ 29,779,904	\$ 1,332,949	\$ 3,690,814	\$ 27,422,039	\$ 2,154,219

Internal service funds predominantly serve the governmental funds. Accordingly, \$23.28 million of claims payable is included as part of the above totals for governmental activities.

Outstanding
Balance
June 30, 2009

At year-end, \$1.85 million of internal service funds compensated absences are included in the above amounts. For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

A description of each long-term debt obligation follows:

TAX ALLOCATION BONDS

The proceeds of the Tax allocation bonds and Tax allocation refunding bonds were used to fund certain redevelopment activities of benefit to public properties within the Agency’s Santa Ana South Main Street Redevelopment Project Area.

2003A Tax Allocation Bonds. The Community Redevelopment Agency of the City of Santa Ana issued the South Main Street Redevelopment Project Tax Allocation Bonds in the amount of \$20.945 million on May 14, 2003 to fund redevelopment activities of benefit to the Agency’s Santa Ana South Main Street Redevelopment Project. Bonds totaling \$13,295,000 mature serially on September 1 beginning 2004 through 2024 in amounts ranging from \$475,000 to \$910,000 and pay interest at rates varying from 1.10 percent to 4.5 percent. \$4,075,000 4.50 percent term bonds mature on September 1, 2028 while \$3,575,000 4.50 percent bonds mature on September 1, 2031.

\$18,520,000

2003A Tax allocation bonds debt service requirements to maturity are as follows:

Period Ending June 30	Principal	Interest
2010	\$ 510,000	\$ 761,185
2011	525,000	746,298
2012	545,000	729,566
2013	560,000	711,260
2014	580,000	691,660
2015-2019	3,255,000	3,112,353
2020-2024	3,985,000	2,378,303
2025-2029	4,985,000	1,385,437
2030-2032	3,575,000	246,037
Total	\$ <u>18,520,000</u>	\$ <u>10,762,099</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Outstanding
Balance
June 30, 2009

2003B Tax Allocation Refunding Bonds. On May 14, 2003 the Redevelopment Agency issued the South Main Street Redevelopment Project Tax Allocation Refunding Bonds, Series 2003B in the amount of \$34,145,000 to current refund the 1993 South Main Tax Allocation Refunding Bonds. The bonds mature serially starting on September 1, 2003 through 2019 in amounts ranging from \$1,820,000 to \$2,820,000 and pay interest at rates varying from 2 percent to 5 percent.

The 2003 Bonds Series A and B are not a debt of the City of Santa Ana, the State of California, nor any of its political subdivisions, and neither the City, the State nor any of its political subdivision is liable therefore, not in any event shall the bonds be payable out of funds or properties other than those of the Redevelopment Agency as set forth in the bond indenture.

Payment of the principal and interest on both Series A and B bonds is guaranteed by Financial Guaranty Insurance Company under a Municipal Bond New Issue Insurance Policy.

24,500,000

Total Tax Allocation Bonds and Refunding Bonds

\$43,020,000

2003B Tax allocation refunding bonds debt service requirements to maturity are as follows:

Period Ending June 30	Principal	Interest
2010	\$ 1,730,000	\$ 1,157,163
2011	1,810,000	1,084,200
2012	1,890,000	1,000,750
2013	1,990,000	903,750
2014	2,085,000	801,875
2015-2019	12,175,000	2,287,375
2020	2,820,000	70,500
Total	<u>\$ 24,500,000</u>	<u>\$ 7,305,613</u>

The 2003 Series A and B Tax Allocation Bonds are secured and to be serviced from tax increment revenues of the project area. All project tax increment revenues except dedicated housing tax increment allocation are the security for bonds. The revenues have been pledged until the year 2031 for the Series A bonds and 2019 for the Series B bonds. The total debt service amount for the bonds is \$61.1 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$43.9 million as against the total debt service payments of \$4.2 million.

Outstanding
Balance
June 30, 2009

CAPITALIZED LEASE OBLIGATIONS

Energy Conservation Project - In February 24, 2003, the City entered into a lease purchase agreement related to the upgrade of several buildings with lighting and HVAC improvements and direct digital control systems with SunTrust. The minimum lease payments required during the ten and half term of the agreement are \$3,504,024. The lease payments discounted at an estimated interest rate of 3.4252 percent provide a present value of \$2,887,120, which approximates the value of the improvements and is the amount that is capitalized in the City's capital assets used in the operation of governmental funds. The future minimum lease payments required under the terms of the lease at June 30, 2009 totaled \$1,400,677. \$1,400,677

Modular Building for Fire Training Classroom - On April 25, 2006, the City entered into a lease-purchase agreement to purchase modular building for Fire training classroom. The minimum lease payments required during the five-year term of this agreement are \$507,600. The lease payment discounted at an estimated rate of 9.8 percent provide a present value of \$400,000 which approximates the value of the equipment plus taxes and is the amount capitalized in the City's capital assets used in the operation of governmental funds. The future minimum lease payments required under the terms of the lease at June 30, 2009 totaled \$190,601. 190,601

Finance and Utility Billing Software - In March 19, 2008, the City entered into a master lease purchase agreement related to the conversion finance and utility billing software with SunTrust. The minimum lease payments required during the five-year term of this agreement are \$5,490,706. The lease payment discounted at an estimated rate of 2.96 percent provide a present value of \$5,069,000 which approximates the value of the asset and is the amount that will be capitalized after the completion of the project in the City's capital assets used in the operation of governmental funds and Water enterprise fund. The future minimum lease payments required under the terms of the lease at June 30, 2009 totaled \$4,113,885. 4,113,885

Total Capitalized Lease Obligations \$5,705,163

The future minimum lease obligations and the net present value of these minimum leases payments as of June 30, 2009 were as follows:

Period Ending June 30	Principal	Interest
2010	\$ 1,363,159	\$ 175,220
2011	1,411,568	126,811
2012	1,365,161	80,158
2013	1,398,788	38,071
2014	166,487	2,872
Total	<u>\$ 5,705,163</u>	<u>\$ 423,132</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Outstanding
Balance
June 30, 2009

CERTIFICATES OF PARTICIPATION (COP)

Certificates of Participation (City Hall Expansion Project). On January 13, 1998, Certificates of Participation amounting to \$12,450,000 were issued by the Santa Ana Financing Authority to finance the construction of an expansion to the City of Santa Ana City Hall building. Certificates totaling \$4,435,000 mature serially on January 1, beginning 2000 through 2014 in amounts ranging from \$215,000 to \$400,000 and pay interest at rates varying from 4.5% to 4.7%. \$1,315,000 term certificates are due on January 1, 2017; \$980,000 term certificates are due on January 1, 2019; and the balance of \$5,720,000 term certificates are due on January 1, 2028.

The City is required under the lease agreement (between the City and Authority) to make lease payments every year for the use and occupancy of the building, in an amount sufficient to pay the annual principal and interest on the Certificates. Payment of principal and interest represented by the Certificates is guaranteed by a municipal bond insurance policy issued by Financial Security Assurance Inc. (FSA). A reserve fund surety bond was issued by FSA in lieu of the reserve requirement of \$796,705.

\$9,835,000

Gas Tax Revenue Certificates of Participation (2007 Local Street Improvement Project). On December 1, 2007, Certificates of Participation amounting to \$68,010,000 were issued by the Santa Ana Financing Authority to finance the Street Improvement Project. Certificates totaling \$32,365,000 mature serially on January 1, beginning 2011 through 2029 in amounts ranging from \$400,000 to \$2,340,000 and pay interest at rates varying from 4% to 5%. \$10,970,000 term certificates are due on January 1, 2033; \$13,145,000 term certificates are due on January 1, 2037; \$7,515,000 term certificates are due on January 1, 2039; and the balance of \$4,015,000 term certificates are due on January 1, 2040.

The City is required under the 2007 Installment Sale Agreement (between the City and Authority) to make Installment Sale Payments from the revenues solely received from the State in accordance with Street and Highways Code Sections 2105, 2106 and 2107 in an amount sufficient to pay the annual principal and interest on the certificates. These revenues have been pledged until fiscal year 2040. Total debt service amount for the certificates of participation is \$129,393,036. Pledged gas tax revenues recognized during the fiscal year ended June 30, 2009 was \$7.19 million as against the total debt service payment of \$3.08 million. At June 30, 2009, the reserve balance is \$4,213,530.

68,010,000

Total Certificates of Participation

\$77,845,000

COP debt service requirements to maturity are as follows:

Year Ending June 30	CITY HALL EXPANSION		STREET IMPROVEMENT		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 330,000	\$ 454,490	\$ -	\$ 3,082,781	\$ 330,000	\$ 3,537,271
2011	345,000	438,627	1,125,000	3,082,781	1,470,000	3,521,408
2012	365,000	421,943	1,170,000	3,037,781	1,535,000	3,459,724
2013	380,000	404,435	1,220,000	2,990,981	1,600,000	3,395,416
2014	400,000	386,105	1,275,000	2,937,181	1,675,000	3,323,286
2015-2019	2,295,000	1,623,498	7,280,000	13,774,656	9,575,000	15,398,154
2020-2024	2,885,000	1,017,688	9,075,000	11,977,261	11,960,000	12,994,949
2025-2029	2,835,000	274,362	11,220,000	9,833,513	14,055,000	10,107,875
2030-2034	-	-	14,035,000	7,012,319	14,035,000	7,012,319
2035-2039	-	-	17,595,000	3,456,819	17,595,000	3,456,819
2040	-	-	4,015,000	196,963	4,015,000	196,963
Total	\$ 9,835,000	\$ 5,021,148	\$ 68,010,000	\$ 61,383,036	\$ 77,845,000	\$ 66,404,184

LEASE REVENUE BONDS

Police Lease Revenue Bonds. On March 23, 1994, the Santa Ana Financing Authority (SAFA) issued the Police Administration and Holding Facility Lease Revenue Bonds in the amount of \$107.4 million to provide funds for the construction and equipping of a police administration and holding facility. The bonds were issued in the following portfolio mix: \$1.47 million Capital Appreciation Bonds with accreted values of \$270,000 due July 1, 2001, \$770,000 due July 1, 2002 and \$1,285,000 due July 1, 2003; \$17.63 million of Current Interest Serial Bonds are due in amounts ranging from \$1.82 million starting July 1, 2004 to \$3.61 million ending in July 1, 2009; \$21.2 million of Auction Inverse Rate Securities Term Bonds (AIRS), due in amounts ranging from \$3.8 million starting in July 1, 2010, to \$4.7 million ending July 1, 2014; \$28.5 million of noncallable Premium Serial Bonds due in amounts ranging from \$5.03 million starting July 1, 2015 to \$6.41 million ending July 1, 2019 and \$38.6 million of noncallable Premium Term Bonds due in amounts ranging from \$6.815 million starting July 1, 2020, to \$8.7 million ending July 1, 2024.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Outstanding
Balance
June 30, 2009

On February 4, 2004, the SAFA issued the Lease Revenue Refunding Bonds, Series 2004A to partial current refund \$17,620,000 of the Lease Revenue Bonds, Series 1994A representing the Current Interest Serial Bonds maturing in July 1, 2004 through July 1, 2009, and fully refund \$21,200,000 of AIRD Term Bonds maturing July 1, 2010 through July 1, 2014. The face value of the Lease Revenue Refunding Bonds, Series 2004A was \$38,845,000. The refunding was issued with interest rates ranging from 2.5% to 5%.

The bonds are payable from revenues of the Financing Authority, consisting principally of base rental payments by the City pursuant to a lease agreement between the City and the Authority. The City agreed to make all base rental payments sufficient to permit the Authority to pay principal and interest on all the bonds described in the preceding paragraph. These revenues are pledged until fiscal year 2024. The amount in the reserve account at June 30, 2009 is approximately \$5 million. Payment of principal and interest on the bonds is covered by a municipal bond insurance policy issued by Municipal Bond Investors Assurance Company (MBIA).

\$88,960,000

Total Lease Revenue Bonds

\$88,960,000

Combined lease revenue bonds debt service requirements to maturity are as follows:

Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,030,000	\$ 5,085,425
2011	4,190,000	4,904,075
2012	4,370,000	4,694,576
2013	4,585,000	4,541,625
2014	4,685,000	4,381,150
2015-2019	28,500,000	17,621,876
2020-2024	<u>38,600,000</u>	<u>7,529,377</u>
Total	<u>\$ 88,960,000</u>	<u>\$ 48,758,104</u>

Outstanding
Balance
June 30, 2009

REFUNDING REVENUE BONDS

The proceeds of Refunding Revenue bonds were used to fund a Program Fund in order to purchase the Community Redevelopment Agency's 1989 Tax Allocation Bonds. The proceeds of the 1989 Tax Allocation Bonds were used to fund certain redevelopment activities of benefit to public properties within the Agency's Santa Ana Intercity, Downtown and South Harbor Street Redevelopment Project Area.

1998 Refunding Revenue Bonds Series A. On June 3, 1998 the Santa Ana Financing Authority issued refunding bonds in the amount of \$65,330,000. The proceeds were used to fund a Program Fund in order to purchase on September 1, 1999, the Community Redevelopment Agency's 1989 Tax Allocation Bonds, Series B and Series C. Bonds totaling \$38.75 million mature serially through September 1, 2013 in amounts ranging from \$2.025 million to \$3.725 million; \$26.58 million term bonds mature on September 1, 2019. Interest rates vary from 4.25% to 5.375%.

The Bonds are limited obligations of the Authority and are payable solely from and secured by, a pledge and assignment under the Indenture of a portion of the Revenues, consisting of (i) all amounts derived from or in respect of the 1989 B Bonds and the 1989 C Bonds purchased with the proceeds of the Bonds, including principal prepayments and other payments of principal thereof and interest thereon, other than any Surplus Payments (as defined in the Indenture), (ii) Lease Payments, if any, paid by the City under a Lease Agreement between the City and the Authority (the "Lease Agreement"), and (iii) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Surplus Account and the Costs of Issuance Fund.

Payment of the principal and interest on the bonds is guaranteed by a municipal bond guaranty insurance policy issued by Municipal Bond Investors Assurance Company (MBIA).

\$43,465,000

1998 Refunding Revenue Bonds Series B. On July 15, 1999 the Santa Ana Financing Authority issued refunding revenue bonds in the amount of \$11,485,000. The proceeds were used to make an additional deposit to the Program Fund to purchase on September 1, 1999 the remaining outstanding principal amount of the Community Redevelopment Agency's 1989 Tax Allocation Bonds Series B and to make an additional deposit to the Cost of Issuance Fund. The \$11,485,000 term bonds mature serially in annual amounts ranging from \$270,000 starting September 1, 2000 to \$890,000 through September 1, 2019. Interest rate is 5.125%.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Outstanding
Balance
June 30, 2009

The bonds are limited obligations of the Authority and are payable solely from, and are secured by, a pledge and assignment under the Indenture of a portion of the Revenues, consisting of (i) all amounts derived from or in respect of the 1989 B Bonds and the 1989 C Bonds purchased with the proceeds of the Bonds, including principal prepayments and other payments of principal thereof and interest thereon, other than any Surplus Payments (as defined in the Indenture), (ii) Lease Payments, if any paid by the City under a Lease Agreement between the City and Authority (the "Lease Agreement"), and (iii) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Surplus Account and the Costs of Issuance Fund.

Payment of the principal and interest on the bonds is guaranteed by a municipal bond guaranty insurance policy issued by Municipal Bond Investors Assurance Company (MBIA).

7,735,000

1998 Refunding Revenue Bonds Series C. On June 3, 1998 the Santa Ana Financing Authority issued refunding revenue bonds in the amount of \$8,100,000. The proceeds of the Bonds were used to fund a Program Fund in order to purchase, on September 1, 1999, the Community Redevelopment Agency's 1989 Tax Allocation Bonds, Series A. Bonds totaling \$4.29 million mature serially through September 1, 2012 in amounts ranging from \$245,000 to \$435,000; \$3.81 million term bonds mature serially through September 1, 2019. Interest rates vary from 4.4% to 5.6%.

The Series C Bonds are limited obligations of the Authority and are payable solely from, and are secured by, a pledge and assignment under the Indenture of a portion of the Revenues, consisting of (i) all amounts derived from or in respect of the 1989 A Bonds purchased with the proceeds of the Bonds, including principal prepayments and other payments of principal thereof and interest thereon, other than Agency Surplus Payments, and (ii) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Surplus Account and the Costs of Issuance Fund.

5,430,000

1998 Refunding Revenue Bonds Series D. On September 15, 1998 the Santa Ana Financing Authority issued refunding revenue bonds in the amount of \$19,105,000. The proceeds of the Bonds were used to fund a Program Fund in order to purchase, on September 1, 1999, the Agency's 1989 Tax Allocation Bonds, Series E. Bonds totaling \$8.735 million mature serially through September 1, 2011 in amounts ranging from \$0.53 million to \$0.97 million; \$4.535 million term bonds mature on September 1, 2015 while \$5.835 million term bonds mature serially through September 1, 2019. Interest rates vary from 4.2% to 5.6%.

Outstanding
Balance
June 30, 2009

The Bonds are limited obligations of the Authority and are payable solely from, and are secured by, a pledge and assignment under the Indenture of the Revenues, consisting of (i) all amounts derived from or in respect of the Agency Bonds purchased with the proceeds of the Bonds, including principal prepayments and other payments of principal thereof and interest thereon, other than Surplus Payments (as defined in the Indenture), and (ii) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Surplus Account and the Costs of Issuance Fund.

13,120,000

Total Refunding Revenue Bonds

\$69,750,000

Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,820,000	\$ 3,487,701
2011	5,080,000	3,224,156
2012	5,360,000	2,952,461
2013	5,645,000	2,679,340
2014	5,940,000	2,371,334
2015-2019	34,755,000	6,791,257
2020	8,150,000	211,131
Total	<u>\$ 69,750,000</u>	<u>\$ 21,717,380</u>

The Authority's purchase of the Agency's 1989 Tax Allocation Bonds has been accounted for in the fund financial statements as an asset called *investment in RDA Bonds* reported on the balance sheet of the Financing Authority Debt Service Fund. The Redevelopment Agency's obligation to the Authority for the funds provided by the Authority have been recorded as an intra-entity liability of the balance sheet of the Redevelopment Agency Debt Service Fund obligated for repayment. This intra-entity liability is reflected in the fund financial statements as *Obligation to Santa Ana Financing Authority*.

NOTES TO THE BASIC FINANCIAL STATEMENTS

	Outstanding Balance <u>June 30, 2009</u>
LONG-TERM LOANS	
<u>Santa Ana Venture Loan.</u> In April 1984, the Redevelopment Agency entered into a participation agreement with the Santa Ana Venture, a joint venture between JMB/Federated Realty Association and Henry Segerstrom (the "Participants"), to provide for the rehabilitation and redevelopment of the Main Place project. This agreement provided for the Redevelopment Agency to acquire land within the project area and to sell it to the Participants subject to restrictive terms, conditions, and provisions set forth in the agreement. To fund the Redevelopment Agency's acquisition of land and other related costs above the funding level made available by the Agency the Participants agreed to advance the Participant's purchase price and to make available an unsecured loan of up to \$13.5 million to the extent total Agency costs exceeded \$29 million. The loan accrues interest at 10 percent per annum and is to be repaid solely from the annual tax increment accruing to the Agency from the project site, each year that the increment is in excess of the tax increment accruing in fiscal 1984. As of June 30, 2009 the unpaid accrued interest for the Santa Ana Venture Loan is \$2,684,215.	\$6,220,687
<u>CHFA Loan.</u> On August 21, 2002, the Redevelopment Agency and the California Housing Finance Agency (CHFA) entered into a commitment and loan agreement for Housing Enabled by Local Partnership (HELP) loan program, in connection with the Cornerstone Village Façade Courtyard Improvement Project situated in the City of Santa Ana. CHFA has made available to the RDA, the amount of \$2.6 million. Interest accrues at 3% per annum on the balance outstanding, and repayment including accrued interest, is deferred for ten years. Currently, the loan outstanding at June 30, 2009 totaled \$742,645. As of June 30, 2009 the unpaid accrued interest for the CHFA Loan is \$111,397.	742,645
<u>County of Orange Loan.</u> The Redevelopment Agency owes the County of Orange the balance of \$107,160, which bears interest of 7.5% as of June 30, 1998 for a property in the Downtown project area. The monthly payment of \$887 extends to the year 2021.	82,889
<u>Santa Ana Firemen's Benevolent Association (FBA).</u> The City of Santa Ana General Fund owes the FBA a balance of \$700,000, which bears an annual interest rate of 5.65% and will be repaid when necessary, based on the fiscal condition of the Retirees Health Insurance Subsidy Agency Fund for Fire. As of June 30, 2009 the unpaid accrued interest for the FBA Loan is \$582,641.	<u>1,282,641</u>
Total Long-Term Loans	<u>\$8,328,862</u>
<u>Compensated Absences.</u> Accrued vacation (\$18,331,636) represents total vested vacation benefits for all City employees in the governmental funds. Sick leave benefits (\$16,846,866) are payable to employees for illnesses during employment; or upon termination after 10 years, the employee is entitled to payment equal to 1/3 of up to 200 days of accrued sick leave. The sick leave liability included herein represents those amounts payable to employees with over 10 years of employment as of June 30, 2009. Also included herein is \$1,847,877 representing accrued vacation and sick leave benefits for employees in the Internal Service Funds.	<u>\$ 37,026,379</u>

LONG-TERM DEBT DEFEASED IN PRIOR YEARS

In prior years, the City has defeased various bond issues of which \$197,971 is outstanding as of June 30, 2009. The investments in U.S. government securities, which are held in various escrow funds, are sufficient to fully service the defeased bonds until the bonds are called or mature. For financial reporting purposes, the bonds are considered defeased and therefore, have been removed as a liability from the City’s long-term debt.

WATER REVENUE BONDS

On February 5, 2004, the City through the Santa Ana Financing Authority (SAFA) issued the Water Revenue Refunding Bonds, Series 2004 with a face value of \$20,110,000 with maturities starting Sept. 1, 2005 through September 1, 2025 at interest rates ranging from 2% to 5%. The proceeds of the 2004 Bonds were be used to current refund the 1994 Bonds. The remaining proceeds were be used to purchase the Reserve Surety Bond, finance certain capital improvements to the Water System and to pay costs of issuance. The 2004 Bonds are payable solely from installment payments made by the City from Net System Revenues pursuant to the installment Purchase Agreement. These revenues have been pledged until fiscal year 2025. Total debt service amount for the bonds is \$24.08 million. Pledged revenue recognized during the fiscal year ended June 30, 2009 was \$8.60 million as against total debt payment of \$1.25 million. Payment of principal and interest represented by the bonds is covered against nonpayment by a municipal bond insurance policy issued by the Municipal Bond Investors Assurance Corporation with principal offices at Armonk, New York, NY 10504.

Water revenue bonds debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2010	\$ 810,000	\$ 708,169
2011	830,000	687,656
2012	855,000	664,472
2013	880,000	638,431
2014	900,000	609,494
2015-2019	5,030,000	2,502,247
2020-2024	6,300,000	1,178,637
2025	1,455,000	36,375
Total	\$ <u>17,060,000</u>	\$ <u>7,025,481</u>

Among other provisions of the bond resolutions, the City covenants that revenue from the water utility operation will be sufficient to provide net revenues of at least 1.20 times the principal and interest (or minimum term bond payment of the bonds as they become due and payable). This provision has been complied with as shown in the following analysis:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Operating revenue	\$ 47,338,418
Operating expenses (net of depreciation expense of \$2,366,656)	<u>38,734,113</u>
Net revenue	8,604,305
Amount required for payment of principal and interest payable for the year ended June 30, 2010 (\$1,518,169 x 1.20)	<u>1,821,803</u>
Excess of net revenue over amount required	<u><u>\$ 6,782,502</u></u>

NOTES PAYABLE

The City of Santa Ana (“The City”) and the Orange County Water District (OCWD), in order to increase the pumping capacity and to optimize participation in the Metropolitan Water District Seasonal Storage Program and to sustain adequate water deliveries during drought and emergency conditions, had entered into an agreement for the acquisition, construction, installation and operation of certain well facilities, particularly described as Wells 35, 37 and 38.

The agreement was entered into in June 19, 1991 and amended in May 11, 1995. After the project was completed, the City executed a promissory note in favor of OCWD for \$2,857,558, at an interest rate of 3.50 percent, payable semi-annually in the amount of \$99,935 beginning March 15, 1998 and ending September 15, 2017. The balance of the note as of June 30, 2009 is \$1,458,556. The note is a liability of the City’s Water Enterprise Fund.

Water notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
<u> </u>	<u> </u>	<u> </u>
2010	\$ 150,122	\$ 49,747
2011	155,423	44,447
2012	160,910	38,960
2013	166,591	33,279
2014	172,473	27,397
2015-2018	<u>653,037</u>	<u>46,505</u>
Total	<u><u>\$ 1,458,556</u></u>	<u><u>\$ 240,335</u></u>

CERTIFICATES OF PARTICIPATION (COP) - PARKING FUND.

On April 2, 2003, Certificates of Participation 2003 Series A amounting to \$16.985 million were issued to current refund the \$16,875,000 City of Santa Ana Certificates of Participation (Parking Facilities Refunding Project) Series 1993A, the \$1,945,000 City of Santa Ana Certificates of Participation (Commercial Facilities Refunding Project), Series 1993B and the \$5,005,000 City of Santa Ana Certificates of Participation (Mass Commuting Facility Refunding Project), Series 1993C. The Certificates mature serially through June 1, 2016 in amounts ranging from \$555,000 to \$1,895,000 and pay interest at rates varying from 2.5% to 5%. The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, Payments of the principal and interest is insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation. The balance outstanding as of June 30, 2009 is \$8,680,000.

COP debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2010	\$ 925,000	\$ 407,313
2011	1,060,000	361,063
2012	1,215,000	318,663
2012	1,405,000	257,912
2014	1,625,000	198,200
2015-2016	<u>2,450,000</u>	<u>139,150</u>
Total	<u>\$ 8,680,000</u>	<u>\$ 1,682,301</u>

F. Other Bond and Loan Programs. The City has entered into a number of bond and loan programs to provide low interest financing for various residential and commercial developments within the City. Although the City has arranged these financing programs, these debts are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, nor any political subdivision of the City, is pledged to repay the indebtedness. Generally, the bond or loan holders may look only to assets held by trustees for security on the indebtedness. Accordingly, since these debts do not constitute obligations of the City, they are not reflected as a liability in the accompanying statement of net assets. A short description of each program follows:

Residential Mortgage Revenue Bond Programs:

Through June 30, 2009, the City and the Housing Authority of the City of Santa Ana issued residential mortgage revenue bonds totaling \$62,768,361. The proceeds of these bonds were used to purchase mortgage loans made to homeowners and developers for the purpose of financing single-family and multi-family dwellings.

The bonds, secured by first trust deeds and private mortgage insurance, are as follows:

Issue Date	Interest Rate	Amount
December 1, 1995	Variable	\$ 5,300,000
February 14, 1996	Variable	7,900,000
July 1, 2001	4.00-6.50%	4,159,250
November 1, 2001	6.05%	3,306,407
December 23, 2004	Variable	5,225,000
June 25, 2002	6.00%	1,035,778
November 1, 2003	5.24%	5,100,000
May 1, 2006	5.88%	7,343,904
November 16, 2006	Variable	8,140,000
May 1, 2007	5.21%	8,858,276
May 1, 2007	Variable	<u>6,399,746</u>
		<u>\$ 62,768,361</u>

The bonds are payable solely from payments made on the mortgage loans, proceeds of the bonds, and other amounts held in funds or accounts established by the trustee pursuant to the indentures.

California Municipal Finance Authority (CMFA):

The CMFA issued \$8,000,000 in variable rate revenue bonds on behalf of Goodwill Industries of Orange County, California, a nonprofit public benefit corporation. The proceeds will finance acquisition, construction and improvement of various Goodwill facilities. The City has no financial or legal liability for the project or repayment of the bonds and does not constitute any type of indebtedness for the City.

Industrial Development Bond (IDB) Program:

The IDB Program encourages industrial and commercial development by arranging financing and assisting in the acquisition and development of authorized projects. The chief goals of the IDB Program are the creation and retention of jobs, and expansion of the tax base. The City has three avenues through which developers can pursue IDB financing: City Charter Authority, Health Facility Revenue Bonds, and Industrial Development Authority. This program has resulted in the retention or creation of 8,200 jobs in the City. As of June 30, 2009, sixteen issues totaling \$125,675,000 are outstanding: (unaudited)

<u>Issuing Authority</u>	<u>Number of Issues</u>	<u>Amount</u>
City Charter Authority	2	\$ 6,418,000
Health Facility Revenue Bond	2	48,800,000
Industrial Development Authority	<u>12</u>	<u>70,457,000</u>
	<u>16</u>	<u>\$125,675,000</u>

Commercial Rehabilitation Loan Program:

Housing Rehabilitation Loan Programs. The City and Housing Authority have established a number of housing rehabilitation loan programs using Community Development Block Grant (CDBG) funds as authorized by the U.S. Department of Housing and Urban Development (HUD).

To implement these programs, the City and the Housing Authority have entered into agreements with various lending institutions to provide funding for loans at below-market rates of interest. The property owners' notes and deeds of trust are pledged as collateral for the loans.

In addition to loans made available by the lending institutions, the City and the Housing Authority have elected to make other direct deferred payment rehabilitation loans available from CDBG funds, and from funds borrowed from the State Department of Housing and Community Development. Under the program, loans made using CDBG funds accrue interest at rates varying from 0 to 6 percent and are due when the property is sold. Funds borrowed from the state are loaned to participants at an annual rate of 3 percent and become due in five years.

The City accounts for these programs in the Housing Rehabilitation Loan Program Agency Fund where amounts due to other governmental agencies of \$168,288 are reflected at June 30, 2009. The Fund's primary assets consist of the non-interest bearing deposits pledged as collateral, and participant note receivables, which originated from City and/or State funds. Loans to participants made by the outside lending institutions are not reflected in the financial statements.

Self-Funding Residential Rehabilitation Loan Program. During April 1983, the City Council implemented a self-funding residential loan program to replace the aforementioned interest rate buy-down programs implemented through banks and savings and loan associations. The program makes direct loans to qualifying persons for both single-family and multiple units in amounts up to \$30,000 at 5 to 8 percent interest amortized over 15 years for single-family units, and up to \$40,000 for 1 to 3 multiple units amortized over 10 years. Generally, all loans are due upon sale and are secured by a deed of trust. The program is funded by CDBG, HOME, other grant funds and property tax increment revenues in the redevelopment project areas, from which 20 percent of such revenues must be set aside for low and moderate income housing related activities per State law. At June 30, 2009 loans totaling \$30,046,730 and \$35,307,282 were recorded as "loans and notes receivable" in the Special Revenue Grants Fund and Community Redevelopment Agency Capital Projects Fund, respectively.

G. Commitments

On October 27, 2005, the Santa Ana Financing Authority entered into the Lease Agreement with the City of Santa Ana to lease the City's property at the blocks A, B, C and D on Ross Street (Site) for construction of the three-level parking facility. The term of the Site lease commenced on October 27, 2005 and shall end on May 1, 2046. Under the lease, the Authority agreed to advance rental payment in the amount of \$5,970,000 to the City.

On October 27, 2005, the Authority re-leased the Site to the City and assigned its right to receive lease payment and its right to enforce payment of the Lease Payments to All Points Public Funding, LLC. The term of the lease Agreement commenced on October 25, 2005, and shall end on May 1, 2026, unless such term is extended until there has been deposited with the assignee an amount sufficient to pay all obligations due under the Lease Agreement. In no event shall the term of the lease Agreement extend beyond May 1, 2046.

On March 30, 2007, both parties, the Santa Ana Financing Authority and the City of Santa Ana amended the October 27, 2005 Lease and Release Agreements. The amended term of the Site lease commenced on October 27, 2005 and shall end on May 1, 2026 or may be extended for a certain period, but in no event shall the term of the Lease Agreement extend beyond May 1, 2036. Under the amended Lease and Release Agreements, the Authority agreed to advance rental payment in the amount of \$8,470,000 to the City. On March 30, 2007, the Santa Ana Financing Authority and All Points Public Funding, LLC amended the Assigned Agreement to the lease amount of \$8,470,000.

The amended Lease Payment schedule was computed at 4.78% per annum on \$8,470,000 as follows. The future minimum lease payments required under the term of the lease at June 30, 2009 totaled \$7,850,047.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Period Ending June 30	Principal Component	Interest Component	Total Lease Payment
2010	\$ 308,079	\$ 371,743	\$ 679,822
2011	322,987	356,835	679,822
2012	338,617	341,205	679,822
2013	355,002	324,819	679,821
2014	372,181	307,640	679,822
2015-2019	2,149,134	1,249,974	3,399,108
2020-2024	2,721,946	677,162	3,399,108
2025-2026	1,282,101	77,541	1,359,642
	<u>\$ 7,850,047</u>	<u>\$ 3,706,919</u>	<u>\$ 11,556,967</u>

On February 6, 2006, the Redevelopment Agency entered the agreement with the Charles W. Bowers Museum Corporation to guaranty the payment of the Obligation Amount in form of a guaranty of a standby line of credit to be issued by the bank in the amount of \$1,000,000. The agreement is to give financial assistance to the Bowers Museum Corporation for its expansion and redevelopment of the Museum. This Guaranty Agreement constituted a continuing agreement between the Agency and the East West Bank to secure the full and final repayment of the Obligation.

Note 4. OTHER INFORMATION

A. Risk Management. The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In July 1975, the City established a Self-Insurance Internal Service Fund for the administration of the City's self-insurance programs and the payment of health and dental benefits, workers' compensation and liability claims. The City's Liability and Workers' compensation programs are self-administered (staffed by City employees). The City's claim staff estimate total losses for each claim and determine reserve requirements for the Liability and Workers' Compensation claims programs.

Under these programs, the City is self-insured for workers' compensation up to \$500,000 each occurrence with Statutory Coverage. Furthermore, the City is a member of the Big Independent Cities Excess Pool (BICEP), a public entity risk pool established to pool resources, share risks, and purchase excess insurance. BICEP's excess liability program began October 1, 1988. Each BICEP member city assumes the first \$1 million of each occurrence, as above mentioned. All BICEP members share risk the first layer of \$1 million to \$2 million. Reinsurance and excess insurance covers amounts from \$2 million to \$102 million. All BICEP Members participate from \$.01 to 27 million and some members, like Santa Ana, participate in excess insurance purchase above \$27 million, in this case to \$102 million. In 1993, the City became a charter member of the Public Entity Property Insurance Program (PEPIP). Current PEPIP limits are \$1 billion per occurrence for "all risks" and \$82.5 million for flood coverage. The City carries commercial insurance to cover claims of employees participating in the dental program. Also the City has contracted with the Public Employees Retirement System (PERS) Health Insurance Program to cover claims of employees participating in the HMO plans contracted by PERS. Settled claims have not exceeded commercial coverage during the last three years.

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current claims in the liability and workers' compensation programs.

In the health and dental programs, contributions to the Self-Insurance Internal Service Fund represent estimated premiums payable to PERS and the dental insurance carriers.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The losses include an estimate of claims that have been incurred but not reported. The effects of specific incremental claim adjustment expenditures/expenses, salvage, and subrogation, and other allocated and unallocated claim adjustment expenditures/expenses are included. At June 30, 2009, the outstanding losses for the workers' compensation and liability programs are reported at their discounted present value. The outstanding losses are discounted at a 3.5 percent annual interest rate to reflect future investment earnings. The present value computations were performed by an independent casualty actuary, in connection with their actuarial study of the City's self-insured workers' compensation and liability programs undertaken as of June 30, 2009. Changes in the balances of claims liabilities since July 1, 2007 resulted from the following:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>	<u>Total</u>
Net Unpaid Claims - July 1, 2007	\$ 20,602,862	\$ 5,808,745	\$ 26,411,607
Claims and Changes in Estimate	5,019,319	976,010	5,995,329
Claims Payments	<u>(4,010,399)</u>	<u>(392,238)</u>	<u>(4,402,637)</u>
Unpaid Claims - June 30, 2008	21,611,782	6,392,517	28,004,299
Less Discount Taken	<u>(3,335,104)</u>	<u>(518,938)</u>	<u>(3,854,042)</u>
Net Unpaid Claims - June 30, 2008	<u>\$ 18,276,678</u>	<u>\$ 5,873,579</u>	<u>\$ 24,150,257</u>

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>	<u>Total</u>
Net Unpaid Claims - July 1, 2008	\$ 18,276,678	\$ 5,873,579	\$ 24,150,257
Claims and Changes in Estimate	7,404,063	72,769	7,476,832
Claims Payments	<u>(4,231,565)</u>	<u>(957,313)</u>	<u>(5,188,878)</u>
Unpaid Claims - June 30, 2009	21,449,176	4,989,035	26,438,211
Less Discount Taken	<u>(2,859,036)</u>	<u>(297,243)</u>	<u>(3,156,279)</u>
Net Unpaid Claims - June 30, 2009	<u>\$ 18,590,140</u>	<u>\$ 4,691,792</u>	<u>\$ 23,281,932</u>

- B. Related Party Transactions.** As explained in Note 1A., this report includes the accounts of the Redevelopment Agency, the Housing Authority, and the Financing Authority, each of which are considered component units of the primary government. Each of these units are operated by City employees, some of whom provide services for (or exert management influence over) more than one of these units. Charges to these units for labor, materials and overhead are made directly at the City's standard rate per formal agreements with the City. Real property transfers are executed at appraised value usually net of cost incurred by the acquiring unit. Projects performed by the City on behalf of the Redevelopment Agency are charged at cost, for which the Redevelopment Agency assumes a long-term obligation to pay from future tax increment revenues. As of June 30, 2009, the total obligations for project costs is \$435,332,654 were assumed by the Redevelopment Agency. See also Note 3B.

- C. Contingent Liabilities. Commitments and Contingencies.** Numerous claims and suits have been filed against the City in the normal course of business. To the extent that information available indicates that it is probable a liability has been incurred as of June 30, 2009 and where the amount of loss could be reasonably estimated, the obligation has been accrued as an expense of the City's self-insurance program (see Note 4A).

Federally Assisted Programs. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

- D. Joint Ventures.** The Orange County Civic Center Authority (the "Authority") was created in January 1966 under a Joint Exercise of Powers Agreement between the City of Santa Ana and the County of Orange. The purpose of the Authority is to provide, through the issuance of revenue bonds, financing necessary to construct a county courthouse and certain City buildings, located on land contributed to the Authority by the County and the City. Upon completion of construction, the Authority leased the facilities to the County, the City and the State of California. The City took title to its City Hall facilities when it exercised an early defeasance of the corresponding revenue bonds in FY 93-94. The Authority is governed by a five-member board to which the Orange County Board of Supervisors and the Santa Ana City Council each appoint two members. These four members select the fifth member. The City and the County have contracted with the Authority to administer the Civic Center parking lot and the Parking/Maintenance Fund. Parking revenue is retained by the Authority and must be used to pay the parking lot concessionaire, to pay any taxes related to the parking lot, and to reimburse the City for the cost of maintaining the Civic Center. No provision has been made for disposition of excess funds remaining after authorized expenditures have been made.

The Agreement specifies a term of existence of 50 years; however, the Agreement cannot be terminated until all revenue bonds issued and interest thereon has been paid in full or are adequately provided. Upon termination of the Agreement, title to all properties of the Authority shall be conveyed to the State, the County and the City, as applicable. Audited financial information of the Authority is available at the office of the Auditor-Controller, County of Orange, Finance Building, 630 North Broadway P.O. Box 567, Santa Ana, California 92702-0567.

The Countywide Public Financing Authority ("CPFA") was created under a Joint Powers Agreement (the "Agreement"), dated June 19, 1996, by and among the cities of Brea, Buena Park, Fullerton, Garden Grove, Orange, Santa Ana, Seal Beach, Stanton and Tustin (collectively, the "Members"). The purpose of this Agreement is to provide for the financing of public capital improvements for, and working capital requirements of, the Members through the acquisition by CPFA of such public capital improvements and/or the purchase by the Authority of obligations of a Member pursuant to Bond Purchase Agreements and/or the lending of funds by CPFA to a Member and/or the leasing of public capital improvements to a Member.

Federally Assisted Programs. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

E. Defined Benefit Pension Plan.

(A) *Plan Description.* The City of Santa Ana 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.

(B) *Funding Policy.* Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. As an employer, the City is required to contribute an actuarially determined percentage rate of annual covered payroll. The fiscal year 2008-09 rate was 23.906% for the safety employees and 6.816% for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

The funded status of the plan (in thousands) based on the June 30, 2008 actuarial valuation is as follows:

Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability % of Payroll
<u>Miscellaneous Plan</u>					
\$ 491,604	\$ 458,593	\$ 33,011	93.3%	\$ 74,884	44.1%
<u>Safety Plan</u>					
\$ 723,343	\$ 664,954	\$ 58,389	91.9%	\$ 59,327	98.4%

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(C) *Annual Pension Cost and Net Pension Obligation.* The City’s annual pension cost and net pension obligation to CalPERS for the current year were as follow:

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Dollar amounts in thousands)

Annual required contributions	\$	22,488
Interest on net pension obligation		-
Adjustment to annual required contribution		16
Annual pension cost		22,504
Contributions made		(22,504)
Increase (decrease) in net pension obligation		-
Net pension obligation beginning of year		-
Net pension obligation end of year	\$	-

For fiscal year 2008-09, the City's annual pension cost of \$22,504,067 for CalPERS was equal to the City's required and actual contributions. For fiscal year 2008-09, total member's contribution to CalPERS, including contributions on behalf of employees, was \$34,242,987. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases from 3.25% to 13.15% that vary by duration of service, age and type of employment. Also included is an inflation component of 3% and payroll growth of 3.25%. 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends by June 30, 2037.

Three-year trend information for CalPERS (dollar amount in thousands):

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/07	\$ 19,086	100%	-
06/30/08	18,537	100%	-
06/30/09	22,504	100%	-

F. Retirement Health Benefits

1. The Santa Ana Firemen's Benevolent Association (FBA)

(A) *Plan Description.* Article XIV, Section 6, of the Memorandum of Understanding between the City and the Santa Ana Firemen's Benevolent Association (FBA) through June 30, 2009 provides that the City shall administer a "flat rate" retiree Health Insurance Premium Reduction Program, available to retirees of the FBA. This plan is a single-employer defined benefit plan and does not issue separate financial statements. This plan is part of the Subsidy Plan.

(B) *Eligibility.* Employees who are members of the FBA retiring on or after July 1, 1989 are eligible to participate regardless of whether or not they are participating in a City-sponsored medical plan on their date of retirement. If retirees do not elect coverage on their date of retirement, they will not be eligible for coverage at any other time in the future. In addition, to be eligible, employees must have at least ten years of service on the date they retire. This requirement will be waived for any employees retiring due to disability.

(C) *Funding Policy.* The City's monthly contribution is based on a flat dollar amount per year of service. Beginning in 1989, the flat dollar levels were \$2.20 for single coverage and \$5.50 for family coverage. These amounts increase by 5% each year. When the employee dies, the City's contribution ceases regardless of whether or not the dependents are still living. Currently, there are ninety-eight (98) retirees participating in the program. The program is advance funded and the City has annually made available (beginning October 1, 1990) an amount equal to one percent of the FBA unit's current salary base. Effective October 1, 2009 this amount will remain the same as last fiscal year, 1.75%.

(D) *Funded Status and Funding Progress* Contributions made to the fund in fiscal year 2008-09 totaled \$403,180. The balance available at June 30, 2009 totaled \$1,540,225, which is reported in the Retiree Health Insurance Subsidy Agency fund, which is not an irrevocable trust.

2. The City's Other Employees

(A) *Plan Description.* During fiscal year 2001-02, the City expanded the post employment health benefits to cover other represented associations such as the Police Management Association (PMA), the Fire Management Association (FMA), the Santa Ana City Employee's Chapter 1939/SEIU Local 347 (SEIU), the Mid/Administrative Managers' Association (SAMA), and the Unclassified (UC) employees. Additionally, effective October 1, 2006, the City also expanded the contribution to the Police Officers Association (POA) Medical Insurance Trust Fund for their postemployment health benefits. These plans are single-employer defined benefit plans and do not issue separate financial statements. These plans are considered the Subsidy Plan.

(B) *Eligibility.* Employees are eligible for retiree health benefits if they retire from the City within 120 days of separation and are at age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2009:

	<u>SEIU</u>	<u>PMA</u>	<u>FMA</u>	<u>SAMA</u>	<u>UC</u>	<u>POA</u>
Retirees and beneficiaries receiving benefits	202	18	10	18	4	162
Terminated plan members entitled to but not yet receiving benefits	26	4	1	5	3	19
Active plan members	506	17	5	55	40	548
Total	<u>734</u>	<u>39</u>	<u>16</u>	<u>78</u>	<u>47</u>	<u>729</u>

(C) *Funding Policy.* The City has annually made available an amount equal to a negotiated percent of the respective bargaining units salary base. For fiscal year 2009, the negotiated percentage is 1% for SAMA, UC and SEIU; 1.75% for FMA; and 0.5% for POA and PMA. Eligibility and benefits varies depending upon the pertinent provisions as embodied in each bargaining units' Memorandum of Understanding (MOU) with the City.

(D) *Annual Pension Cost and Funded Status.* Contributions made by the City to each respective bargaining unit in fiscal year 2008-09 and the respective units' balances available for benefits (not held in an irrevocable trust) at June 30, 2009 were as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

	<u>Contribution</u>	<u>Balance in Agency Fund</u>
POA	\$ 390,961	\$ N/A (1)
PMA	32,475	129,238
SEIU	611,930	936,815
FMA	18,041	11,716
SAMA/UC	197,352	712,894
Total	<u>\$ 1,250,759</u>	<u>\$ 1,790,663</u>

(1) POA manage the Retirees Benefits fund and it is not part of the City Retiree Health Insurance Subsidy Agency Fund.

The actuarial valuation for subsidy plan involves (1) estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

3. Public Employees Medical and Hospital Care Act (PEMHCA)

In addition to the negotiated contribution as mentioned above, the City contracted CalPERS Health Benefits under PEMHCA to provide Health Care coverage to the retirees. The PEMHCA benefits are applied to all employee groups other than POA and City Council. Firefighters (FBA, FMA) joined PEMHCA on 1/1/98. All other employee groups (excluding POA) joined PEMHCA on 1/1/99.

(A) *Eligibility.* Employees are eligible for PEMHCA benefits if they retire from the City on or after age 50 with at least 5 years of service or disability retire, and are eligible for a PERS pension.

(B) *Funding Method and Funded Status.* The City selected “unequal” PEMHCA method for the contribution. Under this method, the City offered a lesser contribution for retirees than for active employees. The City paid \$97 per active employee for PEMHCA minimum. Beginning 2008, Assembly Bill 2544 changed the computation for annual increases to annuitant health care under the unequal method. Under the new provisions, the City increases annuitant health care contribution equal an amount not less than 5 percent active employees contribution times number of year in the PEMHCA. The annual increase in minimum PEMHCA contribution to CalPERS will continue until the time that the City contribution for retirees equals the City contribution paid for active employees. The maximum adjustment to the minimum contribution is \$100 per annuitant per month. During fiscal year 08-09, the total City’s PEMHCA contribution for retirees was \$181,000.

The actuarial valuation for the PEMHCA plan involves (1) estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

4. Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid

CITY OF SANTA ANA

on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years. The ARC unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends by June 30, 2037. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

(Dollar amounts in thousands)

	POA (1)	PMA	FBA	FMA	SEIU	UC	EM	Total PEMHCA
PEMHCA								
Annual required contribution	\$ -	\$ 72	\$ 418	\$ 14	\$ 1,015	\$ 90	\$ 103	\$ 1,712
Interest on net OPEB obligation	-	3	16	1	37	3	4	64
Adjustment to annual required contribution	-	(3)	(16)	(1)	(37)	(3)	(4)	(64)
Annual OPEB cost (expense)	-	72	418	14	1,015	90	103	1,712
Contributions made	-	(8)	(44)	(1)	(107)	(10)	(11)	(181)
Increase (decrease) in net OPEB obligation	-	64	374	13	908	80	92	1,531
Net OPEB obligation - beginning of year	-	55	379	13	881	78	90	1,496
Net OPEB obligation - end of year	\$ -	\$ 119	\$ 753	\$ 26	\$ 1,789	\$ 158	\$ 182	\$ 3,027

(1) POA did not participate in CalPERS Health Benefits under PEMHCA with the City.

(Dollar amounts in thousands)

	POA	PMA	FBA	FMA	SEIU	UC	EM	Total Subsidy Plan
SUBSIDY PLAN								
Annual required contribution	\$ 4,037	\$ 54	\$ 912	\$ 88	\$ 1,494	\$ 190	\$ 186	\$ 6,961
Interest on net OPEB obligation	155	1	22	3	51	5	2	239
Adjustment to annual required contribution	(155)	(1)	(22)	(3)	(51)	(5)	(2)	(239)
Annual OPEB cost (expense)	4,037	54	912	88	1,494	190	186	6,961
Contributions made	(391)	(33)	(403)	(18)	(612)	(62)	(135)	(1,654)
Increase (decrease) in net OPEB obligation	3,646	21	509	70	882	128	51	5,307
Net OPEB obligation - beginning of year	3,743	24	488	63	1,028	141	147	5,634
Net OPEB obligation - end of year	\$ 7,389	\$ 45	\$ 997	\$ 133	\$ 1,910	\$ 269	\$ 198	\$ 10,941

(Dollar amounts in thousands)

	TOTAL OPEB	Subsidy Plan	Total OPEB
Annual required contribution	\$ 1,712	\$ 6,961	\$ 8,673
Interest on net OPEB obligation	64	239	303
Adjustment to annual required contribution	(64)	(239)	(303)
Annual OPEB cost (expense)	1,712	6,961	8,673
Contributions made	(181)	(1,654)	(1,835)
Increase (decrease) in net OPEB obligation	1,531	5,307	6,838
Net OPEB obligation - beginning of year	1,496	5,634	7,130
Net OPEB obligation - end of year	\$ 3,027	\$ 10,941	\$ 13,968

The required contribution was determined as part of the June 30, 2009 actuarial valuation. The actuarial assumptions included (a) 4.25% investment rate of return, not pre-funded; assets in City investment fund, (b) projected annual salary aggregate increases 3.25%. Also included is an inflation component of 3% and payroll growth of 3.25%. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Dollar amount in thousands):

Year Ended	Annual Required Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2007	N/A	N/A	N/A (1)
6/30/2008	\$ 8,405	15.0%	\$ 7,130
6/30/2009	8,673	20.5%	6,838

(1) The City of Santa Ana implemented GASB 45 for the fiscal year ended June 30, 2008. Information prior to FY 2008 is not available.

Funded status as of June 30, 2009 is as follows (Dollar amounts in thousands):

	Actuarial Valuation Date	(a) Entry Age Normal Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets	(a)-(b)=(c) Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	(b)/(a) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL As a % of Covered Payroll
POA	06/30/09	\$ 47,115	\$ -	\$ 47,115	0%	\$ 58,167	81.0%
PMA	06/30/09	2,241	-	2,241	0%	2,310	97.0%
FBA	06/30/09	19,272	-	19,272	0%	24,395	79.0%
SEIU	06/30/09	29,750	-	29,750	0%	52,193	57.0%
FMA	06/30/09	1,609	-	1,609	0%	789	203.9%
SAMA/UC	06/30/09	7,349	-	7,349	0%	9,947	73.9%
Total		\$ 107,336	\$ -	\$ 107,336	-	\$ 147,801	72.6%

The Schedule of Funding Progress presented as Required Supplementary Information following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

G. Fund Balance Designations

As of June 30, 2009, the following governmental fund of the City had designations of fund balances as follows:

	General Fund	Street Construction Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds
Designated for authorized projects	\$ -	\$ 2,005,439	\$ 5,168,490	\$ -
Designated for subsequent year expenditures	11,093,017	-	300,835	2,683,103
	<u>\$ 11,093,017</u>	<u>\$ 2,005,439</u>	<u>\$ 5,469,325</u>	<u>\$ 2,683,103</u>

H. Subsequent Events

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county “Supplemental” Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State’s Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency’s share of this revenue shift is approximately \$17,872,072 million in fiscal year 2009-2010 and \$3,679,544 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency plans to fund these payments through a combination of borrowing and liquidation of projects.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year’s successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year’s lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

General Fund
Budgetary Comparison Schedule
Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 155,232,335	155,232,335	146,641,055	\$ (8,591,280)
License and permits	3,513,825	3,513,825	3,485,312	(28,513)
Intergovernmental	3,557,680	3,691,355	2,982,459	(708,896)
Charges for services	8,885,670	9,373,972	8,906,590	(467,382)
Fines and forfeits	7,229,400	7,229,400	7,332,158	102,758
Investment income	1,250,000	1,318,511	1,223,583	(94,928)
Miscellaneous	31,546,995	31,525,050	34,323,833	2,798,783
Total revenues	<u>211,215,905</u>	<u>211,884,448</u>	<u>204,894,990</u>	<u>(6,989,458)</u>
Expenditures:				
Current:				
General government:				
City council	1,117,645	1,055,347	936,296	119,051
Clerk of the council	1,013,925	884,925	691,811	193,114
City attorney	2,544,545	2,565,960	2,335,016	230,944
City manager	1,048,965	1,038,265	944,594	93,671
Nondepartmental	4,858,287	6,044,339	4,767,048	1,277,291
Total general government	<u>10,583,367</u>	<u>11,588,836</u>	<u>9,674,765</u>	<u>1,914,071</u>
Human resources	2,136,700	2,042,766	1,914,578	128,188
Finance and management services	6,208,032	6,003,643	4,481,132	1,522,511
Museum	1,968,297	2,019,750	1,974,553	45,197
Library	4,869,268	4,520,048	3,996,619	523,429
Recreation and community services	16,357,016	17,797,625	15,143,658	2,653,967
Police department	115,026,722	113,083,300	110,845,858	2,237,442
Fire department	53,924,437	52,523,379	50,532,224	1,991,155
Planning and building	11,928,717	12,222,205	10,533,955	1,688,250
Public works	4,674,000	6,259,472	5,115,788	1,143,684
Community development	625,000	662,002	313,047	348,955
Capital outlay	1,412,586	1,412,586	1,523,601	(111,015)
Debt service:				
Principal retirement	676,654	676,654	676,654	-
Interest and fiscal charges	548,231	548,231	548,231	-
Total expenditures	<u>230,939,027</u>	<u>231,360,497</u>	<u>217,274,663</u>	<u>14,085,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,723,122)</u>	<u>(19,476,049)</u>	<u>(12,379,673)</u>	<u>7,096,376</u>
Other financing sources (uses):				
Transfers in	6,338,987	6,711,987	6,850,067	138,080
Transfers out	(14,837,210)	(14,895,070)	(14,962,749)	(67,679)
Proceeds from long-term loan	-	-	700,000	700,000
Total other financing sources (uses)	<u>(8,498,223)</u>	<u>(8,183,083)</u>	<u>(7,412,682)</u>	<u>770,401</u>
Net change in fund balance	<u>(28,221,345)</u>	<u>(27,659,132)</u>	<u>(19,792,355)</u>	<u>7,866,777</u>
Fund balance - beginning	<u>36,128,069</u>	<u>36,128,069</u>	<u>36,128,069</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,906,724</u>	<u>8,468,937</u>	<u>16,335,714</u>	<u>\$ 7,866,777</u>

See Accompanying Note to Required Supplementary Information.

Special Revenue Housing Authority Fund
Budgetary Comparison Schedule
Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 27,620,300	27,620,300	28,631,163	\$ 1,010,863
Investment income	-	-	111,165	111,165
Miscellaneous	120,000	120,000	263,253	143,253
Total revenues	<u>27,740,300</u>	<u>27,740,300</u>	<u>29,005,581</u>	<u>1,265,281</u>
Expenditures:				
Current:				
Community development	<u>29,518,907</u>	<u>29,518,907</u>	<u>28,726,183</u>	<u>792,724</u>
Net change in fund balance	(1,778,607)	(1,778,607)	279,398	2,058,005
Fund balance - beginning	<u>4,827,450</u>	<u>4,827,450</u>	<u>4,827,450</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,048,843</u>	<u>3,048,843</u>	<u>5,106,848</u>	<u>\$ 2,058,005</u>

See Accompanying Note to Required Supplementary Information.

**Special Revenue Gas Tax Fund
Budgetary Comparison Schedule
Year ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 6,622,695	6,622,695	7,204,917	\$ 582,222
Investment income	-	10,505	1,320,254	1,309,749
Total revenues	6,622,695	6,633,200	8,525,171	1,891,971
Expenditures:				
Current:				
Public works	3,194,115	3,194,115	2,730,045	464,070
Debt service:				
Interest and fiscal charges	3,082,785	3,082,785	3,088,241	(5,456)
Total expenditures	6,276,900	6,276,900	5,818,286	458,614
Excess of revenues over expenditures	345,795	356,300	2,706,885	2,350,585
Other financing sources (uses):				
Transfers out	(20,356,300)	(59,887,982)	(17,416,479)	42,471,503
Net change in fund balance	(20,010,505)	(59,531,682)	(14,709,594)	44,822,088
Fund balance - beginning	67,483,282	67,483,282	67,483,282	-
Fund balance - ending	\$ 47,472,777	7,951,600	52,773,688	\$ 44,822,088

See Accompanying Note to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, YEAR ENDED JUNE 30, 2009

Budgetary Information

The City and its component units' fiscal year begins on July 1 of each year and ends the thirtieth day of June the following year. On or before the fifteenth of June of each year, the City Manager submits to the City Council a proposed budget for the next ensuing fiscal year based on a detailed financial plan prepared by the heads of the various offices, agencies and departments of the City and its component units. Upon receipt of the proposed budget, the Council may make modifications with the affirmative vote of at least a majority of its members. Before adoption of the budget, the Council holds a public hearing wherein the public is given an opportunity to be heard, after which the Council may make any revisions deemed advisable. On or before the thirty-first day of July, the City Council adopts the budget as amended by the affirmative vote of at least a majority of its members. Upon final adoption, the budget is in effect for the ensuing fiscal year and becomes the authority for the various offices, agencies, and departments to expend subject to controls established by the City Charter. At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by affirmative vote of at least two-thirds of the members so as to authorize the transfer of unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget. Where appropriations are made to offices, departments, or agencies for more than one activity or program, "appropriations" are considered in the aggregate with respect to total expenditures authorized for that office, department or agency within each fund, limited to purposes for which the revenues of such funds are to be spent. The City Manager is authorized to make revisions among the items included in such appropriations if, in his opinion, such revisions are necessary and proper. Budgetary control exists at the department level. Council action is necessary for transfers between departments/agencies or transfers between funds. During the fiscal year, all budget and supplemental amendments were necessary and made in a legally permissible manner.

Annual budgets are legally adopted for the General Fund, Proprietary Funds, and certain Special Revenue Funds including Special Gas Tax, Sewer Connection Fee, Civic Center and Maintenance, Housing Authority, Inmate Welfare, and Air Quality Improvement. The legal level of budgetary control is at the fund level. The budgetary control for the Special Revenue Funds is under the department in charge. The Public Works Department is responsible for the budget of the Special Gas Tax, Sewer Connection Fee. The Recreation and Community Services Department is responsible for the Civic Center and Maintenance fund. Housing Authority and the Air Quality Improvement fund were managed by the Community Development and the Planning and Building Department. The Police Department is responsible for the budget of the Inmate Welfare fund. In addition, project and grant-length budgets are approved for the Special Revenue Grants Fund and Capital Projects Funds as a planning device and for financial and management control purposes. The Asset Forfeiture Funds are not annually budgeted, per guidance from the Federal Department of Treasury, Executive Office of Asset Forfeiture. Monthly budgetary reports are prepared to effect control through fiscal management. Furthermore although budgets are legally adopted for the Proprietary Funds of the City, there is no legal requirement for the fiscal year results to be reported to City Council. Therefore, no budgetary reporting for the Proprietary Funds has been presented in the accompanying financial statements. The City Council approved supplemental appropriations during the year in the General Fund and in other funds, but they were not considered material.

Budgets are prepared on a modified accrual basis. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All annual appropriations lapse at fiscal year-end to the extent that they have not been expended or lawfully encumbered. Expenditures may not legally exceed appropriations at the

departmental level in the governmental funds, except that certain Special Revenue Funds and Capital Projects Funds are maintained at the project level.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes; and if proceeds of taxes exceed allowed appropriations, the excess must be returned to the taxpayers through revised tax rates or fee schedules within the next two years. For the fiscal year ended June 30, 2009, proceeds of taxes did not exceed related appropriations.

Budgetary Compliance. The expenditures/expenses were within the legal prescribed limits as approved by the City Council.

**Required Supplementary Information
Miscellaneous and Safety Plans
Schedule of Funding Progress
June 30, 2009
(in thousands)**

Plan	Actuarial Valuation Date	(a) Entry Age Normal Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets	(c) Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	(b)/(a) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL As a % of Covered Payroll
Miscellaneous	06/30/06	\$ 386,883	\$393,599	\$ (6,716)	101.7%	\$64,505	(10.4%)
Safety	06/30/06	644,500	581,652	62,848	90.2%	52,624	119.4%
Miscellaneous	06/30/07	453,967	427,149	26,818	94.1%	67,453	39.8%
Safety	06/30/07	682,433	625,094	57,339	91.6%	56,546	101.4%
Miscellaneous	06/30/08	491,604	458,593	33,011	93.3%	74,884	44.1%
Safety	06/30/08	723,343	664,953	58,390	91.9%	59,327	98.4%

**Required Supplementary Information
OPEB Schedule of Funding Progress
June 30, 2009
(in thousands)**

		(a) Entry Age Normal Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets	(c) Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	(b)/(a) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL As a % of Covered Payroll
Total	06/30/07 (1)	N/A	N/A	N/A	N/A	N/A	N/A
POA	06/30/08	\$45,550	\$ -	\$45,550	0%	\$56,337	80.9%
PMA	06/30/08	2,172	-	2,172	0%	2,237	97.1%
FBA	06/30/08	18,591	-	18,591	0%	23,627	78.7%
SEIU	06/30/08	28,860	-	28,860	0%	50,551	57.1%
FMA	06/30/08	1,554	-	1,554	0%	764	203.4%
SAMA/UC	06/30/08	7,085	-	7,085	0%	9,633	73.5%
Total		<u>\$103,812</u>	<u>-</u>	<u>\$103,812</u>	<u>0%</u>	<u>\$143,149</u>	<u>72.5%</u>
POA	06/30/09	47,115	-	47,115	0%	58,167	81.0%
PMA	06/30/09	2,241	-	2,241	0%	2,310	97.0%
FBA	06/30/09	19,272	-	19,272	0%	24,395	79.0%
SEIU	06/30/09	29,750	-	29,750	0%	52,193	57.0%
FMA	06/30/09	1,609	-	1,609	0%	789	203.9%
SAMA/UC	06/30/09	7,349	-	7,349	0%	9,947	73.9%
Total		<u>\$107,336</u>	<u>\$ -</u>	<u>\$107,336</u>	<u>0%</u>	<u>\$147,801</u>	<u>72.6%</u>

(1) The City of Santa Ana implemented GASB 45 for the fiscal year ended June 30, 2008. Information prior to FY 2008 is not available.



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

**Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009**

	Special Revenue Funds	Capital Projects Funds	Total
Assets			
Cash and investments	\$ 6,009,625	7,118,455	\$ 13,128,080
Receivables:			
Interest	12,541	15,248	27,789
Intergovernmental	439,643	1,217,087	1,656,730
Due from other funds	13,192	19,803	32,995
	<u>6,475,001</u>	<u>8,370,593</u>	<u>14,845,594</u>
Total assets	<u>\$ 6,475,001</u>	<u>8,370,593</u>	<u>\$ 14,845,594</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 95,304	22,449	\$ 117,753
Retention payable	-	5,536	5,536
Due to other funds	13,962	1,282,430	1,296,392
Deferred revenues	329,229	784,930	1,114,159
	<u>438,495</u>	<u>2,095,345</u>	<u>2,533,840</u>
Total liabilities	<u>438,495</u>	<u>2,095,345</u>	<u>2,533,840</u>
Fund balances:			
Reserved:			
For encumbrances and continuing appropriations	864,950	25,252	890,202
Unreserved, designated for:			
Authorized projects	5,168,490	-	5,168,490
Subsequent year expenditures	300,838	2,683,103	2,983,941
Unreserved, undesignated for:			
Special revenue funds	(297,772)	-	(297,772)
Capital projects funds	-	3,566,893	3,566,893
	<u>6,036,506</u>	<u>6,275,248</u>	<u>12,311,754</u>
Total fund balances	<u>6,036,506</u>	<u>6,275,248</u>	<u>12,311,754</u>
	<u>\$ 6,475,001</u>	<u>8,370,593</u>	<u>\$ 14,845,594</u>
Total liabilities and fund balances	<u>\$ 6,475,001</u>	<u>8,370,593</u>	<u>\$ 14,845,594</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2009

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Taxes	\$ -	47,794	\$ 47,794
Intergovernmental	3,582,166	1,215,594	4,797,760
Charges for services	246,720	7,878	254,598
Investment income	123,415	159,262	282,677
Miscellaneous	494,794	-	494,794
Total revenues	<u>4,447,095</u>	<u>1,430,528</u>	<u>5,877,623</u>
Expenditures:			
Current:			
Human resources	234,120	-	234,120
Recreation and community services	4,115,934	-	4,115,934
Police department	396,815	-	396,815
Planning and building	83,442	-	83,442
Capital outlay	547,838	1,300,437	1,848,275
Total expenditures	<u>5,378,149</u>	<u>1,300,437</u>	<u>6,678,586</u>
Excess (deficiency) of revenues over (under) expenditures	(931,054)	130,091	(800,963)
Other financing sources:			
Transfers in	<u>1,599,085</u>	-	<u>1,599,085</u>
Net change in fund balances	668,031	130,091	798,122
Fund balances - beginning	<u>5,368,475</u>	<u>6,145,157</u>	<u>11,513,632</u>
Fund balances - ending	<u>\$ 6,036,506</u>	<u>\$ 6,275,248</u>	<u>\$ 12,311,754</u>

Nonmajor Special Revenue Funds

The following Special Revenue Funds have been classified as nonmajor funds in the accompanying financial statements:

Sewer Connection Fee – This fund is used to account for the receipts and expenditures of sewer connection fees and the replacement and repair of existing undersized sewer system.

Civic Center & Maintenance – This fund is used to account for the receipts and disbursement of funds for the cost of cleaning and maintaining the common areas in the Civic Center, Centennial Park and the City’s downtown area. Funding is provided jointly by the City and the County of Orange, except downtown which is provided exclusively by the City.

Inmate Welfare – This fund is used to account for the receipts and disbursement of funds received through donations, profits on the sale of commissary items and commissions for personal items purchased or services used by inmates of the Santa Ana Jail, as authorized by the State of California Penal Code Section 4025.

Air Quality Improvement – This fund is used to account for the receipt and disbursement of funds received under AB 2766 (Health and Safety Code Sections 44220 and 44247).

Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2009

	Sewer Connection Fee	Civic Center & Maintenance
Assets		
Cash and investments	\$ 5,163,896	58,762
Receivables:		
Interest	10,931	-
Intergovernmental	-	329,229
Due from other funds	-	-
Total assets	<u>\$ 5,174,827</u>	<u>387,991</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 6,337	45,971
Due to other funds	-	13,962
Deferred revenues	-	329,229
Total liabilities	<u>6,337</u>	<u>389,162</u>
Fund balances:		
Reserved for		
Encumbrances and continuing appropriations	-	296,601
Unreserved, designated for:		
Authorized projects	5,168,490	-
Subsequent year expenditures	-	-
Unreserved, undesignated	-	(297,772)
Total fund balances	<u>5,168,490</u>	<u>(1,171)</u>
Total liabilities and fund balances	<u>\$ 5,174,827</u>	<u>387,991</u>

NONMAJOR SPECIAL REVENUE FUNDS

Inmate Welfare	Air Quality Improvement		Total
347,810	439,157	\$	6,009,625
712	898		12,541
-	110,414		439,643
-	13,192		13,192
<u>348,522</u>	<u>563,661</u>	\$	<u>6,475,001</u>
36,022	6,974	\$	95,304
-	-		13,962
-	-		329,229
<u>36,022</u>	<u>6,974</u>		<u>438,495</u>
11,662	556,687		864,950
-	-		5,168,490
300,838	-		300,838
-	-		(297,772)
<u>312,500</u>	<u>556,687</u>		<u>6,036,506</u>
<u>348,522</u>	<u>563,661</u>	\$	<u>6,475,001</u>

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2009

	Sewer Connection Fee	Civic Center & Maintenance
Revenues:		
Intergovernmental	\$ -	3,165,892
Charges for services	246,720	-
Investment income	109,000	-
Miscellaneous	-	-
Total revenues	<u>355,720</u>	<u>3,165,892</u>
Expenditures:		
Current:		
Human resources	-	-
Recreation and community services	-	4,115,934
Police department	-	-
Planning and building	-	-
Capital outlay	<u>56,694</u>	<u>434,186</u>
Total expenditures	<u>56,694</u>	<u>4,550,120</u>
Excess (deficiency) of revenues over (under) expenditures	299,026	(1,384,228)
Other financing sources:		
Transfers in	<u>-</u>	<u>1,599,085</u>
Net change in fund balances	299,026	214,857
Fund balances (deficits) - beginning	<u>4,869,464</u>	<u>(216,028)</u>
Fund balances (deficits) - ending	<u>\$ 5,168,490</u>	<u>(1,171)</u>

NONMAJOR SPECIAL REVENUE FUNDS

Inmate Welfare	Air Quality Improvement	Total
-	416,274	\$ 3,582,166
-	-	246,720
6,054	8,361	123,415
494,794	-	494,794
<u>500,848</u>	<u>424,635</u>	<u>4,447,095</u>
-	234,120	234,120
-	-	4,115,934
396,815	-	396,815
-	83,442	83,442
56,958	-	547,838
<u>453,773</u>	<u>317,562</u>	<u>5,378,149</u>
47,075	107,073	(931,054)
-	-	<u>1,599,085</u>
47,075	107,073	668,031
<u>265,425</u>	<u>449,614</u>	<u>5,368,475</u>
<u>312,500</u>	<u>556,687</u>	<u>\$ 6,036,506</u>

**Nonmajor Special Revenue Fund
Sewer Connection Fee
Budgetary Comparison Schedule
Year ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 500,000	500,000	246,720	\$ (253,280)
Investment income	120,000	120,000	109,000	(11,000)
Total revenues	620,000	620,000	355,720	(264,280)
Expenditures:				
Capital outlay	1,450,000	5,435,910	56,694	5,379,216
Net change in fund balance	(830,000)	(4,815,910)	299,026	5,114,936
Fund balance - beginning	4,869,464	4,869,464	4,869,464	-
Fund balance - ending	\$ 4,039,464	53,554	5,168,490	\$ 5,114,936

**Nonmajor Special Revenue Funds
Civic Center & Maintenance
Budgetary Comparison Schedule
Year ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,492,975	6,492,975	3,165,892	\$ (3,327,083)
Expenditures:				
Current:				
Recreation and community services	4,415,040	4,415,040	4,115,934	299,106
Capital outlay	2,077,365	3,677,020	434,186	3,242,834
Total expenditures	6,492,405	8,092,060	4,550,120	3,541,940
Excess (deficiency) of revenues over (under) expenditures	570	(1,599,085)	(1,384,228)	214,857
Other financing sources (uses):				
Transfers in	1,599,085	1,599,085	1,599,085	-
Net change in fund balance	1,599,655	-	214,857	214,857
Fund balance (deficit) - beginning	(216,028)	(216,028)	(216,028)	-
Fund balance (deficit) - ending	\$ 1,383,627	(216,028)	(1,171)	\$ 214,857

**Nonmajor Special Revenue Funds
Inmate Welfare
Budgetary Comparison Schedule
Year ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 10,000	10,000	6,054	\$ (3,946)
Miscellaneous	400,000	400,000	494,794	94,794
Total revenues	410,000	410,000	500,848	90,848
Expenditures:				
Current:				
Police department	575,000	525,788	396,815	128,973
Capital outlay	50,000	125,000	56,958	68,042
Total expenditures	625,000	650,788	453,773	197,015
Net change in fund balance	(215,000)	(240,788)	47,075	287,863
Fund balance - beginning	265,425	265,425	265,425	-
Fund balance - ending	\$ 50,425	24,637	312,500	\$ 287,863

**Nonmajor Special Revenue Funds
Air Quality Improvement
Budgetary Comparison Schedule
Year ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 419,765	422,965	416,274	\$ (6,691)
Investment income	20,500	20,500	8,361	(12,139)
Miscellaneous	3,200	-	-	-
Total revenues	<u>443,465</u>	<u>443,465</u>	<u>424,635</u>	<u>(18,830)</u>
Expenditures:				
Current:				
Human resources	324,040	324,040	234,120	89,920
Planning and building	159,580	159,580	83,442	76,138
Capital outlay	250,000	297,975	-	297,975
Total expenditures	<u>733,620</u>	<u>781,595</u>	<u>317,562</u>	<u>464,033</u>
Net change in fund balance	(290,155)	(338,130)	107,073	445,203
Fund balance - beginning	<u>449,614</u>	<u>449,614</u>	<u>449,614</u>	<u>-</u>
Fund balance - ending	<u>\$ 159,459</u>	<u>111,484</u>	<u>556,687</u>	<u>\$ 445,203</u>



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

Nonmajor Capital Projects Funds

The following Capital Projects Funds have been classified as nonmajor in the accompanying financial statements:

Capital Grants – This is a combined report of various capital grants awarded to the City by Federal, State, and local governments not otherwise accounted for in the General and Special Revenue Funds.

Drainage Construction – This fund is used to account for the receipt and disbursements of funds received from developers in the form of drainage assessment fees to be used for storm drain construction.

Park Acquisitions & Development – This fund is used to account for the receipt and disbursement of funds received from developers in the form of development fees for use in park land acquisition and development.

Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2009

	Capital Grants	Drainage Construction	Park Acquisitions & Development	Total
Assets				
Cash and investments	\$ -	4,435,810	2,682,645	\$ 7,118,455
Receivables:				
Interest	-	9,364	5,884	15,248
Intergovernmental	1,217,087	-	-	1,217,087
Due from other funds	-	-	19,803	19,803
	<u>-</u>	<u>-</u>	<u>19,803</u>	<u>19,803</u>
Total assets	\$ <u>1,217,087</u>	<u>4,445,174</u>	<u>2,708,332</u>	\$ <u>8,370,593</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,756	-	19,693	\$ 22,449
Retention payable	-	-	5,536	5,536
Due to other funds	1,282,430	-	-	1,282,430
Deferred revenues	784,930	-	-	784,930
	<u>2,070,116</u>	<u>-</u>	<u>25,229</u>	<u>2,095,345</u>
Fund balances (deficit):				
Reserved for:				
Encumbrances and continuing appropriations	25,252	-	-	25,252
Unreserved, designated for:				
Designated for subsequent year expenditures	-	-	2,683,103	2,683,103
Unreserved, undesignated	(878,281)	4,445,174	-	3,566,893
Total fund balances (deficit)	<u>(853,029)</u>	<u>4,445,174</u>	<u>2,683,103</u>	<u>6,275,248</u>
Total liabilities and fund balances	\$ <u>1,217,087</u>	<u>4,445,174</u>	<u>2,708,332</u>	\$ <u>8,370,593</u>

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2009

	Capital Grants	Drainage Construction	Park Acquisitions & Development	Total
Revenues:				
Taxes	\$ -	47,794	-	\$ 47,794
Intergovernmental	1,215,594	-	-	1,215,594
Charges for services	-	-	7,878	7,878
Investment income	-	94,373	64,889	159,262
Total revenues	<u>1,215,594</u>	<u>142,167</u>	<u>72,767</u>	<u>1,430,528</u>
Expenditures:				
Capital outlay	<u>851,779</u>	<u>-</u>	<u>448,658</u>	<u>1,300,437</u>
Net change in fund balances	363,815	142,167	(375,891)	130,091
Fund balances (deficits) - beginning	<u>(1,216,844)</u>	<u>4,303,007</u>	<u>3,058,994</u>	<u>6,145,157</u>
Fund balances (deficits) - ending	<u><u>\$ (853,029)</u></u>	<u><u>4,445,174</u></u>	<u><u>2,683,103</u></u>	<u><u>\$ 6,275,248</u></u>



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

Nonmajor Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

The following Enterprise Funds have been classified as nonmajor in the accompanying financial statements:

Refuse Collections - For the provision of refuse collection services to the residential, commercial and industrial segments of the City.

Transportation Center - For the provision of a concentrated commuter-oriented transportation center for the region.

Sewer - For the provision of providing cleaning, rehabilitation, and repair of sanitary sewer facilities and removal of sewer main blockages.

Sanitation - For the provision of motorized sweeping of all improved streets in the City, graffiti removal and weed control.

Federal Clean Water Protection - For the provision of storm drain systems operation and maintenance and pollution reduction under the National Pollutant Discharge Elimination permit issued by the Santa Ana Region of Water Quality Control Board.

Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2009

	Refuse Collections	Transportation Center
Assets:		
Current assets:		
Cash and investments	\$ 2,390,705	140,157
Receivables:		
Accounts	1,743,521	32,684
Interest	2,481	487
Total current assets	<u>4,136,707</u>	<u>173,328</u>
Noncurrent assets:		
Capital assets:		
Land	-	3,792,491
Buildings	-	8,607,909
Improvements other than buildings	-	3,462,519
Equipment	9,240,394	-
Parking structures	-	4,817,295
Less accumulated depreciation	<u>(9,240,394)</u>	<u>(8,390,290)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>12,289,924</u>
Total noncurrent assets	<u>-</u>	<u>12,289,924</u>
Total assets	<u>4,136,707</u>	<u>12,463,252</u>
Liabilities:		
Current liabilities:		
Accounts payable	32,077	79,395
Compensated absences payable (current portion)	-	-
Deposits payable	-	11,000
Total current liabilities	<u>32,077</u>	<u>90,395</u>
Noncurrent liabilities:		
Compensated absences payable	-	-
Postemployment benefits obligation	8,830	-
Total noncurrent liabilities	<u>8,830</u>	<u>-</u>
Total liabilities	<u>40,907</u>	<u>90,395</u>
Net assets:		
Invested in capital assets	-	12,289,924
Restricted for:		
Capital projects	-	82,933
Unrestricted	4,095,800	-
Total net assets	<u>\$ 4,095,800</u>	<u>12,372,857</u>

NONMAJOR ENTERPRISE FUNDS

Sewer	Sanitation	Federal Clean Water Protection	Total
2,417,205	2,001,642	635,321	\$ 7,585,030
717,360	1,190,806	154,071	3,838,442
8,589	3,103	1,824	16,484
<u>3,143,154</u>	<u>3,195,551</u>	<u>791,216</u>	<u>11,439,956</u>
-	-	-	3,792,491
-	-	-	8,607,909
37,336,292	-	547,015	41,345,826
11,218	51,630	-	9,303,242
-	-	-	4,817,295
<u>(19,747,052)</u>	<u>(18,501)</u>	<u>(25,072)</u>	<u>(37,421,309)</u>
<u>17,600,458</u>	<u>33,129</u>	<u>521,943</u>	<u>30,445,454</u>
<u>17,600,458</u>	<u>33,129</u>	<u>521,943</u>	<u>30,445,454</u>
<u>20,743,612</u>	<u>3,228,680</u>	<u>1,313,159</u>	<u>41,885,410</u>
21,878	56,869	58,153	248,372
25,656	106,367	13,388	145,411
-	-	-	11,000
<u>47,534</u>	<u>163,236</u>	<u>71,541</u>	<u>404,783</u>
76,969	319,100	40,163	436,232
45,870	106,848	22,150	183,698
<u>122,839</u>	<u>425,948</u>	<u>62,313</u>	<u>619,930</u>
<u>170,373</u>	<u>589,184</u>	<u>133,854</u>	<u>1,024,713</u>
17,600,458	33,129	521,943	30,445,454
2,972,781	2,606,367	657,362	6,319,443
-	-	-	4,095,800
<u>20,573,239</u>	<u>2,639,496</u>	<u>1,179,305</u>	<u>\$ 40,860,697</u>

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2009

	Refuse Collections	Transportation Center
Operating revenues:		
Charges for services	\$ 8,614,749	1,024,356
Miscellaneous	6,441,742	2,467
Total operating revenues	<u>15,056,491</u>	<u>1,026,823</u>
Operating expenses:		
Personnel services	247,071	13,850
Contractual services	7,006,420	282,578
Materials and supplies	2,251	82,335
Other services and charges	5,948,836	621,081
Depreciation	-	422,193
Total operating expenses	<u>13,204,578</u>	<u>1,422,037</u>
Operating income (loss)	<u>1,851,913</u>	<u>(395,214)</u>
Nonoperating revenues (expenses):		
Investment earnings	17,871	2,499
Gain (loss) on disposal of capital assets	-	-
Total nonoperating revenues (expenses)	<u>17,871</u>	<u>2,499</u>
Income (loss) before transfers	1,869,784	(392,715)
Transfers out	-	-
Change in net assets	1,869,784	(392,715)
Net assets - beginning	<u>2,226,016</u>	<u>12,765,572</u>
Net assets - ending	<u>\$ 4,095,800</u>	<u>12,372,857</u>

NONMAJOR ENTERPRISE FUND

Sewer	Sanitation	Federal Clean Water Protection	Total
-	7,960,595	-	\$ 17,599,700
4,521,995	129,979	2,384,192	13,480,375
4,521,995	8,090,574	2,384,192	31,080,075
1,322,672	3,991,801	773,948	6,349,342
727,633	1,263,824	878,690	10,159,145
142,371	269,859	1,435	498,251
446,211	2,249,974	537,551	9,803,653
501,337	5,163	25,072	953,765
3,140,224	7,780,621	2,216,696	27,764,156
1,381,771	309,953	167,496	3,315,919
37,907	36,354	11,424	106,055
(1,475)	-	-	(1,475)
36,432	36,354	11,424	104,580
1,418,203	346,307	178,920	3,420,499
-	(50,183)	-	(50,183)
1,418,203	296,124	178,920	3,370,316
19,155,036	2,343,372	1,000,385	37,490,381
20,573,239	2,639,496	1,179,305	\$ 40,860,697

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2009

	Refuse Collections	Transportation Center
Cash flows from operating activities:		
Receipts from customers	\$ 8,313,471	1,021,913
Receipts from other operating sources	6,441,742	2,467
Payments to suppliers for goods and services	(13,274,065)	(981,948)
Payments to employees	(249,398)	(13,850)
	<u>1,231,750</u>	<u>28,582</u>
Net cash provided by (used for) operating activities		
Cash flows from noncapital financing activities:		
Transfer out	-	-
Net cash used for noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	-
Net cash used for capital and related financing activities	-	-
Cash flows from investing activities:		
Interest received	15,815	2,227
Net cash provided by investing activities	15,815	2,227
Net increase (decrease) in cash and cash equivalents	1,247,565	30,809
Cash and cash equivalents - beginning	1,143,140	109,348
Cash and cash equivalents - ending	<u>\$ 2,390,705</u>	<u>140,157</u>

NONMAJOR ENTERPRISE FUNDS

Sewer	Sanitation	Federal Clean Water Protection	Total
(193,668)	7,805,904	(2,655)	\$ 16,944,965
4,521,995	129,979	2,384,192	13,480,375
(1,477,964)	(3,957,362)	(1,555,455)	(21,246,794)
(1,405,043)	(4,121,046)	(855,179)	(6,644,516)
<u>1,445,320</u>	<u>(142,525)</u>	<u>(29,097)</u>	<u>2,534,030</u>
-	(50,183)	-	(50,183)
-	(50,183)	-	(50,183)
<u>(15,500)</u>	<u>-</u>	<u>(34,113)</u>	<u>(49,613)</u>
<u>(15,500)</u>	<u>-</u>	<u>(34,113)</u>	<u>(49,613)</u>
<u>46,037</u>	<u>33,251</u>	<u>13,766</u>	<u>111,096</u>
<u>46,037</u>	<u>33,251</u>	<u>13,766</u>	<u>111,096</u>
1,475,857	(159,457)	(49,444)	2,545,330
<u>941,348</u>	<u>2,161,099</u>	<u>684,765</u>	<u>5,039,700</u>
<u>2,417,205</u>	<u>2,001,642</u>	<u>635,321</u>	<u>\$ 7,585,030</u>

Continued

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2009

	Refuse Collections	Transportation Center
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,851,913	(395,214)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	-	422,193
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(301,278)	(2,442)
Increase (decrease) in accounts payable	(316,558)	4,045
Increase (decrease) in compensated absences payable	(6,742)	-
Increase (decrease) in postemployment benefits obligation	4,415	-
Net cash provided by (used for) operating activities	<u>\$ 1,231,750</u>	<u>28,582</u>

NONMAJOR ENTERPRISE FUNDS

Sewer	Sanitation	Federal Clean Water Protection	Total
1,381,771	309,953	167,496	\$ 3,315,919
501,337	5,163	25,072	953,765
(193,668)	(154,691)	(2,655)	(654,734)
(161,749)	(173,705)	(137,779)	(785,746)
(105,306)	(182,669)	(92,306)	(387,023)
22,935	53,424	11,075	91,849
<u>1,445,320</u>	<u>(142,525)</u>	<u>(29,097)</u>	<u>\$ 2,534,030</u>



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

Internal Service Funds

To account for the financing of goods or services provided by one department or agency of the City to other departments or agencies on a cost-reimbursement basis.

Central Services - For the provision of printing, duplicating, messenger and postal services.

Building Maintenance - For the provision of building maintenance, janitorial services and utilities to the City departments.

Equipment Maintenance and Replacement - For the provision of maintenance on, materials and supplies for, and replacement of, City vehicles and other gasoline or diesel-powered equipment, and maintenance of a warehouse inventory of materials and supplies for all City departments.

Liability and Property Insurance - For the administration of the City's self-insurance programs and the payment of liability claims.

Employee Group Insurance - For the administration of the City's health and dental benefits.

Workers Compensation - For the administration of the City's workers' compensation and payment of liability claims.

Information and Communications Services - For the design, installation and maintenance of all data networking, voice, radio, and facsimile services of the City's operating departments.

City Yard Operations - For the maintenance and security services at the City's Corporate Yard and Fleet Maintenance Facility.

Engineering and Administrative Services - For the provision of engineering, design, project management, and construction inspection services for public facilities and infrastructure, and the development and administration of transportation policy and the City's capital improvement program.

Quality Service Training - For the provision of training and support services, through the use and application of total quality improvement tools, for the continuous improvement of City services.

Internal Service Funds
Combining Statement of Net Assets
June 30, 2009

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Assets:			
Current assets:			
Cash and investments	\$ 776,440	683,568	5,453,820
Receivables:			
Interest	2,400	73	26,326
Inventory of supplies	26,746	-	1,022,848
Total current assets	<u>805,586</u>	<u>683,641</u>	<u>6,502,994</u>
Noncurrent assets:			
Restricted cash and investments	-	-	-
Advances to other funds	-	-	220,000
Capital assets:			
Improvements other than buildings	-	602,886	-
Equipment	422,434	-	25,936,174
Construction work in progress	-	-	-
Less accumulated depreciation	<u>(351,217)</u>	<u>(445,885)</u>	<u>(19,392,604)</u>
Total capital assets (net of accumulated depreciation)	<u>71,217</u>	<u>157,001</u>	<u>6,543,570</u>
Total noncurrent assets	<u>71,217</u>	<u>157,001</u>	<u>6,763,570</u>
Total assets	<u>876,803</u>	<u>840,642</u>	<u>13,266,564</u>
Liabilities:			
Current liabilities:			
Accounts payable	6,197	152,106	226,117
Interest payable	-	-	-
Compensated absences payable (current portion)	3,223	35,998	77,462
Claims payable (current portion)	-	-	-
Capital lease payable (current portion)	-	-	-
Total current liabilities	<u>9,420</u>	<u>188,104</u>	<u>303,579</u>
Noncurrent liabilities:			
Compensated absences payable	9,669	107,996	232,387
Claims payable	-	-	-
Capital lease payable	-	-	-
Postemployment benefits obligation	6,884	45,082	94,220
Total noncurrent liabilities	<u>16,553</u>	<u>153,078</u>	<u>326,607</u>
Total liabilities	<u>25,973</u>	<u>341,182</u>	<u>630,186</u>
Net assets:			
Invested in capital assets, net of related debt	71,217	157,001	6,543,570
Unrestricted	<u>779,613</u>	<u>342,459</u>	<u>6,092,808</u>
Total net assets	<u>\$ 850,830</u>	<u>499,460</u>	<u>12,636,378</u>

INTERNAL SERVICE FUNDS

Liability and Property Insurance	Employee Group Insurance	Workers' Compensation	Information and Communications Services	City Yard Operations
28,045,937	2,479,168	22,356,711	17,151,282	209,583
108,993	7,350	84,170	29,067	980
-	-	-	-	-
<u>28,154,930</u>	<u>2,486,518</u>	<u>22,440,881</u>	<u>17,180,349</u>	<u>210,563</u>
-	295,285	-	-	-
-	-	2,920,000	-	-
-	-	-	-	256,131
-	15,754	16,673	7,200,772	68,201
-	-	-	3,918,752	-
-	(15,754)	(16,673)	(6,606,811)	(49,917)
-	-	-	4,512,713	274,415
-	295,285	2,920,000	4,512,713	274,415
<u>28,154,930</u>	<u>2,781,803</u>	<u>25,360,881</u>	<u>21,693,062</u>	<u>484,978</u>
2,453	4,184	14,277	1,049,996	16,684
-	-	-	41,996	-
13,662	17,577	15,977	43,099	-
3,500,000	-	4,525,000	-	-
-	-	-	983,595	-
<u>3,516,115</u>	<u>21,761</u>	<u>4,555,254</u>	<u>2,118,686</u>	<u>16,684</u>
40,988	52,733	47,931	129,298	-
1,191,792	-	14,065,140	-	-
-	-	-	3,130,290	-
16,086	20,662	34,010	56,762	-
<u>1,248,866</u>	<u>73,395</u>	<u>14,147,081</u>	<u>3,316,350</u>	<u>-</u>
<u>4,764,981</u>	<u>95,156</u>	<u>18,702,335</u>	<u>5,435,036</u>	<u>16,684</u>
-	-	-	398,828	274,415
<u>23,389,949</u>	<u>2,686,647</u>	<u>6,658,546</u>	<u>15,859,198</u>	<u>193,879</u>
<u>23,389,949</u>	<u>2,686,647</u>	<u>6,658,546</u>	<u>16,258,026</u>	<u>468,294</u>

Continued

Internal Service Funds
Combining Statement of Net Assets
June 30, 2009

	Engineering and Administrative Services	Quality Service Training	Total
Assets:			
Current assets:			
Cash and investments	\$ 1,359,351	287,653	\$ 78,803,513
Receivables:			
Interest	6,792	1,120	267,271
Inventory of supplies	-	-	1,049,594
Total current assets	<u>1,366,143</u>	<u>288,773</u>	<u>80,120,378</u>
Noncurrent assets:			
Restricted cash and investments	-	-	295,285
Advances to other funds	-	-	3,140,000
Capital assets:			
Improvements other than buildings	-	-	859,017
Equipment	231,219	-	33,891,227
Construction work in progress	-	-	3,918,752
Less accumulated depreciation	(97,967)	-	(26,976,828)
Total capital assets (net of accumulated depreciation)	<u>133,252</u>	<u>-</u>	<u>11,692,168</u>
Total noncurrent assets	<u>133,252</u>	<u>-</u>	<u>15,127,453</u>
Total assets	<u>1,499,395</u>	<u>288,773</u>	<u>95,247,831</u>
Liabilities:			
Current liabilities:			
Accounts payable	44,496	-	1,516,510
Interest payable	-	-	41,996
Compensated absences payable (current portion)	254,969	-	461,967
Claims payable (current portion)	-	-	8,025,000
Capital lease payable (current portion)	-	-	983,595
Total current liabilities	<u>299,465</u>	<u>-</u>	<u>11,029,068</u>
Noncurrent liabilities:			
Compensated absences payable	764,908	-	1,385,910
Claims payable	-	-	15,256,932
Capital lease payable	-	-	3,130,290
Postemployment benefits obligation	320,034	-	593,740
Total noncurrent liabilities	<u>1,084,942</u>	<u>-</u>	<u>20,366,872</u>
Total liabilities	<u>1,384,407</u>	<u>-</u>	<u>31,395,940</u>
Net assets:			
Invested in capital assets, net of related debt	133,252	-	7,578,283
Unrestricted	(18,264)	288,773	56,273,608
Total net assets	<u>\$ 114,988</u>	<u>288,773</u>	<u>\$ 63,851,891</u>



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Comprehensive Annual Financial Report

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2009

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Operating revenues:			
Charges for services	\$ 962,452	3,889,692	11,212,504
Miscellaneous	975	-	59,842
Total operating revenues	<u>963,427</u>	<u>3,889,692</u>	<u>11,272,346</u>
Operating expenses:			
Cost of goods sold	-	-	1,762,040
Personal services	238,665	1,419,253	2,805,904
Contractual services	169,956	1,700,914	789,849
Materials and supplies	322,206	125,289	2,176,347
Other services and charges	131,872	174,101	945,441
Administration	-	-	-
Insurance	-	-	-
Provision for self-insured losses	-	-	-
Depreciation	12,189	75,361	2,107,239
Total operating expenses	<u>874,888</u>	<u>3,494,918</u>	<u>10,586,820</u>
Operating income (loss)	<u>88,539</u>	<u>394,774</u>	<u>685,526</u>
Nonoperating revenues (expenses):			
Investment earnings	13,005	114	118,472
Interest expense	-	-	-
Loss on disposal of capital assets	-	-	(20,148)
Total nonoperating revenues (expenses)	<u>13,005</u>	<u>114</u>	<u>98,324</u>
Income (loss) before transfers	101,544	394,888	783,850
Transfers in	-	250,000	145,972
Transfers out	-	(196,118)	-
Change in net assets	101,544	448,770	929,822
Net assets - beginning	<u>749,286</u>	<u>50,690</u>	<u>11,706,556</u>
Net assets - ending	<u>\$ 850,830</u>	<u>499,460</u>	<u>12,636,378</u>

INTERNAL SERVICE FUNDS

Liability and Property Insurance	Employee Group Insurance	Workers Compensation	Information and Communications Services	City Yard Operations
8,845,895	20,188,064	9,953,314	4,853,968	956,905
-	2,726,694	416,812	60,218	-
8,845,895	22,914,758	10,370,126	4,914,186	956,905
-	-	-	-	-
-	-	-	2,047,142	44,806
-	-	-	3,306,229	355,336
-	-	-	1,486,026	19,348
-	-	-	220,224	638,005
2,063,506	945,058	1,665,740	-	-
946,207	19,342,930	521,455	-	-
-	2,660,576	4,545,027	-	-
-	-	-	291,704	8,189
3,009,713	22,948,564	6,732,222	7,351,325	1,065,684
5,836,182	(33,806)	3,637,904	(2,437,139)	(108,779)
646,315	41,035	509,911	196,290	7,323
-	-	-	(143,026)	-
-	-	-	-	-
646,315	41,035	509,911	53,264	7,323
6,482,497	7,229	4,147,815	(2,383,875)	(101,456)
-	-	-	3,662,230	-
-	-	-	-	-
6,482,497	7,229	4,147,815	1,278,355	(101,456)
16,907,452	2,679,418	2,510,731	14,979,671	569,750
23,389,949	2,686,647	6,658,546	16,258,026	468,294

Continued

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2009

	Engineering and Administrative Services	Quality Service Training	Total
Operating revenues:			
Charges for services	\$ 10,884,282	53,350	\$ 71,800,426
Miscellaneous	625,886	-	3,890,427
Total operating revenues	<u>11,510,168</u>	<u>53,350</u>	<u>75,690,853</u>
Operating expenses:			
Cost of goods sold	-	-	1,762,040
Personal services	9,848,352	355	16,404,477
Contractual services	904,740	-	7,227,024
Materials and supplies	174,708	2,759	4,306,683
Other services and charges	1,202,450	34	3,312,127
Administration	-	-	4,674,304
Insurance	-	-	20,810,592
Provision for self-insured losses	-	-	7,205,603
Depreciation	19,197	-	2,513,879
Total operating expenses	<u>12,149,447</u>	<u>3,148</u>	<u>68,216,729</u>
Operating income (loss)	<u>(639,279)</u>	<u>50,202</u>	<u>7,474,124</u>
Nonoperating revenues (expenses):			
Interest income	42,093	5,655	1,580,213
Interest expense	-	-	(143,026)
Loss on disposal of capital assets	-	-	(20,148)
Total nonoperating revenues (expenses)	<u>42,093</u>	<u>5,655</u>	<u>1,417,039</u>
Income (loss) before transfers	<u>(597,186)</u>	<u>55,857</u>	<u>8,891,163</u>
Transfers in	10,000	-	4,068,202
Transfers out	<u>(332,239)</u>	<u>-</u>	<u>(528,357)</u>
Change in net assets	<u>(919,425)</u>	<u>55,857</u>	<u>12,431,008</u>
Net assets - beginning	<u>1,034,413</u>	<u>232,916</u>	<u>51,420,883</u>
Net assets - ending	<u>\$ 114,988</u>	<u>288,773</u>	<u>\$ 63,851,891</u>



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2009

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 962,452	3,889,692	11,212,504
Receipts from other operating sources	975	-	59,842
Payments to suppliers for goods and services	(495,542)	(1,890,337)	(4,842,339)
Payments for interfund services used	(131,872)	(174,101)	(945,441)
Payments to employees	(234,906)	(1,517,620)	(3,040,473)
Net cash provided by (used for) operating activities	<u>101,107</u>	<u>307,634</u>	<u>2,444,093</u>
Cash flows from noncapital financing activities:			
Transfers in	-	250,000	145,972
Transfers out	-	(196,118)	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>53,882</u>	<u>145,972</u>
Cash flows from capital and related financing activities:			
Retirement of long-term debt	-	-	-
Acquisition of capital assets	-	-	(694,269)
Interest paid	-	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>(694,269)</u>
Cash flows from investing activities:			
Interest received	14,366	16,914	115,459
Net increase (decrease) in the fair value of investments	-	-	-
Net cash provided by investing activities	<u>14,366</u>	<u>16,914</u>	<u>115,459</u>
Net increase (decrease) in cash and cash equivalents	115,473	378,430	2,011,255
Cash and cash equivalents - beginning	<u>660,967</u>	<u>305,138</u>	<u>3,442,564</u>
Cash and cash equivalents - ending (Includes restricted cash and investments)	<u>\$ 776,440</u>	<u>683,568</u>	<u>5,453,819</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 88,539	394,774	685,526
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	12,189	75,361	2,107,239
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	-	-
Decrease (increase) in inventory of supplies	(1,404)	-	(26,025)
Increase (decrease) in accounts payable	(1,976)	(64,134)	(88,078)
Increase (decrease) in compensated absences payable	317	(120,908)	(281,679)
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in postemployment benefits obligation	3,442	22,541	47,110
Net cash provided by (used for) operating activities	<u>\$ 101,107</u>	<u>307,634</u>	<u>2,444,093</u>
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	<u>\$ -</u>	<u>-</u>	<u>-</u>

INTERNAL SERVICE FUNDS

Liability and Property Insurance	Employee Group Insurance	Workers Compensation	Information and Communications Services	City Yard Operations
8,845,895	20,188,064	9,953,314	4,853,968	956,905
-	2,726,694	416,812	60,218	-
(3,014,270)	(22,946,846)	(6,729,100)	(4,315,809)	(371,296)
-	-	-	(220,224)	(638,005)
(1,280,593)	(40,606)	258,363	(1,943,689)	(44,806)
4,551,032	(72,694)	3,899,389	(1,565,536)	(97,202)
-	-	-	3,662,230	-
-	-	-	-	-
-	-	-	3,662,230	-
-	-	-	(955,115)	-
-	-	-	(4,240,550)	(50,340)
-	-	-	(143,026)	-
-	-	-	(5,338,691)	(50,340)
564,928	43,873	442,342	231,823	8,455
106,622	-	85,349	-	-
671,550	43,873	527,691	231,823	8,455
5,222,582	(28,821)	4,427,080	(3,010,174)	(139,087)
22,823,355	2,803,274	17,929,631	20,161,456	348,670
28,045,937	2,774,453	22,356,711	17,151,282	209,583
5,836,182	(33,806)	3,637,904	(2,437,139)	(108,779)
-	-	-	291,704	8,189
-	-	-	-	-
-	-	-	-	-
(4,557)	1,718	3,122	476,446	3,388
(106,849)	(50,937)	(72,104)	75,072	-
(1,181,787)	-	313,462	-	-
8,043	10,331	17,005	28,381	-
4,551,032	(72,694)	3,899,389	(1,565,536)	(97,202)
106,622	-	85,349	-	-

Continued

Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2009

	Engineering and Administrative Services	Quality Service Training	Total
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 10,884,282	53,350	\$ 71,800,426
Receipts from other operating sources	625,886	-	3,890,427
Payments to suppliers for goods and services	(1,097,565)	(2,759)	(45,705,863)
Payments for interfund services used	(1,202,450)	(34)	(3,312,127)
Payments to employees	(10,156,085)	(355)	(18,000,770)
Net cash provided by (used for) operating activities	(945,932)	50,202	8,672,093
Cash flows from noncapital financing activities:			
Transfers in	10,000	-	4,068,202
Transfers out	(332,239)	-	(528,357)
Net cash provided by (used for) noncapital financing activities	(322,239)	-	3,539,845
Cash flows from capital and related financing activities:			
Retirement of long-term debt			(955,115)
Acquisition of capital assets	(60,454)	-	(5,045,613)
Interest paid	-	-	(143,026)
Net cash provided by (used for) capital and related financing activities	(60,454)	-	(6,143,754)
Cash flows from investing activities:			
Interest received	52,239	5,896	1,496,295
Net increase (decrease) in the fair value of investments	-	-	191,971
Net cash provided by investing activities	52,239	5,896	1,688,266
Net increase (decrease) in cash and cash equivalents	(1,276,386)	56,098	7,756,450
Cash and cash equivalents - beginning	2,635,737	231,556	71,342,348
Cash and cash equivalents - ending (Includes restricted cash and investments)	\$ 1,359,351	\$ 287,654	\$ 79,098,798
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (639,279)	50,202	\$ 7,474,124
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	19,197	-	2,513,879
Change in assets and liabilities:			
Increase (decrease) in accounts receivable	-	-	-
Increase (decrease) in inventory of supplies	-	-	(27,429)
Increase (decrease) in accounts payable	(18,117)	-	307,812
Increase (decrease) in compensated absences payable	(467,750)	-	(1,024,838)
Increase (decrease) in claims payable	-	-	(868,325)
Increase (decrease) in postemployment benefits obligation	160,017	-	296,870
Net cash provided by (used for) operating activities	\$ (945,932)	50,202	\$ 8,672,093
Noncash investing, capital, and financing activities:			
Increase (decrease) in fair value of investments	\$ -	-	\$ 191,971

Agency Funds

Agency Funds are used to account for money and property held by the City as trustee or custodian. Agency Funds include the following:

Payroll - For the disposition of funds charged to departments for the payment of wages and retirement benefits to City employees.

Treasurer's Trust – For deposits made by developer, governmental agencies and others for disposition under the terms of the agreements for which deposits were made.

Retirees Health Insurance Subsidy – For the disposition of funds charged to departments for the payment of retirees health insurance under the terms of the Memorandum of Understanding between the City of Santa Ana and different represented employees unions.

Housing Rehabilitation Loan Program – For the disposition of the assets deposited for and the liabilities of the City's housing rehabilitation loan program.

Transportation Corridor – For the collection of fees until their disbursement to transportation corridor agencies under the terms of joint exercise of powers agreement.

Transportation System Improvement Authority (TSIA) Santa Ana – Tustin – For the receipt and disbursement of funds under the terms of the joint exercise of powers agreement between the City of Santa Ana and the City of Tustin.

School Districts' Trust – For the receipt of State funds for the Santa Ana Unified School District and disbursements thereof, under the terms of the agreement between the City of Santa Ana, the Community Redevelopment Agency of the City of Santa Ana, and the Santa Ana Unified School District. For the receipt of tax increment pass-throughs allocated to Rancho Santiago College and disbursements thereof, under the terms of the agreement between the Community Redevelopment Agency of the City of Santa Ana and Rancho Santiago College.

Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2009

	Payroll	Treasurer's Trust	Retirees Health Insurance Subsidy
Assets			
Cash and investments	\$ 9,105,839	3,447,876	2,622,403
Receivables:			
Loans and notes	-	-	700,000
Interest	-	1,611	8,486
Total assets	<u>\$ 9,105,839</u>	<u>3,449,487</u>	<u>3,330,889</u>
Liabilities			
Accounts payable	\$ -	-	-
Due to City employees	5,232,713	-	3,330,889
Due to other governmental agencies	<u>3,873,126</u>	<u>3,449,487</u>	<u>-</u>
Total liabilities	<u>\$ 9,105,839</u>	<u>3,449,487</u>	<u>3,330,889</u>

Housing Rehabilitation Loan Program	Transportation Corridor	TSIA Santa Ana- Tustin	School Districts' Trust	Total
-	-	12,231,758	6,255,182	\$ 33,663,058
168,288	-	-	-	868,288
-	-	48,018	14,895	73,010
<u>168,288</u>	<u>-</u>	<u>12,279,776</u>	<u>6,270,077</u>	<u>\$ 34,604,356</u>
-	-	1,403	-	\$ 1,403
-	-	-	-	8,563,602
<u>168,288</u>	<u>-</u>	<u>12,278,373</u>	<u>6,270,077</u>	<u>26,039,351</u>
<u>168,288</u>	<u>-</u>	<u>12,279,776</u>	<u>6,270,077</u>	<u>\$ 34,604,356</u>

Agency Funds
Combining Statement of Changes in Fiduciary Assets and Liabilities
Year ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
PAYROLL FUND				
Assets				
Cash and investments	\$ 8,229,680	196,755,009	195,878,850	\$ 9,105,839
Liabilities				
Due to City employees	\$ 4,761,594	175,471,005	174,999,886	\$ 5,232,713
Due to other governmental agencies	3,468,086	25,372,503	24,967,463	3,873,126
Total liabilities	\$ 8,229,680	200,843,508	199,967,349	\$ 9,105,839
TREASURER'S TRUST FUND				
Assets				
Cash and investments	\$ 5,568,120	10,197,760	12,318,004	\$ 3,447,876
Interest receivable	1,424	1,611	1,424	1,611
Total assets	\$ 5,569,544	10,199,371	12,319,428	\$ 3,449,487
Liabilities				
Due to other governmental agencies	\$ 5,569,544	10,199,371	12,319,428	\$ 3,449,487
RETIREE'S HEALTH INSURANCE SUBSIDY				
Assets				
Cash and investments	\$ 2,715,296	1,348,575	1,441,468	\$ 2,622,403
Notes receivable	-	700,000	-	700,000
Interest receivable	14,079	8,486	14,079	8,486
Total assets	\$ 2,729,375	2,057,061	1,455,547	\$ 3,330,889
Liabilities				
Due to City employees	\$ 2,729,375	2,057,061	1,455,547	\$ 3,330,889

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
HOUSING REHABILITATION LOAN PROGRAM				
Assets				
Loans and notes receivable	\$ <u>171,825</u>	<u>-</u>	<u>3,537</u>	\$ <u>168,288</u>
Liabilities				
Due to other governmental agencies	\$ <u>171,825</u>	<u>-</u>	<u>3,537</u>	\$ <u>168,288</u>
TRANSPORTATION CORRIDOR FUND				
Assets				
Cash and investments	\$ <u>5,321</u>	<u>41,364</u>	<u>46,685</u>	\$ <u>-</u>
Liabilities				
Due to other governmental agencies	\$ <u>5,321</u>	<u>41,364</u>	<u>46,685</u>	\$ <u>-</u>
TRANSPORTATION SYSTEM IMPROVEMENT AUTHORITY SANTA ANA - TUSTIN FUND				
Assets				
Cash and investments	\$ 13,605,403	346,383	1,720,028	\$ 12,231,758
Interest receivable	79,895	48,018	79,895	48,018
Total assets	\$ <u>13,685,298</u>	<u>394,401</u>	<u>1,799,923</u>	\$ <u>12,279,776</u>
Liabilities				
Accounts payable	\$ -	1,403	-	\$ 1,403
Due to other governmental agencies	13,685,298	394,401	1,801,326	12,278,373
Total liabilities	\$ <u>13,685,298</u>	<u>395,804</u>	<u>1,801,326</u>	\$ <u>12,279,776</u>

Continued

Agency Funds
Combining Statement of Changes in Fiduciary Assets and Liabilities
Year ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
SCHOOL DISTRICTS' TRUST FUND				
Assets				
Cash and investments	\$ 5,623,710	3,243,138	2,611,666	\$ 6,255,182
Interest receivable	26,176	14,895	26,176	14,895
Total assets	<u>\$ 5,649,886</u>	<u>3,258,033</u>	<u>2,637,842</u>	<u>\$ 6,270,077</u>
Liabilities				
Due to other governmental agencies	\$ 5,649,886	3,258,033	2,637,842	\$ 6,270,077
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 35,747,530	211,932,229	214,016,701	\$ 33,663,058
Receivables:				
Loans and notes	171,825	700,000	3,537	868,288
Interest	121,574	73,010	121,574	73,010
Total assets	<u>\$ 36,040,929</u>	<u>212,705,239</u>	<u>214,141,812</u>	<u>\$ 34,604,356</u>
Liabilities				
Accounts payable	\$ -	1,403	-	\$ 1,403
Due to City employees	7,490,969	177,528,066	176,455,433	8,563,602
Due to other governmental agencies	28,549,960	39,265,672	41,776,281	26,039,351
Total liabilities	<u>\$ 36,040,929</u>	<u>216,795,141</u>	<u>218,231,714</u>	<u>\$ 34,604,356</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. (Schedules 1 - 4)</i>	165
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. (Schedules 5 - 12)</i>	172
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. (Schedules 13 - 16)</i>	182
Demographic and Economic Information <i>These schedules 17 offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. (Schedule 17)</i>	188
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. (Schedules 18 - 21)</i>	189



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

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

SCHEDULE 1

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities:								
Investment in capital assets, net of related debt	\$ 684,618	\$ 650,254	\$ 700,479	\$ 658,414	\$ 644,474	\$ 646,755	\$ 644,080	\$ 545,893
Restricted	182,938	185,518	117,988	164,332	144,464	147,433	139,892	100,408
Unrestricted	5,165	(6,279)	(24,752)	(122,359)	(136,627)	(170,248)	(168,784)	(82,670)
Total governmental activities net assets	<u>\$ 872,721</u>	<u>\$ 829,493</u>	<u>\$ 793,715</u>	<u>\$ 700,387</u>	<u>\$ 652,311</u>	<u>\$ 623,940</u>	<u>\$ 615,188</u>	<u>\$ 563,631</u>
Business-type activities:								
Investment in capital assets, net of related debt	\$ 83,163	\$ 79,764	\$ 69,748	\$ 39,031	\$ 69,906	\$ 69,554	\$ 67,517	\$ 62,022
Restricted	7,014	4,111	2,846	9,579	9,066	8,948	6,843	12,467
Unrestricted	24,745	20,385	28,270	15,774	12,877	10,917	9,028	8,199
Total business-type activities net assets	<u>\$ 114,922</u>	<u>\$ 104,260</u>	<u>\$ 100,864</u>	<u>\$ 64,384</u>	<u>\$ 91,849</u>	<u>\$ 89,419</u>	<u>\$ 83,388</u>	<u>\$ 82,688</u>
Primary government:								
Investment in capital assets, net of related debt	\$ 767,781	\$ 730,018	\$ 770,227	\$ 727,445	\$ 714,380	\$ 716,309	\$ 711,597	\$ 607,915
Restricted	189,952	189,629	120,834	173,911	153,530	156,381	146,735	112,875
Unrestricted	29,910	14,106	3,518	(106,585)	(123,750)	(159,331)	(159,756)	(74,471)
Total primary government net assets	<u>\$ 987,643</u>	<u>\$ 933,753</u>	<u>\$ 894,579</u>	<u>\$ 794,771</u>	<u>\$ 744,160</u>	<u>\$ 713,359</u>	<u>\$ 698,576</u>	<u>\$ 646,319</u>

Source: City of Santa Ana 2002 - 2009 CAFRS

The City of Santa Ana implemented GASB 34 for the fiscal year ended June 30, 2002.

Information prior to the implementation of GASB 34 is not available.

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:								
Governmental activities:								
General government (1)	\$ 20,456	\$ 6,912	\$ 26,370	\$ 16,137	\$ 14,146	\$ 15,459	\$ 14,533	\$ 16,303
Cultural recreation and community services (2)	27,937	24,057	28,956	23,406	21,766	26,325	26,183	29,803
Public safety (3)	175,036	157,792	151,581	135,530	129,507	130,369	118,392	116,905
Developmental services (4)	29,849	44,289	29,698	16,735	27,439	26,225	28,034	34,815
Community development	53,598	58,798	56,286	70,235	67,561	59,321	46,813	54,170
Interest on long-term debt	16,580	16,585	12,420	13,918	13,903	15,979	16,090	14,634
Total governmental activities expenses	<u>\$ 323,456</u>	<u>\$ 308,433</u>	<u>\$ 305,311</u>	<u>\$ 275,961</u>	<u>\$ 274,322</u>	<u>\$ 273,678</u>	<u>\$ 250,045</u>	<u>\$ 266,630</u>
Business-type activities:								
Water	\$ 41,910	\$ 41,289	\$ 39,184	\$ 34,609	\$ 35,671	\$ 32,530	\$ 30,757	\$ 30,514
Parking	2,767	2,973	2,898	2,949	2,952	2,663	2,656	12,344
Refuse collections	13,205	13,345	12,978	13,316	12,126	11,784	11,611	2,604
Transportation center	1,422	1,282	1,303	1,342	1,256	1,518	1,192	1,296
Sewer	3,140	3,313	3,084	2,818	2,373	2,157	2,050	695
Sanitation	7,781	7,641	7,252	8,212	7,615	7,518	7,418	7,714
Federal clean water protection	2,217	2,585	2,798	1,944	1,853	1,327	624	-
Total business-type expenses	<u>72,442</u>	<u>72,428</u>	<u>69,497</u>	<u>65,190</u>	<u>63,846</u>	<u>59,497</u>	<u>56,308</u>	<u>55,167</u>
Total primary government expenses	<u>\$ 395,898</u>	<u>\$ 380,861</u>	<u>\$ 374,808</u>	<u>\$ 341,151</u>	<u>\$ 338,168</u>	<u>\$ 333,175</u>	<u>\$ 306,353</u>	<u>\$ 321,797</u>

Continued

1. Includes Human Resources and Finance

2. Includes Museum and Library

3. Includes Police and Fire

4. Includes Planning and Building, and Public Works

Source: City of Santa Ana 2002 - 2009 CAFRS

The City of Santa Ana implemented GASB 34 for the fiscal year ended June 30, 2002.

Information prior to the implementation of GASB 34 is not available.

SCHEDULE 2

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Program revenues:								
Governmental activities:								
Charges for services:								
General government (1)	\$ 5,482	\$ 4,076	\$ 3,857	\$ 4,673	\$ 6,028	\$ 5,221	\$ 5,618	\$ 5,810
Cultural recreation and community services (2)	2,598	1,569	2,649	5,515	3,847	2,382	2,104	1,364
Public safety (3)	20,844	17,642	17,959	19,486	21,468	21,385	17,679	15,151
Developmental services (4)	13,833	10,591	12,214	11,299	7,586	7,828	6,821	7,367
Community development	8,694	418	1,921	3,867	5,035	893	64	2
Operating grants and contributions	72,232	61,202	71,352	62,431	67,327	57,317	67,656	68,021
Capital grants and contributions	38,694	37,448	54,166	27,749	12,990	21,333	16,460	17,210
Total governmental activities program revenues	\$ 162,377	\$ 132,946	\$ 164,118	\$ 135,020	\$ 124,281	\$ 116,359	\$ 116,402	\$ 114,925
Business-type activities:								
Charges for services:								
Water	\$ 47,338	\$ 42,574	\$ 42,233	\$ 38,401	\$ 35,991	\$ 35,040	\$ 31,181	\$ 30,899
Parking	4,274	3,757	4,105	3,639	3,115	3,439	2,774	6,959
Refuse collections	8,615	8,111	7,877	7,647	7,389	7,252	7,000	2,647
Transportation center	1,026	850	724	905	720	1,252	1,479	1,415
Sewer	4,522	3,610	3,422	2,684	2,318	2,344	2,214	1,409
Sanitation	8,091	7,831	7,922	7,948	7,926	7,746	7,777	7,805
Federal clean water protection	2,384	2,340	2,389	2,725	2,041	1,941	702	-
Operating grants and contributions	6,442	6,185	6,082	6,225	5,721	5,525	5,121	4,361
Capital grants and contributions	-	-	-	-	-	714	579	366
Total business-type activities Program revenues	82,692	75,258	74,754	70,174	65,221	65,253	58,827	55,861
Total primary government Program revenues	\$ 245,069	\$ 208,204	\$ 238,872	\$ 205,194	\$ 189,502	\$ 181,612	\$ 175,229	\$ 170,786
Net (expense) revenue								
Governmental activities	(161,079)	(175,487)	(141,193)	(140,941)	(150,041)	(157,319)	(133,643)	(151,705)
Business -type activities	10,250	2,830	5,257	4,984	1,375	5,756	2,519	694
Total primary government net (expense) revenue	\$ (150,829)	\$ (172,657)	\$ (135,936)	\$ (135,957)	\$ (148,666)	\$ (151,563)	\$ (131,124)	\$ (151,011)

Continued

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets								
Government activities:								
General government (1)	\$ (10,791)	\$ (1,801)	\$ (20,737)	\$ (11,086)	\$ (11,086)	\$ (9,627)	\$ (8,423)	\$ (8,688)
Cultural recreation and community services (2)	(19,708)	(15,476)	(21,398)	(11,366)	(11,366)	(18,111)	(17,165)	(19,085)
Public safety (3)	(137,103)	(133,106)	(116,787)	(103,069)	(103,069)	(105,523)	(93,764)	(96,304)
Developmental services (4)	22,104	3,717	36,457	19,210	19,210	8,671	2,484	(7,848)
Community development	999	(12,236)	(6,309)	(20,713)	(20,713)	(16,749)	(684)	(5,144)
Interest on long-term debt	(16,580)	(16,585)	(12,420)	(139,189)	(13,918)	(15,979)	(16,091)	(14,634)
General revenues:								
Property taxes	106,966	103,339	94,312	82,624	74,874	56,340	53,088	50,389
Sales Taxes	39,699	46,421	46,770	45,094	43,973	41,865	40,383	39,059
Hotels visitors' Taxes	6,149	7,714	7,442	7,187	5,470	4,656	3,993	3,899
Utility users taxes	27,693	28,112	28,327	27,565	26,666	25,874	24,958	24,335
Business taxes	10,027	10,444	10,019	9,829	8,180	7,792	7,637	7,576
Franchise taxes	5,866	5,618	5,293	7,107	5,673	5,422	5,141	5,403
Other taxes	1,500	1,837	3,242	5,188	2,174	3,352	5,851	20,982
Intergovernmental, unrestricted	1,202	1,672	2,174	2,904	7,726	15,905	-	-
Investment income	4,613	5,219	7,505	7,468	7,085	4,572	5,915	5,239
Other revenues	543	389	825	310	323	285	20,332	533
Transfers	50	128	-	200	(581)	7	(4,576)	-
Gain (loss) on disposal of assets	-	372	-	-	-	-	-	-
Total Governmental activities	<u>43,229</u>	<u>35,778</u>	<u>64,715</u>	<u>(70,737)</u>	<u>40,621</u>	<u>8,752</u>	<u>29,079</u>	<u>5,712</u>
Business-type activities:								
Water	5,428	1,285	3,050	792	321	2,511	1,003	385
Parking	1,506	785	1,206	690	787	1,147	119	43
Refuse collections	1,852	950	981	556	359	622	510	(1,023)
Transportation center	(395)	(433)	(579)	(437)	(536)	(266)	287	438
Sewer	1,382	297	338	(134)	(54)	902	164	736
Sanitation	309	190	670	(264)	311	227	358	115
Federal clean water protection	167	(245)	(409)	781	188	614	78	-
General revenues:								
Investment income	463	850	1,223	803	473	281	441	755
Transfers	(50)	(128)	-	(200)	581	(7)	4,576	-
Gain (loss) on disposal of assets	-	(155)	-	-	-	-	-	-
Total business-type activities	<u>10,662</u>	<u>3,396</u>	<u>6,480</u>	<u>2,587</u>	<u>2,430</u>	<u>6,031</u>	<u>7,536</u>	<u>1,449</u>
Total primary government	<u>53,891</u>	<u>39,174</u>	<u>71,195</u>	<u>(68,150)</u>	<u>43,051</u>	<u>14,783</u>	<u>36,615</u>	<u>7,161</u>
Changes in net assets								
Government activities	43,229	35,778	64,715	54,534	40,621	8,752	29,079	5,712
Business-type activities	10,662	3,396	6,480	2,587	2,430	6,031	7,536	1,449
Total primary government	<u>\$ 53,891</u>	<u>\$ 39,174</u>	<u>\$ 71,195</u>	<u>\$ 57,121</u>	<u>\$ 43,051</u>	<u>\$ 14,783</u>	<u>\$ 36,615</u>	<u>\$ 7,161</u>

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

SCHEDULE 3

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General Fund								
Reserved	\$ 5,243	\$ 3,945	\$ 4,361	\$ 9,459	\$ 5,577	\$ 7,659	\$ 10,645	\$ 12,714
Unreserved	11,093	32,183	36,438	42,890	32,679	12,422	11,961	13,925
Total General Fund	<u>\$ 16,336</u>	<u>\$ 36,128</u>	<u>\$ 40,799</u>	<u>\$ 52,349</u>	<u>\$ 38,256</u>	<u>\$ 20,081</u>	<u>\$ 22,606</u>	<u>\$ 26,639</u>
All Other Governmental Funds								
Reserved	\$ 142,939	\$ 113,693	\$ 85,020	\$ 80,941	\$ 93,205	\$ 101,638	\$ 94,624	\$ 64,167
Unreserved, Reported in:								
Special Revenue	63,681	77,705	17,333	10,061	5,918	10,030	7,604	8,738
Capital Projects	10,721	11,875	28,538	23,085	15,305	9,931	5,630	14,788
Total all other governmental funds	<u>\$ 217,341</u>	<u>\$ 203,273</u>	<u>\$ 130,891</u>	<u>\$ 114,087</u>	<u>\$ 114,428</u>	<u>\$ 121,599</u>	<u>\$ 107,858</u>	<u>\$ 87,693</u>

Source: City of Santa Ana 2002 - 2009 CAFRS

The City of Santa Ana implemented GASB 34 for the fiscal year ended June 30, 2002.
Information prior to FY 2002 is not available.

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

	Fiscal Year			
	2009	2008	2007	2006
Revenues:				
Taxes	\$ 205,817	\$ 210,242	\$ 201,155	\$ 190,891
License and permits	3,485	3,321	3,488	4,172
Intergovernmental	109,186	89,337	128,046	87,718
Charges for services	9,161	13,643	10,878	16,280
Fines and forfeits	7,332	7,645	5,891	5,911
Investment income	11,504	13,568	27,458	29,696
Miscellaneous	39,359	35,050	13,242	15,487
Total revenues	<u>385,844</u>	<u>372,806</u>	<u>390,158</u>	<u>350,155</u>
Expenditures:				
General government (1)	20,300	16,497	19,152	15,022
Cultural recreation and community services (2)	26,883	28,176	28,264	24,636
Public safety (3)	173,793	160,806	156,930	141,660
Developmental services (4)	22,022	23,134	20,032	17,769
Community development	53,439	55,330	40,225	40,968
Capital outlay	46,819	41,769	77,665	48,385
Debt service:				
Principal	12,791	11,154	11,614	11,350
Interest	20,992	20,430	19,384	20,142
Other charges	11,738	11,503	8,993	9,465
Total expenditures	<u>388,777</u>	<u>368,799</u>	<u>382,259</u>	<u>329,397</u>
Excess of revenues Over (under) expenditures	(2,933)	4,007	7,899	20,758
Other Financing Sources (uses)				
Gain on sale of land held for resale	-	350	-	-
Transfers in	65,647	57,400	39,411	67,313
Transfers out	(69,137)	(61,025)	(42,582)	(69,597)
Bond premium	-	-	-	-
Bond discount and fiscal charges	-	-	-	-
Capital lease agreement	-	-	526	-
Issuance and other costs	-	-	-	-
Loan proceeds	700	-	-	-
OCIP investment loss	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-
Proceeds from issuance of bonds	-	68,010	-	-
Proceeds from refunding bonds	-	-	-	-
Discount on bonds	-	(1,032)	-	-
Proceeds from state (CHFA) loan	-	-	-	-
Total other financing sources (uses)	<u>(2,790)</u>	<u>63,703</u>	<u>(2,645)</u>	<u>(2,284)</u>
Net change in fund balance	<u>\$ (5,723)</u>	<u>\$ 67,710</u>	<u>\$ 5,254</u>	<u>\$ 18,474</u>
Debt service as a percent of noncapital expenditures	13.3%	13.2%	13.1%	14.6%

Source: City of Santa Ana 2000 - 2009 CAFRS

1. Includes Human Resources and Finance
2. Includes Museum and Library
3. Includes Police and Fire
4. Includes Planning and Building, and Public Works

SCHEDULE 4

Fiscal Year						
2005	2004	2003	2002	2001	2000	
\$ 173,009	\$ 149,350	\$ 141,502	\$ 134,391	\$ 133,322	\$ 128,451	
3,822	3,853	3,144	2,455	3,667	2,850	
85,023	94,229	98,861	95,628	83,802	73,261	
13,570	11,960	10,913	10,340	10,969	10,738	
5,005	3,943	3,615	3,814	3,928	4,182	
26,203	23,002	21,397	23,264	27,297	28,209	
9,111	8,798	10,593	7,349	8,341	7,200	
<u>315,743</u>	<u>295,135</u>	<u>290,025</u>	<u>277,241</u>	<u>271,326</u>	<u>254,891</u>	
13,107	11,796	13,024	14,092	12,839	11,409	
22,917	21,370	23,525	26,715	20,953	20,198	
134,747	120,150	113,407	110,000	105,328	99,642	
15,493	17,363	19,631	21,421	18,168	18,498	
43,220	39,551	44,265	40,958	32,164	30,432	
40,708	40,801	49,110	40,857	35,961	30,975	
9,641	7,429	8,376	6,871	8,190	4,887	
21,518	21,596	24,573	21,699	21,958	23,088	
6,397	4,787	3,450	2,186	-	-	
<u>307,748</u>	<u>284,843</u>	<u>299,361</u>	<u>284,799</u>	<u>255,561</u>	<u>239,129</u>	
7,995	10,292	(9,336)	(7,558)	15,765	15,762	
-	-	-	-	-	-	
67,470	58,988	84,723	59,067	50,260	45,148	
(64,461)	(59,094)	(87,219)	(63,069)	(53,633)	(50,400)	
-	2,383	-	-	-	-	
-	-	(274)	-	-	-	
-	-	5,687	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	(7,776)	
-	(40,535)	(36,456)	-	-	-	
-	-	20,945	-	-	-	
-	38,845	37,199	-	-	10,647	
-	-	-	-	-	-	
-	335	865	1,143	258	-	
<u>3,009</u>	<u>922</u>	<u>25,470</u>	<u>(2,859)</u>	<u>(3,115)</u>	<u>(2,381)</u>	
\$ <u>11,004</u>	\$ <u>11,214</u>	\$ <u>16,134</u>	\$ <u>(10,417)</u>	\$ <u>12,650</u>	\$ <u>13,381</u>	
14.1%	13.9%	14.5%	12.6%	13.7%	13.4%	

**Assessed Value and Estimated Actual Value of Taxable Property
Last Six Fiscal Years
(in thousands of dollars)**

Fiscal Year Ended June 30	City			Taxable Assessed Value
	Secured	Unsecured	Less: Exemptions ¹	
2009	\$ 20,220,321	\$ 1,711,122	\$ (175,015)	\$ 21,756,428
2008	19,553,630	1,630,486	(177,491)	21,006,625
2007	17,927,887	1,631,584	(180,619)	19,378,852
2006	16,039,774	1,415,202	(186,041)	17,268,935
2005	14,530,607	1,449,024	(187,232)	15,792,399
2004	13,388,870	1,467,731	(187,564)	14,669,037

1. Includes tax-exempt property

Basic levy (Prop. 13) for county, city, schools, and districts (apportioned by County Auditor). Proposition 13 in effect eliminated the property rates for cities, exclusive of voted authorizations for which a rate may be established for debt service on debt authorized by the voters prior to July 1, 1978.

Source: County of Orange Auditor-Controller's Office

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to FY 2004 is not available.

SCHEDULE 5

Redevelopment Agency

Secured	Unsecured	Less: Exemptions ¹	Taxable Assessed Value
\$ 5,802,723	\$ 1,135,087	\$ (5,827)	\$ 6,931,983
5,204,255	1,077,781	(5,980)	6,276,056
3,915,380	1,002,201	(4,456)	4,913,125
3,957,501	909,681	(3,242)	4,863,940
3,705,383	910,600	(3,132)	4,612,851
3,527,810	956,067	(2,917)	4,480,960

Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Six Fiscal Years
(Code Area 11-003)

SCHEDULE 6

	2009	2008	2007	2006	2005	2004
City direct rates:						
City basic rate	(2)	(2)	(2)	(2)	(2)	(2)
Redevelopment agency						
Total City direct rate	-	-	-	-	-	-
Overlapping Rates:						
Santa Ana Unified School						
District bonds	0.03212	0.03585	0.03915	0.04353	0.04961	0.03871
Rancho Santiago Community						
College District bonds	0.02253	0.02373	0.01911	0.01691	0.02726	0.01776
Metropolitan Water District	0.00430	0.00450	0.00470	0.00520	0.00580	0.00610
County of Orange	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Total direct rate	1.05895	1.06408	1.06296	1.06564	1.08267	1.06257

Taxes on the secured rolls are payable in two installments on November 1 and March 1 of each fiscal year and become delinquent on December 10, and April 10, respectively. Taxes on unsecured property are assessed and payable on March 1 and become delinquent the following August 31 in the next fiscal year. The penalty for delinquent payment is 10% of the property tax due plus 1-1/2% interest per month until paid.

All property taxes are collected by the County of Orange Tax Collector and are apportioned to participating agencies in accordance with a prearranged schedule of apportionment dates and amounts either as a percentage of the levy or in amounts actually collected. Interest is paid on undistributed taxes in subsequent apportionments. The Tax Collector charges the agencies 1/4 of 1 percent of the amounts collected for his services.

A state constitutional amendment - Proposition 13 - effective July 1, 1978 altered the method of property tax assessment. This amendment essentially reduces the total property tax levy to 1 percent of full cash value on 4 percent of assessed value on the 1975-76 assessments adjusted upward for the lesser of the increase in the CPI or per capita income indices or 2% compounded for each succeeding year except that property changing ownership subsequent to 1975-76 and improvements are reassessed at the time of the exchange or improvement and adjusted each year thereafter at the appropriate rate.

The City of Santa Ana had 120 tax code areas during the year ended June 30, 2001. The tax rate in these areas were 1.00000% and 1.00770% of assessed valuation. Tax Rate Area 11-003 is the largest representing about 25% of the total assessed valuation.

Rates are stated as a percentage of assessed valuation. Beginning in 1981-82 assessed valuation is stated at 100% of full cash property value. Prior to that fiscal year, assessed valuation was stated 25% of full cash property value.

1. Includes County Improvement Bonds
2. Basic levy (Prop. 13) for county, city, schools, and districts (apportioned by County Auditor). Proposition 13 in effect eliminated the property rates for cities, exclusive of voted authorizations for which a rate may be established for debt service on debt authorized by the voters prior to July 1, 1978.

Source: County of Orange Auditor-Controller's Office

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to FY 2004 is not available.

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 28,860,368	\$ 30,607,471	106.1%	\$ 1,182,516	\$ 31,789,987	110.2%
2008	32,177,388	31,545,969	98.0%	1,215,444	32,761,412	101.8%
2007	29,479,693	28,402,671	96.3%	1,824,367	30,227,038	102.5%
2006	28,514,594	24,929,393	87.4%	971,194	25,900,587	90.8%
2005	23,876,714	21,658,397	90.7%	524,437	22,182,834	92.9%
2004	22,192,001	21,061,515	94.9%	601,509	21,663,024	97.6%
2003	20,950,375	19,827,124	94.6%	577,022	20,404,146	97.4%
2002	20,070,931	19,149,489	95.4%	517,802	19,667,291	98.0%
2001	19,018,727	18,368,954	96.6%	501,106	18,870,060	99.2%
2000	17,505,075	16,913,581	96.6%	417,741	17,331,322	99.0%

Source: County of Orange Auditor-Controller's Office

Taxable Sales by Category
Last Five Fiscal Years
(in thousands of dollars)

Category	Fiscal Year				
	2009	2008	2007	2006	2005
General Retail	\$ 35,097	\$ 39,163	\$ 40,425	\$ 40,966	\$ 39,059
Business to Business	35,293	37,484	40,034	38,206	38,719
Transportation	32,835	36,254	36,901	35,862	34,188
Food Products	21,654	22,867	22,402	21,875	20,967
Construction	17,661	20,820	21,621	20,147	18,342
Miscellaneous ¹	1,997	1,735	1,703	1,655	1,059
Total	\$ 144,536	\$ 158,323	\$ 163,086	\$ 158,711	\$ 152,334

1. Miscellaneous category includes health & government

The County of Orange has a 7.75% tax rate,

The City of Santa Ana does not have a direct tax rate

Source: MBIA Muniservices

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.

Information prior to 2005 is not available.

Principal Property Tax and Sales Tax Remitters
Fiscal Year 2009
(in alphabetical order)

Principal Property Tax Remitters

1851 E First Street
First American Title
Freedom Newspapers Inc
GLL US Office LP
Greenville Ranch LLC
Maguire Properties Griffi
Mainplace Shoppingtown
Mountain Ventures
Mullrock Lincoln Town
Realty Association Fund

Principal Sales Tax Remitters

Commonwealth Volkswagon/Audi
Crevier BMW
Financial SVCS Vehicle Trust
Home Depot
Honda Santa Ana
Macy's Department Store
Nordstrom Department Store
Target Stores
Wal Mart Stores
Xerox Corp.

Source: MBIA Muniservices

*The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.*

**Water Sold by Type of Customer
Last Seven Fiscal Years
(in thousands of gallons)**

	Fiscal Year	
	2009	2008
Type of Customer		
Residential	9,775,959.9	9,116,657.7
Commercial	2,772,523.9	2,751,669.8
Industrial	996,097.7	965,694.2
Wholesale food	115,519.1	110,642.7
Government	218,620.8	116,565.3
Others ¹	655,178.0	548,450.8
Total	14,533,899.4	13,609,680.5
Total direct rate per 44 units ²	\$ 2.284	\$ 2.085

1. Others include: churches, construction use
medical, schools, reclaim water

2. A unit is 748 gallons

Source: City of Santa Ana Finance Department, Water Division

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to FY 2003 is not available.

SCHEDULE 10

Fiscal Year				
2007	2006	2005	2004	2003
9,696,685.3	9,221,423.3	9,477,817.4	9,825,891.1	9,944,399.6
2,955,599.3	2,895,335.2	2,767,566.3	2,756,922.3	2,586,620.7
1,089,224.9	971,067.8	994,549.0	1,089,612.3	1,248,816.7
117,391.9	124,716.3	129,422.0	135,905.6	146,190.6
122,765.5	102,283.7	319,429.7	344,377.7	328,247.1
572,328.5	481,370.2	504,001.7	532,953.0	530,480.1
<u>14,553,995.4</u>	<u>13,796,196.5</u>	<u>14,192,786.1</u>	<u>14,685,662.0</u>	<u>14,784,754.8</u>
\$ 1.871	\$ 1.760	\$ 1.608	\$ 1.452	\$ 1.283

**Water Rates
Last Seven Fiscal Years**

Fiscal Year Ended June 30	Monthly base Rate ¹	Rate per 44 Units ²
2009	\$ 7.00	\$ 2.28
2008	7.00	2.09
2007	7.00	1.87
2006	7.00	1.76
2005	7.00	1.61
2004	7.00	1.45
2003	7.00	1.28

1. Monthly rates are based on 5/8" meter, which is the standard household meter size.

2. A unit is 748 gallons

Source: City of Santa Ana Finance Department, Water Division

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to FY 2003 is not available.

**Principal Water Customers
Fiscal Year 2009**

Water Customer	2009	
	Taxable Water Charges	Percentage of Total Water Revenues
MacArthur Village	\$ 611,988	2.11%
Warwick Square Assoc. Inc.	444,852	1.53%
Fairview Villas	240,556	0.83%
Santa Ana College	221,577	0.76%
Chroma Systems	180,940	0.62%
Far West Management Corp	155,546	0.54%
Adohr Farms Inc	145,155	0.50%
Power Circuits Inc.	138,132	0.48%
County of Orange	95,335	0.33%
Western Medical Center	87,763	0.30%
Total	\$ 2,321,845	8.00%

Source: City of Santa Ana Finance Department, Water Division

*The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.*

Ratios of Outstanding Debt by Type¹
Last Six Fiscal Years

Other Governmental Activities Debt								
Fiscal Year	Tax Allocation Bonds	Tax Allocation Refunding Bonds	Capital Leases	Certificates of Participation	Lease Revenue Bonds	Refunding Revenue Bonds	Long Term Loans	
2009	\$ 43,020,000	\$ 69,752,000	\$ 6,891,163	\$ 77,845,000	\$ 89,075,000	\$ 72,755,000		7,046,221
2008	19,020,000	26,160,000	8,516,932	78,160,000	92,830,000	74,335,000		7,050,475
2007	19,510,000	27,689,080	4,087,758	10,455,000	96,543,001	78,695,000		7,054,737
2006	19,990,000	29,243,169	4,511,149	10,745,000	100,967,003	82,850,000		8,878,375
2005	20,470,000	30,757,258	5,684,440	11,020,000	105,301,003	86,830,000		10,586,752
2004	20,945,000	32,236,347	7,107,587	11,285,000	108,220,004	90,605,000		12,189,685
Business-type Activities								
Fiscal Year	Revenue Bonds Payable	Certificates of Participation	Refunding COP	Notes Payable	Total Primary Government	Percentage of Personal Income ²	Debt Per Capital ²	
2009	\$ 17,060,000	\$ -	\$ 8,680,000	\$ 1,458,557	\$ 393,582,941	0.07%	\$ 9,171	
2008	17,850,000	-	9,485,000	1,603,559	335,010,966	0.06%	8,000	
2007	18,015,209	2,360,000	9,914,595	1,743,617	276,067,997	0.05%	7,077	
2006	18,731,609	3,428,883	11,294,550	1,878,899	292,518,637	0.06%	7,924	
2005	19,438,010	4,432,394	12,589,505	2,009,567	309,118,929	0.07%	8,786	
2004	19,404,410	5,385,904	13,814,460	2,135,779	323,329,176	0.08%	9,757	

Notes:

Source: City of Santa Ana 2004 - 2009 CAFRS

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

2. Population and personal income data can be found in Schedule 17 of the Statistical Section;

Ratios are calculated using prior calendar year.

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.

Information prior to FY 2004 is not available.



CITY OF SANTA ANA, CALIFORNIA

Comprehensive Annual Financial Report

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

	Fiscal Year			
	2009	2008	2007	2006
Debt limit	\$ 548,286,091	\$ 529,602,908	\$ 488,986,777	\$ 436,374,410
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 548,286,091</u>	<u>\$ 529,602,908</u>	<u>\$ 488,986,777</u>	<u>\$ 436,374,410</u>

Legal Debt Margin Calculation for Fiscal Year 2007:

Assessed value	\$ 21,931,443,628
Debt Limit (2.5 percent of assessed value) ¹	<u>548,286,091</u>
Debt applicable to limit:	
General obligation bonds	None
Legal debt margin	<u>\$ 548,286,091</u>

Source: County of Orange Auditor-Controller's Office

1. This equates to be the 10% authorized by the Santa Ana Charter prior to the Assessor's change in assessed value basis from 25% to 100% of full cash value in fiscal year 1982.

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 333,262,607	\$ 280,586,375	\$ 266,029,957	\$ 252,587,891	\$ 236,397,923	\$ 221,981,748
-	-	-	-	-	-
<u>\$ 333,262,607</u>	<u>\$ 280,586,375</u>	<u>\$ 266,029,957</u>	<u>\$ 252,587,891</u>	<u>\$ 236,397,923</u>	<u>\$ 221,981,748</u>

**Direct and Overlapping Debt
Fiscal Year 2009**

<u>City of Santa Ana</u>				
2008-09 Assessed Valuation	\$	21,931,443,628		
Redevelopment Incremental Valuation		5,648,589,291		
	\$	<u>16,282,854,337</u>		
		Total Debt		City's Share of
<u>Overlapping Tax and Assessment Debt:</u>		<u>06/30/09</u>	<u>% Applicable</u>	<u>Debt 06/30/09</u>
Metropolitan Water District		293,425,000	0.879	2,579,206
Coast Community College District		341,668,867	0.287	980,590
Rancho Santiago Community College District		316,405,071	28.458	90,042,555
Santa Ana Unified School District		221,191,491	54.122	119,713,259
Tustin Unified School District Facilities Improvement District No 2002-1		40,345,617	13.146	5,303,835
Total Overlapping Tax and Assessment Debt:				<u>218,619,445</u>
<u>Direct and Overlapping General Fund Debt:</u>				
Orange County General Fund Obligations	\$	462,152,000	4.292%	\$ 19,835,564
Orange County Pension Fund Obligations		69,713,001	4.292	2,992,082
Orange County Board of Education Certificates of Participation		19,430,000	4.292	833,936
Community College District Certificates of Participation		32,875,000	0.861	283,054
Orange Unified School District Benefit Obligations		93,765,000	2.734	2,563,535
Orange Unified School District Certificates of Participation		50,500,000	2.734	1,380,670
Santa Ana Unified School District Certificates of Participation		62,396,493	54.122	33,770,230
Tustin Unified School District Certificates of Participation		5,760,000	8.217	473,299
City of Santa Ana General Fund Obligations		111,345,000	100.000	111,345,000
Irvine Ranch Water District Certificates of Participation		103,100,000	0.602	620,662
Total Gross Direct and Overlapping General Fund Debt				\$ <u>174,098,032</u> (2)
Less: Santa Ana Unified School District Qualified Zone Academy Bonds (supported by scheduled deposits to trustee)				<u>6,224,030</u>
Total Net Direct and Overlapping General Fund Debt				\$ <u>167,874,002</u>
Gross Combined Total Debt				\$ 392,717,477 (3)
Net Combined Total Debt				\$ 386,493,447

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- (2) Previously classified Orange County Sanitation District Certificates of Participation have been reclassified as district revenue supported issues and are no longer included in the debt statement.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:
 Total Overlapping Tax and assessment Debt..... 1.00%

Ratios to adjust Assessed Valuation:
Combined Direct Debt (\$111,345,000)..... 0.68%
 Gross Combined Total Debt..... 2.41%
 Net Combined Total Debt..... 2.37%

State School Building Aid Repayable as of 06/30/09 \$0

Source: California Municipal Statistics, Inc.

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

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 47,338	\$ 38,734	\$ 8,604	790	729	32.08
2008	42,574	38,356	4,218	770	749	35.68
2007	42,233	36,327	5,906	750	767	35.92
2006	38,401	32,810	5,591	740	783	39.66
2005	35,992	32,846	3,146	455	1,069	42.34
2004	35,040	29,500	5,540	435	1,093	43.61
2003	31,181	27,679	3,502	410	1,115	48.91

Source: City of Santa Ana 2003 - 2009 CAFRS

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

Operating expenses do not include interest or depreciation.

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.

Information prior to FY 2003 is not available.

Demographic and Economic Statistics Last Six Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2008	355,662	\$ 552,450,000	42,916	10.4%
2007	353,184	539,163,000	41,875	8.5%
2006	353,428	505,197,000	39,011	5.5%
2005	351,322	477,101,000	36,917	5.4%
2004	351,697	453,902,000	35,188	6.2%
2003	347,237	427,041,000	33,138	3.5%

Sources:

1. State Department of Finance
2. Bureau of Economic Analysis
3. State of California Employment Development

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.

Information prior to 2003 is not available.

**Principal Employers
Fiscal Year 2009**

<u>Employer</u>	2009	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
County of Orange	11,158	7.94%
Ingram Micro	4,000	2.84%
Rancho Santiago Community College	2,300	1.64%
First American Corp	2,200	1.56%
United States Postal Service	2,000	1.42%
Tenet Healthsystem Medical Inc	1,500	1.07%
Ttm Printed Circuit Group Inc	1,500	1.07%
PCS Link Inc.	100	0.71%
Freedom Communications Inc	900	0.64%
California Dept. of Mental Health	800	0.57%

"Total Employment" as used above represents the total employment of all employers within the City limits.

Source: Economic Development Division of Community Development Agency, City of Santa Ana

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

**Full-time and Part-time City Employees by Function
Last Ten Fiscal Years**

Function	Full-Time and Part-time Employees as of June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General government (1)	203	232	229	218	211	216	225	241	231	221
Cultural recreation and community services (2)	404	459	462	360	369	386	450	538	548	548
Public safety (3)	934	973	963	939	919	981	997	1,025	1,052	1,035
Developmental services (4)	281	326	311	294	303	308	322	339	332	334
Community development	111	121	122	118	132	138	141	140	141	130
Total	1,933	2,111	2,087	1,929	1,934	2,029	2,135	2,283	2,304	2,268

1. Includes Human Resources and Finance

2. Includes Library

3. Includes Police and Fire

4. Includes Planning and Building, and Public Works

Source: Payroll Department, Finance Agency of City of Santa Ana

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to FY 2000 is not available.

Operating Indicators by Function Last Four Fiscal Years

	2009	2008	2007	2006
Police:				
Physical arrests	12,975	13,841	12,450	12,219
Parking citations issued	94,792	103,817	103,383	95,299
Traffic citations issued	20,154	26,233	42,995	34,028
Responses to 911 calls	25,009	25,616	24,671	22,301
Fire:				
Number of emergency calls	17,859	10,645	18,215	19,960
Inspections	3,985	2,033	4,026	4,106
Public Works:				
Streets:				
-Street resurfacing (miles)	94.23	9.73	1.72	3.477
-Pot holes repaired	25,000	27,440	28,500	26,570
Sanitation:				
-Refuse collected (tons/year)		1,025,000	1,025,000	970,000
-Recyclables collected (tons/year)		620,000	600,000	580,000
Refuse collected (tons/year)				
-Tons Disposed (I)				
-Goal: Max lbs refuse disposed/person	7.5			
-Actual: lbs refuse disposed/person	5.2			
Water:				
-New connections	52	89	147	107
-Water mains breaks	19	21	27	13
-Average daily consumption (thousands of gallons)	36,700	38,400	83,000	42,000
Parks, recreation and community services:				
Athletic field permits issued	9,871	9,139	8,659	9,855
Number of recreation classes (subjects)	158	127	104	91
Number of facility rentals	3,335	3,002	2,691	1,812
Planning and Building:				
Number of building permits issued	2,215	3,112	3,868	4,581
Number of plan checks	1,571	2,672	3,221	2,574
Number of inspections	39,147	48,687	42,308	41,659
Number of demolition building permits	12	42	45	48
Value of construction (in thousands):				
-Commercial and industrial construction	6,571	14,069	15,031	7,374
-Residential construction	951	7,170	22,007	122,060
-Other additions and alterations	29,622	69,403	64,773	93,717

I. Note: Beginning in 2007, CA Integrated Waste Management Board changed the method of reporting and disposal target to a pounds per day formula.

Source: City of Santa Ana

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.

**Capital Assets Statistics by Function
Last Four Fiscal Years**

	2009	2008	2007	2006
Police:				
Stations	2	2	2	2
Fire:				
Fire stations	10	10	10	10
Public Works:				
Street (miles)	425	425	425	400
Streetlights	1606	1,606	1,593	1,582
Traffic Signals	285	282	279	275
Parks, Recreation and community services				
Number of parks	35	35	40	40
Number of libraries	2	2	2	2
Number of recreation facilities	17	17	8	8
Number of municipal swimming pools	5	5	5	5
Number of municipal tennis centers	2 WITH 25 COURTS	2 WITH 25 COURTS	2 WITH 25 COURTS	2 WITH 25 COURTS
Number of miles of bike trails	11	11	11	11
Water:				
Water mains (miles)	488	488	488	488
Maximum daily capacity (thousands of gallons)	146,000	146,000	159,000	157,000
Number of water wells	20	20	19	19
Number of reservoirs	10	10	10	10
Number of hydrants	4779	4,943	4,927	4,901
Sewer:				
Sewer mains (miles)	390	390	389	389

Source: City of Santa Ana

The City of Santa Ana implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.