



2011 Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

CITY OF SANTA ANA, CALIFORNIA



Our purpose is to provide quality service to enhance the safety, livability and prosperity of our community.

CITY OF SANTA ANA, CALIFORNIA

2011
Comprehensive Annual
Financial Report

For the Fiscal Year Ended June 30, 2011

Prepared by
Finance & Management Services Agency

Francisco Gutierrez
Executive Director



Comprehensive Annual Financial Report

Table of Contents

June 30, 2011

	<u>Page No.</u>
INTRODUCTORY SECTION (unaudited)	
Title Page	i
Table of Contents	iii
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	8
Directory of City Officials	9
Table of Organization	10
FINANCIAL SECTION	
Independent Auditors' Report	14
Management's Discussion and Analysis (Required Supplementary Information)	18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	34
Statement of Activities	35
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	41
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	44
Statement of Revenues, Expenditures and Changes in Fund Balances	45
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	47
Proprietary Funds:	
Statement of Net Assets	49
Statement of Revenues, Expenses and Changes in Fund Net Assets	51
Statement of Cash Flows	53
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	57
Notes to the Basic Financial Statements	60
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	110
Special Revenue Housing Authority Fund	111
Special Revenue Gas Tax Fund	112
Notes to Required Supplementary Information	113
Pension Schedule of Funding Progress	115
OPEB Schedule of Funding Progress	116

Table of Contents (continue)

	<u>Page No.</u>
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	121
Combining Balance Sheet	
For Special Revenue Funds.....	123
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
For Special Revenue Funds.....	125
Budgetary Comparison Schedules for Certain Special Revenue Funds:	
Sewer Connection Fee.....	127
Civic Center & Maintenance.....	128
Inmate Welfare.....	129
Air Quality Improvement.....	130
Combining Balance Sheet	
For Capital Projects Funds.....	133
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
For Capital Projects Funds.....	135
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets.....	139
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	141
Combining Statement of Cash Flows.....	143
Internal Service Funds:	
Combining Statement of Net Assets.....	149
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	153
Combining Statement of Cash Flows.....	157
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities.....	161
Combining Statement of Changes with Fiduciary Assets and Liabilities.....	163

STATISTICAL SECTION (unaudited)

	<u>Table No.</u>		Page No.
Statistical Section Table of Contents.....			168
Net Assets by Component - Last Ten Fiscal Years.....	1		169
Changes in Net Assets - Last Ten Fiscal Years.....	2		171
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	3		177
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	4		179
Assessed Value and Estimated Actual Value of Taxable Property –			
Last Eight Fiscal Years.....	5		181
Direct and Overlapping Property Tax Rates – Last Eight Fiscal Years.....	6		183
Property Tax Levies and Collections – Last Ten Fiscal Years.....	7		185
Taxable Sales by Category – Last Seven Fiscal Years.....	8		186
Principal Property Tax Remitters – Fiscal Year 2011.....	9		187
Water Sold by Type of Customers – Last Nine Fiscal Years.....	10		189
Water Rates- Last Nine Fiscal Years.....	11		191
Principal Water Customers – Fiscal Year 2011.....	12		192
Ratios of Outstanding Debt by Type – Last Eight Fiscal Years.....	13		193
Legal Debt Margin Information – Last Ten Fiscal Years.....	14		195

Table of Contents *(continue)*

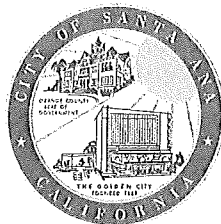
	<u>Page No.</u>
Direct and Overlapping Debt - Fiscal Year 2011	15 197
Pledged - Revenue Coverage – Last Nine Fiscal Years.....	16 198
Demographic and Economic Status – Last Eight Calendar Years	17 199
Principal Employers – Fiscal Year 2011	18 200
Full-time and Part-time City Employees by Function –	
Last Ten Fiscal Years.....	19 201
Operating Indicators by Function – Last Six Fiscal Years.....	20 203
Capital Assets Statistics by Function – Last Six Fiscal Years.....	21 205



CITY OF SANTA ANA, CALIFORNIA

Comprehensive
Annual Financial Report

MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Claudia C. Alvarez
COUNCILMEMBERS
David Benavides
Carlos Bustamante
Michele C. Martinez
Vince Sarmiento
Sal Tinajero



INTERIM CITY MANAGER
Paul M. Walters
INTERIM CITY ATTORNEY
Joseph Straka
CLERK OF THE COUNCIL
Maria D. Huizar

CITY OF SANTA ANA

20 Civic Center Plaza • P.O. Box 1988
Santa Ana, California 92702

December 12, 2011

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, 2011.

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, 2011 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, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City 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 325,228. 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 110 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 111 through 112 as well as on pages 127 and 130.

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. The City of Santa Ana is located within the Los Angeles- Long Beach-Santa Ana Metropolitan area. The area is the 2nd highest producing metro area as measured by Gross Metropolitan Product. 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 25,000 businesses (as measured by business licenses issued) with the top 25 businesses generating more than 30% of the jurisdiction's total sales/use tax revenue. The City has a solid retail base which is anchored by the Main Place Mall, the Santa Ana Auto mall and a resurging downtown. The downtown has recently attracted many new restaurants that surround a cultural artist village component.

In addition, the City's business to business companies include office equipment, electronic equipment, computer hardware and software manufacturers, food manufacturers, and 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 maintaining and attracting new businesses to the area. These include general retail, transportation, manufacturing, business to business endeavors construction, and food products.

Local economy. Although the City is positioned to thrive given the activity as listed above, the economic recession which began in 2007 did have a dramatic effect on state and local governments across the nation. With the housing market sub-prime "bubble" collapse, increased failures of many major financial institutions and resulting limits on borrowing, and increasing unemployment the resulting effect on state and local revenue was dramatic. The City of Santa Ana was no exception. California's unemployment rate fell to 11.2% in September 2011, Orange County was at 8.6%, while Santa Ana which reached a high of 15% in 2010 has dropped to 13.6%. All these events placed pressure on local economic activity. However, after several years of economic decline, building permit, business license and retail activity are showing signs of modest growth. With what now appears to be an economic recovery, the City's two major local revenues sources (sales and property taxes) are now trending upwards.

However, the State of California continues to have its own budgetary challenges that in turn places pressure upon local city revenues. As an example and in response to their own budgetary challenges, the State proposes to eliminate the current funding mechanism for all Redevelopment Agencies. Curtailing redevelopment activities dramatically lessens the opportunities for local agencies to create jobs through local projects and creation of business opportunities. Not only will the elimination of the Agency impact our economic base but may also have an effect on our General Fund and Internal Service Fund operations. In addition, the State of California has opted to take the balance of the Motor Vehicle license fees that amounted to approximately \$1.2 million to the City's General Fund.

Overall, there are signs of an economic recovery although modest. Low job growth and high unemployment will continue to place pressure on a quick recovery. The depth of the recession and asset values lost make economists to believe that recovery will be long term. The erosion of City of Santa Ana General Fund revenues over the past four fiscal years and the projected slow growth only

means that there has been a structural shift in local revenues. By the end of fiscal year 2010-11 the City will have established a new revenue base line for future growth.

Long-term financial planning. With the collapse of the economy, ensuring the City's financial stability has become a critical component in developing a short term response and long term financial planning. In response to declining revenues, the City embarked on a long term strategy to balance a structural deficit created by the recession. From FY 08-09 thru 10-11, 391 full-time positions were impacted either through layoffs, attrition, or un-funding of positions. In addition, bargaining groups deferred various forms of compensation, maintenance services were outsourced and several agencies were combined to gain efficiency. However, the City still had to dip heavily into its General Fund balance reserves in order to ensure ongoing operational activity. As a result, the City of Santa Ana engaged Management Partners Incorporated to assist with the City's ongoing effort to stabilize the budget. The analysis recommended a proposal that includes a three pronged approach to addressing the City's structural deficit. The proposal recommended 1) negotiated compensation changes with the various bargaining groups, 2) service delivery model changes, and 3) identification of new revenue. These recommended actions have been included as part of the City's ongoing efforts. Currently, the City has received positive feedback as it negotiates with the various bargaining groups and is preparing various Request for Proposals to determine opportunities for outsourcing existing City services. The City is reviewing its existing revenue sources to determine increased opportunities and is looking to survey the community for other revenue raising strategies.

In addition, the City is reviewing many of its bonds to determine refinancing opportunities or to reduce annual payments by capitalizing on lower interest rates. It is reviewing its various funds to ensure adequate reserves and will look to implement long term policies to ensure proper reserve levels. In 2011-12, 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 City goals. Through the efforts of our departments and the citywide grants task force, the City secured \$64.2 million in competitive grant funding in fiscal year 2011-2012. Also through the efforts of the Santa Ana Police Department, the Department of Homeland Security has awarded the City the Fiscal Year 2012 Urban Area Security Initiative Grant for \$16.68 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.

Although the City recently experienced a modest drop in population that can be attributed to the resulting migration and hardships of the economic recession, the City's population has increased by almost 59% over the last 30 years. As the economy improves, it is anticipated that Santa Ana will continue to experience modest population growth through 2025. To ensure a thriving community the City has always placed emphasis in providing and maintaining a solid infrastructure and essential community facilities. As such, the city strives to ensure proper levels of maintenance for our infrastructure, public buildings, parks and neighborhoods. This is reflected in the \$30.3 million Capital Improvement Program. Fiscal year 2011-2012 includes: \$9.09 million committed for street resurfacing, and reconstruction of damaged curbs, and sidewalks; 8.06 million for improvements at City parks and public facilities; \$4.75 million for improvements to the water and sewer systems; and \$8.4 million for traffic improvements.

Relevant financial policies. With the recent downgrade by Moody's from A2 to Baa1 on the City's Certificates of Participation for the City Hall Expansion Project, it is more imperative that the City maintain its ongoing commitment to stabilizing the budget and providing long term financial stability.

The report by Moody's acknowledged the City's efforts in dealing with its structural deficit. The City recognizes that a major shift in policy direction is changing the compensation structure of employees. Key areas will have employees picking up a greater share of their retirement and benefit related costs and lowering their overall salary structure. Current negotiations are moving along positively in these areas. In accordance to the Moody's report, the City is looking to address a depleted General Fund reserve. Much of the reserve was utilized during the economic crisis when major revenues dropped 14% (from FY07-08 to FY10-11). To that end, the City is currently working to develop a fiscal policy that will focus upon increasing its general fund reserves to appropriate levels and ensuring that all funds maintain adequate reserves.

With economic growth projected to be moderate at best, the City is embracing a policy that looks at different alternatives for delivering services. This includes looking at service delivery model changes and evaluating whether outsourcing is a viable cost effective alternative in different areas such as street sweeping. The City also is looking internally at its various revenue sources. A cost allocation recovery plan was recently implanted by the Planning and Building Agency as a means to recover as much costs through fees as is politically feasible. The City also seeks to restructure fees and charges to ensure that program operating costs are fully covered by fee revenue. Detail information of the study report is found on the City's website at

http://www.ci.santa-ana.ca.us/documents/20110919_management_partners_report.pdf

In addition the City is looking to ensure that all areas have sound fiscal and legal assessments as it moves to structural stability. The City engaged outside legal counsel to provide a review of its bond disclosure requirements and process, an overall assessment on revenue streams, and to provide recommendations to minimize any outside challenges. All these efforts are in alignment with the Management Partners, Incorporated report. As stated, the report identified three-pronged approach: (1) Compensation reductions; (2) Service delivery model changes; and (3) Revenue increases. The City has evaluated and developed strategies to implement all three approaches.

Major initiatives. Since its inception, the Cities of Santa Ana and Anaheim have been jointly awarded over \$68 million in UASI funds to help coordinate and implement region terrorism for all Orange County. In the coming year, grant staff from Anaheim Police and Fire Departments will be co-locating with Santa Ana Police department to streamline effectiveness, eliminate duplication of efforts and decrease operating costs. Santa Ana has taken a leadership role and has been cited as a model for other areas within the county.

The City's "Go Local" Transit Study, which will result in the establishment of local transit system connecting the Santa Ana Regional Transportation Center with the Civic Center and the Pacific-Electric Right of Way to Garden Grove, has received \$11.4 million funding approval from Orange County Transportation Authority for environmental analysis, financial planning, project development and preliminary design. The project will be environmentally cleared and a Locally Preferred Alternative adopted by March 2012. Preliminary design for this important transit project will start in the second half of FY 2011-12.

The American Recovery and Reinvestment Act (ARRA) awarded Santa Ana \$2.8 million in funding to be allocated over three-years for Homelessness Prevention and Rapid Re-Housing (HPRP). These programs provides financial assistance and services to either prevent individuals and families from becoming homeless (Homeless Prevention) or to help those who are experiencing homelessness to be quickly re-housed and stabilized (Rapid Re-housing)

December 12, 2011

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 10-11 effective rate for Safety members and miscellaneous members was 23.139% and 12.780% respectively.

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 223 (excluded POA) 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 105 as well as pages 115 and 116 in the notes to the basic financial statements and required supplementary information, respectively.

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, 2010. This was the thirty three 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.

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,



Paul M. Walters
Interim 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, 2010

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, 2010

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, 2011

Miguel A. Pulido

Mayor

Claudia C. Alvarez

Mayor Pro Tem

P. David Benavides

Councilmember

Carlos Bustamante

Councilmember

Michele Martinez

Councilmember

Vincent F. Sarmiento

Councilmember

Sal Tinajero

Councilmember

Paul M. Walters

Interim City Manager

Joseph Straka

Interim City Attorney

Maria D. Huizar

Clerk of the Council

Nancy Edwards

Interim Executive Director

Development Services

Jill Arthur

Executive Director

External Affairs

Francisco Gutierrez

Executive Director

Finance & Management Services Agency

David A. Thomas

Fire Chief

Fire Department

Kathie S. Gonzalez

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

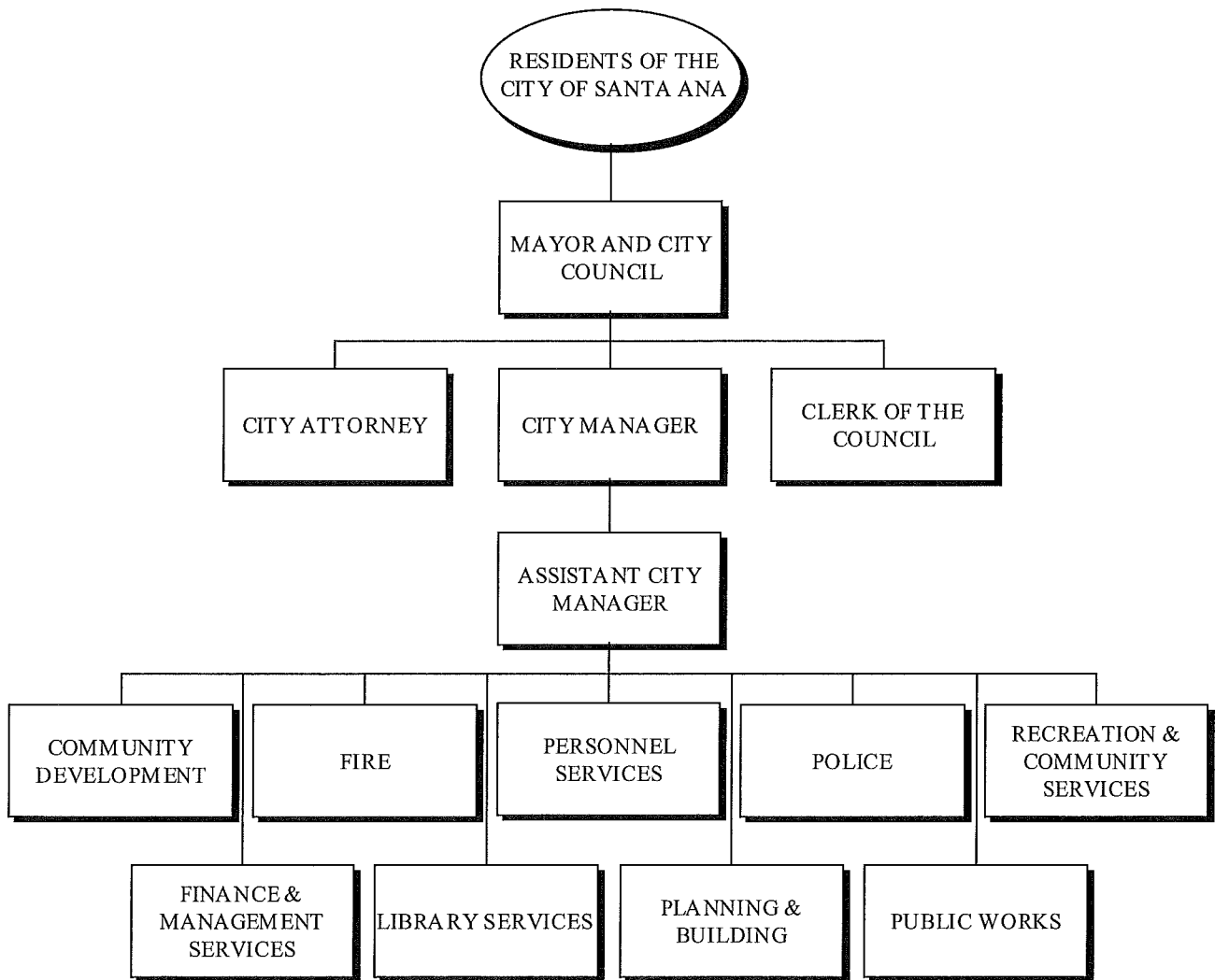
*Library Services Agency
Parks, Recreation & Community Service Agency*

Raul Godinez

Executive Director

Public Works Agency

Table of Organization
Fiscal Year 2010-2011





CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

CITY OF SANTA ANA, CALIFORNIA

Financial Section



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 the City of Santa Ana, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, 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.

As discussed in Note 5 to the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain, pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules identified in the accompanying table of contents (supplementary information) and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory section 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

Newport Beach, California
December 12, 2011

CITY OF SANTA ANA, CALIFORNIA

Management's Discussion and Analysis



Management's Discussion and Analysis

As management of the City of Santa Ana (City), we offer the readers of the City's financial statements this narrative overview and analysis of financial activities for fiscal year end June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages 1-6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The City of Santa Ana's combined governmental activity and business-type activity assets exceeded its liabilities at the close of the most recent fiscal year by \$1,065,030 (net assets). Of this amount, \$62,279 is unrestricted. The City's investment in capital assets net of related debt is \$855,297 and \$147,454 restricted for debt service, capital projects and specific projects and programs. The City's general revenue decreased \$3,359 or (1.69%) from fiscal year 2009-10 due to decreases in Property taxes, Utility Users taxes, and Franchise taxes. However Sales taxes, Hotels visitors' taxes and Business taxes increased. In addition, the City increased fees and charges for services and reduced expenditures by (9.16%) which helped increase total net assets by \$50,944.
- As of the close of the current fiscal year, the City of Santa Ana's governmental funds reported a combined ending fund balance of \$208,017, an increase of \$5,578 as compared to the prior fiscal year. The increase was primarily due to a \$3.6 million transfer from Internal Service Funds and the decrease in the pass-through payments to the State of California Supplemental Education Revenue Augmentation Fund (SERAF). At the end of the current fiscal year, the fund balance for the general fund increased by \$2,503 as compared to the prior fiscal year. The amount of \$6,673 is available for spending which is 3.11% of total general fund appropriations in fiscal year 2011-12.
- The City experienced a net decrease in its total bonded debt and loans by \$10,200 in the fiscal year under review due to principal repayments of existing debt, issuance of the 2011A Tax Allocation Bonds and the defeasance and refinancing of the Santa Ana Financing Authority Refunding Revenue Bonds 1998 Series A, B, C and D (See Note 3E on page 81).

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, 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 34-36 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, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City of Santa Ana funds 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 sixteen 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, Capital Projects Community Redevelopment Agency Fund, Capital Projects Street Construction, Debt Service Community Redevelopment Agency Fund and the Debt Service SA Financing Authority Funds, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the Supplementary Schedule.

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 nonmajor Special Revenue Funds, including Sewer Connection Fee, Civic Center and Maintenance, Inmate Welfare Fund and Air Quality Improvement. 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 41-47 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 enterprise funds account for Water, Refuse Collection, Parking, Sanitation, Regional Transportation Center, Sewer, and Federal Clean Water Protection. *Internal service funds* are utilized to accumulate and allocate costs internally among the City of Santa Ana's various functions. The City of Santa Ana's internal service fund account for, amongst others, its self insurance, equipment maintenance/replacement, and 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* in the Supplementary Schedules.

The basic proprietary fund financial statements can be found on pages 49-56 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of 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 57 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 60-107 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; the Schedule of Funding Progress for Pensions and OPEB plans; and the OPEB Schedule of Employer Contributions. Required supplementary information can be found on pages 110-116 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 120-165 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Santa Ana, assets of the City's governmental activities exceeded liabilities by \$940,588 at the close of fiscal year 10-11 as compared to the net assets of \$894,841 in fiscal year 09-10.

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 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 422,268	\$ 412,586	\$ 47,477	\$ 45,109	\$ 469,745	\$ 457,695
Capital assets	927,234	890,797	110,123	108,627	1,037,357	999,424
Total assets	<u>1,349,502</u>	<u>1,303,383</u>	<u>157,600</u>	<u>153,736</u>	<u>1,507,102</u>	<u>1,457,119</u>
Long-term liabilities	363,065	359,359	24,781	26,238	387,846	385,597
Other liabilities	45,849	49,183	8,377	8,253	54,226	57,436
Total liabilities	<u>408,914</u>	<u>408,542</u>	<u>33,158</u>	<u>34,491</u>	<u>442,072</u>	<u>443,033</u>
Net assets:						
Invested in capital assets- net of related debt	767,746	723,057	87,551	84,088	855,297	807,145
Restricted	146,268	156,629	1,186	956	147,454	157,585
Unrestricted	26,574	15,155	35,705	34,201	62,279	49,356
Total net assets	<u>\$ 940,588</u>	<u>\$ 894,841</u>	<u>\$ 124,442</u>	<u>\$ 119,245</u>	<u>\$ 1,065,030</u>	<u>\$ 1,014,086</u>

An additional portion of the City of Santa Ana’s governmental activities net assets (15.55 percent) represents resources that are subject to external restrictions on how they may be used. As of June 30, 2011 the City’s unrestricted net assets is a positive \$26,574, or a positive 2.83 percent. The positive in unrestricted net assets is primarily due to the increase in net assets of \$45,747 as compared to fiscal year 09-10.

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 increased by \$50,944 during the current fiscal year. The increase represents the degree to which ongoing revenues have outpaced similar increases in ongoing expenses.

Governmental activities. Governmental activities increased the City of Santa Ana’s net assets by \$45,747, thereby accounting for 89.8 percent of the total growth in net assets. Key elements related to the increase are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

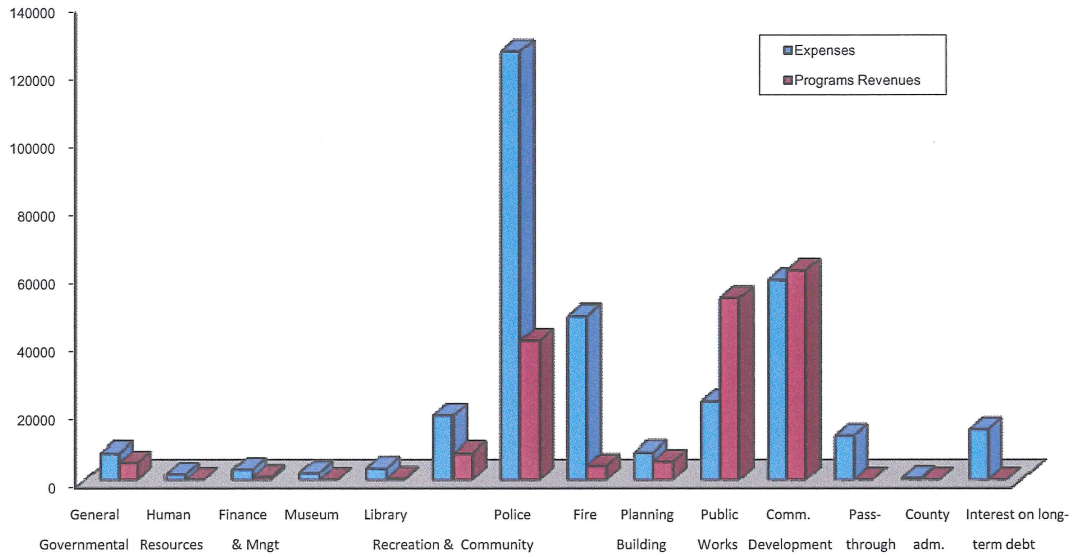
City of Santa Ana's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 59,552	\$ 55,288	\$ 83,937	\$ 84,526	\$ 143,489	\$ 139,814
Operating grants and contribution	87,080	99,887	295	-	87,375	99,887
Capital grants and contribution	32,910	37,218	-	-	32,910	37,218
General revenues:						
Property taxes	103,610	108,001 *	-	-	103,610	108,001
Other taxes	87,824	85,054	-	-	87,824	85,054
Intergovernmental, unrestricted	1,934	1,255	-	-	1,934	1,255
Investment income	869	2,862	146	255	1,015	3,117
Others	666	1,089	-	-	666	1,089
Total revenues	374,445	390,654	84,378	84,781	458,823	475,435
Expenses:						
General government	7,751	9,839	-	-	7,751	9,839
Human resources	1,545	1,763	-	-	1,545	1,763
Finance and management services	3,037	3,625	-	-	3,037	3,625
Museum	1,954	2,260	-	-	1,954	2,260
Library	3,302	3,470	-	-	3,302	3,470
Recreation and community services	18,828	19,797	-	-	18,828	19,797
Police department	126,326	132,066	-	-	126,326	132,066
Fire department	48,198	51,819	-	-	48,198	51,819
Planning and building	7,998	9,676	-	-	7,998	9,676
Public works	23,075	20,662	-	-	23,075	20,662
Community development	58,735	68,150	-	-	58,735	68,150
Pass-through payments to districts and other agencies	12,760	28,093 *	-	-	12,760	28,093
County administrative charge	525	486 *	-	-	525	486
Interest on long-term debt	14,664	16,828	-	-	14,664	16,828
Water	-	-	45,674	45,727	45,674	45,727
Parking	-	-	2,631	2,824	2,631	2,824
Refuse	-	-	15,339	16,716	15,339	16,716
Transportation center	-	-	1,313	1,423	1,313	1,423
Sewer	-	-	3,462	3,486	3,462	3,486
Sanitation	-	-	8,403	8,072	8,403	8,072
Federal clean water protection	-	-	2,359	2,210	2,359	2,210
Total expenses	328,698	368,534	79,181	80,458	407,879	448,992
Increase in net assets before transfers	45,747	22,120	5,197	4,323	50,944	26,443
Transfers in (out)	-	-	-	-	-	-
Increase in net assets	45,747	22,120	5,197	4,323	50,944	26,443
Net assets beginning	894,841	872,721	119,245	114,922	1,014,086	987,643
Net assets ending	\$ 940,588	\$ 894,841	\$ 124,442	\$ 119,245	\$ 1,065,030	\$ 1,014,086

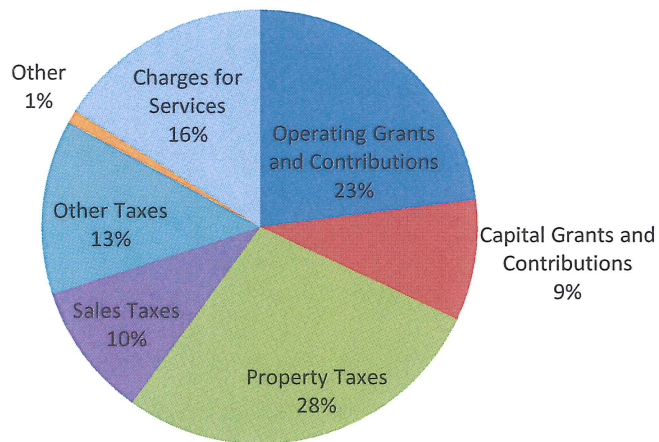
* Restated property taxes revenue for pass-through payments to district and other agencies and County administrative charges

- Property taxes decreased by \$4,390 (4.06 percent) during the year. The decrease was primarily due to the overall decrease on property sales. Sales tax revenues for governmental activities increased by \$2.913 (8.44 percent). Investment income declined by \$1,993 (69.64 percent), due to lower average yield on investments. Operating and capital grants and contributions for governmental activities decreased by \$17,115 (12.48 percent) as the Empowerment Zone grant came to an end. This ten year federal grant helped stimulate economic opportunity in 15 new Zones and integrated America's poor into the larger metropolitan economy. The grant awards provided resources to support three functions: police, community development and public works services. The total expenses in Governmental Activities decreased 10.81% as compared to fiscal year 09-10. The decrease in expenses was primarily due to the reduction of labor cost.

Expenses and Program Revenues - Government Activities



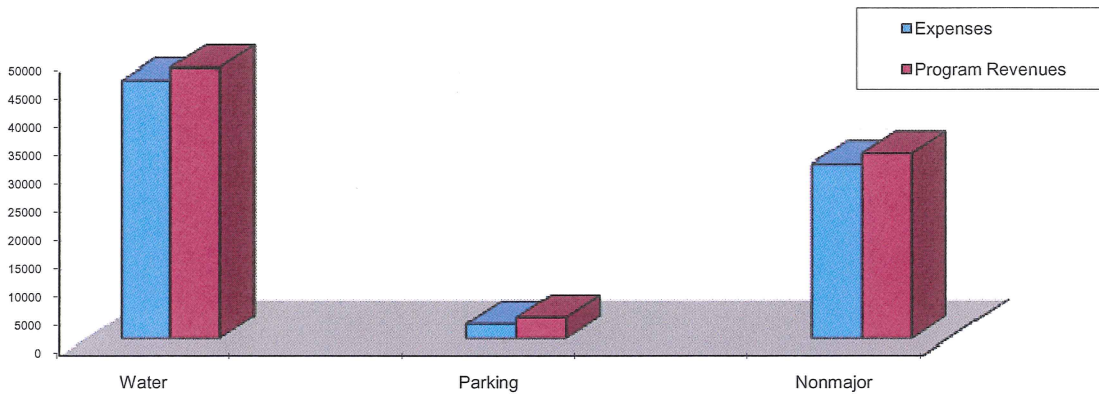
Revenue by Source - Governmental Activities



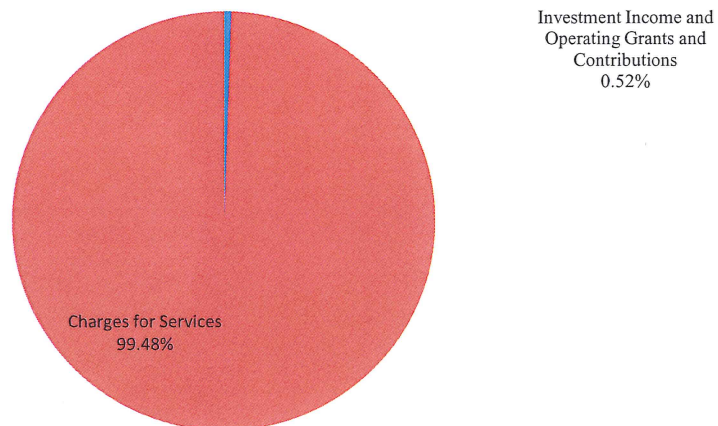
Business-type activities. Business-type activities increased the City of Santa Ana net assets by \$5,197, accounting for 10.20 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services in business-type activities decreased by (\$589) (0.70 percent) as compared to the prior fiscal year. The Water Enterprise accounted for a decrease of \$999, Parking Funds accounted for a decrease of (\$554). The nonmajor enterprise funds accounted for increase of \$965.
- Investment earnings declined by (\$109) (42.75 percent) for business-type activities. The decline was due to higher capital improvement expenses and lower average yield on investments.
- Total expenses for business-type activities decreased by (\$1,277) (1.59 percent) as compared to the prior fiscal year. The decline was primarily due to reduced labor costs for providing services during fiscal year 2010-11.

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 \$208,017. The positive \$3,882 constitutes *unassigned fund balance*. The remainder of fund balance is allocated: 1) to the committed to contractual obligation for \$1,314; 2) to the assigned to continuing projects for \$2,987; 3) to the nonspendable items for \$3,652; and 4) to the restricted for specific spending for \$196,182.

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 \$10,974 as compared to \$8,471 in fiscal year 09-10. The 29.55 percent increase is primarily due to the 6% reduction of labor cost (when compare to the prior fiscal year) and a \$3.6 million transfer from Internal Service Funds. Santa Ana's major revenue sources for the general fund have an experience of modest growth. In fiscal year 10-11, charges for services increased 6.43% and license and permits increased 33.87%, sales taxes and hotels visitors' taxes increased 8.44% and 5.66% respectively; however property taxes decreased 2.80% when compared to fiscal year 09-10. The City responded to the financial challenges by implementing cost reduction strategies which included departmental consolidations/reorganizations, maintaining vacancies, reductions in force and achieving concessions by renegotiating bargaining group agreements. Total General Fund actual expenditures decreased 5.77% in fiscal year 10-11.

As a measure of General Fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance in the General Fund is \$6,673 which represents 3.31 percent of total general fund expenditures, while total fund balance represents 5.44 percent of that same amount. The City has been implementing a strategic financial plan to address impacts of the current economic situation on its budget. During fiscal year 2010-11, City's has evaluated and developed the Budget Stabilization Plan. The information is found on the City's website at

http://www.ci.santaana.ca.us/documents/20110919_management_partners_report.pdf.

The Special Revenue Grants' fund balance is \$6,080 in fiscal year 10-11 as compared to the fund balance of \$4,564 in fiscal year 09-10. The 33.22 % increase was due to carry forward grants received into fiscal year 2011-12.

The Special Revenue Housing Authority's fund balance is \$5,231 in fiscal year 10-11 as compared to the fund balance of \$3,698 in fiscal year 09-10. The 41.45 percent increase was due to the reduction in administrative and program cost.

The Special Revenue Gas Tax Fund had a fund balance of \$12,335 in the current fiscal year. The decrease was primarily due to the spending of proceeds received from the issuance of Gas Tax Revenue Certificates of Participation for the 2007 Local Street Improvement Project.

The Capital Projects Community Redevelopment Agency fund had a fund balance increase of \$8,619 in the current year. The increase was primarily due to the decrease in the pass-through payments to the State of California Supplemental Education Revenue Augmentation Fund (SERAF).

The Capital Projects Street Construction Fund ended with a fund balance of \$15,901 in fiscal year 10-11 as compared to the fund balance of \$23,646 in fiscal year 09-10. The decrease was primarily due to the spending of prior year advances received from OCTA for the Bristol Street Widening Project.

The Debt Service Community Redevelopment Agency Fund had an increase of \$79,328 in the current year. The increase was primarily due to the refinancing the Santa Ana Financing Authority Refunding Revenue Bonds 1998 Series A, B, C, and D.

The Debt Service SA Financing Authority Fund had a decrease of \$68,711 in the current year. The decrease was primarily due to the payoff of the \$68,330 intra-entity obligation between the Debt Service Community Redevelopment Agency Fund and the Debt Service SA Financing Authority.

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 \$72,670 in fiscal year 10-11 as compared to net assets of \$70,443 in fiscal year 09-10. The 3.16 percent increase was primarily due to the reduction in administrative cost and capital projects were carried over into fiscal year 11-12.

The Parking fund ended with total net assets of \$9,453 in fiscal year 10-11 as compared to the net assets of \$8,317 in fiscal year 09-10. The increase was primarily due to a rate increase in City fees and charges for services.

Unrestricted net assets related to business-type activities amounted to \$35,705 at year end as compared to \$34,201 in fiscal year 09-10. As indicated earlier, the 4.40 percent increase was primarily due to the overall increase in net assets during fiscal year 10-11.

General Fund Budgetary Highlights

During the year, there was a \$4,915 increase in appropriations between the original and final amended budget. Following are the main components of the increase (decrease):

- \$4,423 to roll forward 2009-10 active purchase orders provided for in prior reserve balances and budgets.
- \$60 supplemental appropriation to the Planning and Building Agency in anticipation of the revenue received from various building plan checks.
- \$70 supplemental appropriation to the Parks, Recreation & Community Services Agency in anticipation of the increase in Leisure Class revenue.
- \$62 supplemental appropriation to the Parks, Recreation & Community Services Agency in anticipation of the fund received from carnival promoters for the 2011 carnival season.
- \$74 supplemental appropriation to the Police department in anticipation of the fund received from the FBI to pay for equipment to be used for the OC Regional Computer Forensics Laboratory.
- \$5 supplemental appropriation to the Parks, Recreation & Community Services Agency in anticipation of the fund received from One OC for signage at Maple Street Bike Trail.
- \$69 supplemental appropriation to the Police department in anticipation of the donations received from Woman's Club of Santa Ana, Target, and California Endowment Fund.
- \$152 supplemental appropriations to the Parks, Recreation & Community Services Agency in anticipation of funds received for cell towers at various parks.

By year end, General Fund revenues amounted to \$197,283 which is approximately \$5,927 (or 3.1%) higher than originally budgeted. The increases were primarily due to favorable variances in the following revenues: sales tax \$4,630, hotels visitors' tax \$693, business tax \$350, charges for services \$265, fines and forfeits \$889,

Police Jail facility rental \$521. Overall, the favorable variances are indicative of an economic recovery. Overall General Fund expenditures were less than budgeted. However, unfavorable expenditures variances primarily were attributed to Police, Fire, Public Works and City Manager departments. The unfavorable variances were due to unforeseen circumstances mentioned on the required supplementary information page 114.

Capital Asset and Debt Administration

Capital assets. The City of Santa Ana’s investment in capital assets for its governmental and business-type activities, was \$1,037,357 (net of accumulated depreciation) as of June 30, 2011. 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			
	2011	2010	2011	2010	2011	2010
Land	\$ 13,104	\$ 12,124	\$ 7,987	\$ 7,987	\$ 21,091	\$ 20,111
Rights of way	427,119	427,119	0	0	427,119	427,119
Street trees	7,031	7,031	0	0	7,031	7,031
Construction in progress	134,804	115,400	8,207	3,826	143,011	119,226
Building	92,291	98,255	2,996	3,214	95,287	101,469
Improvements	37,027	35,330	74,676	76,726	111,703	112,056
Equipment	10,524	11,858	4,385	4,572	14,909	16,430
Infrastructure	204,108	182,403	11,607	12,023	215,715	194,426
Intangible	0	0	265	279	265	279
Library materials	1,226	1,277	0	0	1,226	1,277
Total	\$ 927,234	\$ 890,797	\$ 110,123	\$ 108,627	\$ 1,037,357	\$ 999,424

At the end of the current fiscal year, the City total assets increased by \$37,933 (3.80 percent). The increase is primarily due to the city-wide local streets improvement projects and Water Main improvements. Additional information on the City of Santa Ana’s capital assets can be found in Note 3C on pages 76-78 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 \$291,333. Of this amount, \$183,456 comprises debt backed by the full faith and credit of the government, \$96,160 represents bonds secured solely by specified revenue sources, \$2,930 in capitalized lease obligations and \$8,787 in long-term loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Santa Ana

Long-term Bonded Debt and Loans

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Tax allocation bonds	\$ 84,275	\$ 18,010	\$ -	\$ -	\$ 84,275	\$ 18,010
Tax allocation refunding bonds	20,960	22,770	-	-	20,960	22,770
Capital leases	2,930	4,342	-	-	2,930	4,342
Certificates-of-participation	76,045	77,515	-	-	76,045	77,515
Revenue bonds	80,740	149,860	15,420	16,250	96,160	166,110
Long-term loans and notes	7,634	8,006	1,153	1,308	8,787	9,314
Refunding certificates of participation	-	-	6,695	7,755	6,695	7,755
Less: Deferred amounts	(2,307)	(2,748)	(1,395)	(1,564)	(3,702)	(4,312)
Bond discounts	(1,301)	(975)	-	-	(1,301)	(975)
Add: Bond premium	2,242	2,671	699	790	2,941	3,461
Total	\$ 271,218	\$ 279,451	\$ 22,572	\$ 24,539	\$ 293,790	\$ 303,990

At the end of the current fiscal year, Governmental Activities long-term debt decreased by (\$8,233) and Long-term debt associated with Business-type Activities decreased (\$1,967) due to principal repayment of existing debt, issuance of the 2011A Tax Allocation Bonds and the defeasance and refinancing of the Santa Ana Financing Authority Refunding Revenue Bonds 1998 Series A, B, C, and D. Additional information on the City of Santa Ana's long-term debt can be found in Note 3E on pages 81 through 92.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Santa Ana is 2.5% (\$497,207). During the current fiscal year, total fund balance in the General Fund was \$10,974. Of this amount \$4,301 is committed to contractual obligations or assigned to continuing projects and incorporated into the 2011-2012 fiscal year. In April, 2011 Standard & Poor's upgraded Santa Ana's, California series 2007 Gas Tax Revenue Certificates of Participation (COPs) from A- to A. However, Moody's Investors Services downgraded the City's Certificate of Participation for the City Hall Expansion Project from an A2 to Baa1.

Economic Factors and Next Year's Budget and Rates

- The economy is showing signs of modest growth which is reflected in overall General Fund revenue exceeding budget by 3.1%.
- General Fund expenditures came in slightly less than budgeted. It is anticipated that current negotiations with the various bargaining groups will impact next year's budget in a positive manner.
- There is concern as to the final outcome of the court decision on Redevelopment and impact to the City's General Fund.
- There is a general expectation that the City's unemployment rate will continue to fall given the growth signals in the City's sales tax base and business license.

The City engaged Management Partners Incorporated to assist the City in developing a strategy for balancing the budget. The recommended three prong approach encompasses compensation reductions, service delivery model changes, and revenue increases. It is anticipated that current implementation efforts from the recommended strategy will result in a positive outlook for the City on a long term basis.

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

CITY OF SANTA ANA, CALIFORNIA

Basic Financial Statements



CITY OF SANTA ANA, CALIFORNIA

Government - wide Financial Statements

CAFR

Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments (Note 3A)	\$ 258,966,084	31,630,247	\$ 290,596,331
Receivables (net of allowance for uncollectibles):			
Taxes	9,094,348	-	9,094,348
Interest	697,599	44,256	741,855
Accounts	1,485,104	13,376,268	14,861,372
Allowance for uncollectible accounts	-	(255,092)	(255,092)
Intergovernmental	11,794,899	-	11,794,899
Loans and notes (Note 3F)	80,195,450	-	80,195,450
Internal balances	(2,000,000)	2,000,000	-
Inventory of supplies	1,085,979	-	1,085,979
Restricted assets:			
Cash and investments (Note 3A)	12,526,467	680,519	13,206,986
Cash and investments with fiscal agents (Note 3A)	16,058,725	188	16,058,913
Land held for resale	29,905,080	-	29,905,080
Capital assets, undepreciated (Note 3C)	582,057,355	16,193,807	598,251,162
Capital assets, net of accumulated depreciation (Note 3C)	345,177,124	93,929,377	439,106,501
Deferred issuance costs, net	2,457,511	-	2,457,511
Total assets	<u>1,349,501,725</u>	<u>157,599,570</u>	<u>1,507,101,295</u>
Liabilities:			
Accounts payable	22,016,397	6,705,116	28,721,513
Interest payable	4,757,271	263,913	5,021,184
Retention payable	294,099	85,849	379,948
Due to governmental agencies	2,031,614	-	2,031,614
Customer's deposits	173,400	1,321,802	1,495,202
Unearned revenue	16,576,390	-	16,576,390
Non current liabilities- due within one year (Note 3E)	27,098,992	2,549,618	29,648,610
Non current liabilities- due over one year (Note 3E)	308,874,486	21,297,607	330,172,093
Postemployment benefits obligation (Note 4F)	27,091,328	933,672	28,025,000
Total liabilities	<u>408,913,977</u>	<u>33,157,577</u>	<u>442,071,554</u>
Net Assets:			
Invested in capital assets, net of related debt	767,746,438	87,550,788	855,297,226
Restricted for:			
Debt service	11,504,426	-	11,504,426
Capital projects	94,522,909	-	94,522,909
National pollution discharge elimination system	-	1,186,282	1,186,282
Special revenue grants	11,332,280	-	11,332,280
Special revenue housing authority	5,231,235	-	5,231,235
Local street improvements	23,676,922	-	23,676,922
Unrestricted	26,573,538	35,704,923	62,278,461
Total net assets	<u>\$ 940,587,748</u>	<u>124,441,993</u>	<u>\$ 1,065,029,741</u>

See accompanying Notes to the Basic Financial Statements.

Statement of Activities
Year ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,751,315	5,026,031	-	-
Human resources	1,545,239	-	-	-
Finance and management services	3,036,855	886,185	-	-
Museum	1,954,413	-	-	-
Library	3,302,103	119,695	206,076	-
Recreation and community services	18,827,451	2,474,696	4,392,923	954,102
Police department	126,325,929	25,112,838	15,861,843	-
Fire department	48,198,153	4,057,829	68,779	-
Planning and building	7,998,121	4,958,481	501,895	-
Public works	23,075,130	12,227,603	9,113,740	31,956,285
Community development	58,733,886	4,688,169	56,934,343	-
Pass-through payments to districts and other agencies	12,759,741	-	-	-
County administrative charge	525,096	-	-	-
Interest on long-term debt	14,664,154	-	-	-
Total governmental activities	\$ 328,697,586	59,551,527	87,079,599	32,910,387
Business-type activities:				
Water	45,673,517	47,783,429	85,096	-
Parking	2,630,998	3,732,644	-	-
Refuse collections	15,338,671	16,218,477	209,528	-
Transportation center	1,313,383	969,680	-	-
Sewer	3,462,002	4,678,930	-	-
Sanitation	8,402,603	8,001,732	-	-
Federal clean water protection	2,359,361	2,551,990	-	-
Total business-type activities	79,180,535	83,936,882	294,624	-
Total	\$ 407,878,121	143,488,409	87,374,223	32,910,387

General revenues:
 Property taxes
 Sales taxes shared revenue
 Hotels visitors' taxes
 Utility users taxes
 Business taxes
 Franchise taxes
 Other taxes
 Intergovernmental, unrestricted
 Investment income
 Other revenues

Total general revenues

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	Total
\$ (2,725,284)	\$ -	\$ (2,725,284)
(1,545,239)	-	(1,545,239)
(2,150,670)	-	(2,150,670)
(1,954,413)	-	(1,954,413)
(2,976,332)	-	(2,976,332)
(11,005,730)	-	(11,005,730)
(85,351,248)	-	(85,351,248)
(44,071,545)	-	(44,071,545)
(2,537,745)	-	(2,537,745)
30,222,498	-	30,222,498
2,888,626	-	2,888,626
(12,759,741)	-	(12,759,741)
(525,096)	-	(525,096)
(14,664,154)	-	(14,664,154)
\$ (149,156,073)	\$ -	\$ (149,156,073)
-	2,195,008	2,195,008
-	1,101,646	1,101,646
-	1,089,334	1,089,334
-	(343,703)	(343,703)
-	1,216,928	1,216,928
-	(400,871)	(400,871)
-	192,629	192,629
-	5,050,971	5,050,971
\$ (149,156,073)	\$ 5,050,971	\$ (144,105,102)
103,609,898	-	103,609,898
37,408,642	-	37,408,642
5,970,305	-	5,970,305
25,327,332	-	25,327,332
10,380,184	-	10,380,184
7,561,911	-	7,561,911
1,176,014	-	1,176,014
1,933,874	-	1,933,874
869,189	145,778	1,014,967
665,101	-	665,101
194,902,450	145,778	195,048,228
45,746,377	5,196,749	50,943,126
894,841,371	119,245,244	1,014,086,615
\$ 940,587,748	\$ 124,441,993	\$ 1,065,029,741



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

CITY OF SANTA ANA, CALIFORNIA

Fund
Financial Statements



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 projects not being financed by proprietary funds. The following Capital Projects Funds have been classified as major funds 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.

CITY OF SANTA ANA

Balance Sheet
Governmental Funds
June 30, 2011

	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax
Assets				
Cash and investments (Note 3A)	\$ 12,740,953	7,987,051	5,329,200	6,365,259
Receivables (net of allowance for uncollectibles):				
Taxes	7,977,716	-	-	-
Interest	52,269	9,919	6,521	23,711
Accounts	352,346	1,102,994	19,011	-
Intergovernmental	3,589,016	5,719,384	-	1,029,994
Loans and notes (Note 3F)	-	41,505,317	-	-
Due from other funds (Note 3D)	-	-	-	-
Advances to other funds (Note 3D)	-	-	-	-
Restricted assets:				
Cash and investments (Note 3A)	-	-	-	12,244,531
Cash and investments with fiscal agents (Note 3A)	170,198	4,640	154,389	4,212,788
Court deposits	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>\$ 24,882,498</u>	<u>56,329,305</u>	<u>5,509,121</u>	<u>23,876,283</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,608,402	7,270,245	104,486	199,361
Interest payable	28,767	-	-	-
Retention payable	-	38,832	-	-
Due to other funds (Note 3D)	-	-	-	-
Due to other governmental agencies	-	7,844	-	-
Deferred revenues	6,131,311	42,932,396	173,400	-
Advances payable to other funds (Note 3D)	5,140,000	-	-	-
Total liabilities	<u>13,908,480</u>	<u>50,249,317</u>	<u>277,886</u>	<u>199,361</u>
Fund balances (deficit):				
Nonspendable:				
Deposits	-	-	-	-
Surplus property from street projects	-	-	-	-
Restricted for:				
Community development	-	891,891	5,231,235	-
Debt service	-	-	-	-
Public safety	-	6,550,054	-	-
Street projects	-	-	-	23,676,922
Drainage construction	-	-	-	-
Other capital projects	-	-	-	-
Cultural recreation and community services	-	829,084	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Committed to:				
Contractual obligations	1,314,331	-	-	-
Assigned to:				
Continuing projects	2,986,397	-	-	-
Unassigned:	6,673,290	(2,191,041)	-	-
Total fund balances	<u>10,974,018</u>	<u>6,079,988</u>	<u>5,231,235</u>	<u>23,676,922</u>
Total liabilities and fund balances	<u>\$ 24,882,498</u>	<u>56,329,305</u>	<u>5,509,121</u>	<u>23,876,283</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
76,533,384	27,116,343	20,768,230	2,021,254	15,321,041	\$ 174,182,715
53,946	-	1,062,686	-	-	9,094,348
87,444	33,697	179,274	4,437	18,601	415,873
-	753	-	-	-	1,475,104
-	664,201	-	-	792,304	11,794,899
38,690,133	-	-	-	-	80,195,450
254,283	-	-	-	-	254,283
7,202,359	-	-	-	-	7,202,359
-	-	-	-	-	12,244,531
12,284	-	6,733,829	4,770,597	-	16,058,725
100	-	-	-	-	100
26,253,330	3,651,750	-	-	-	29,905,080
<u>149,087,263</u>	<u>31,466,744</u>	<u>28,744,019</u>	<u>6,796,288</u>	<u>16,131,946</u>	<u>\$ 342,823,467</u>
238,653	5,088,304	5,078,725	4,500	281,090	\$ 20,873,766
-	-	-	-	-	28,767
-	185,201	-	-	70,066	294,099
-	-	254,283	-	802,667	1,056,950
358,856	-	1,664,914	-	-	2,031,614
38,340,133	10,292,442	-	-	308,814	98,178,496
-	-	7,202,359	-	-	12,342,359
<u>38,937,642</u>	<u>15,565,947</u>	<u>14,200,281</u>	<u>4,500</u>	<u>1,462,637</u>	<u>134,806,051</u>
100	-	-	-	-	100
-	3,651,750	-	-	-	3,651,750
76,693,832	-	-	-	1,059,406	83,876,364
-	-	14,543,738	6,791,788	-	21,335,526
-	-	-	-	322,979	6,873,033
-	12,249,047	-	-	-	35,925,969
-	-	-	-	4,580,689	4,580,689
-	-	-	-	5,425,746	5,425,746
-	-	-	-	3,880,272	4,709,356
26,253,330	-	-	-	-	26,253,330
7,202,359	-	-	-	-	7,202,359
-	-	-	-	-	1,314,331
-	-	-	-	-	2,986,397
-	-	-	-	(599,783)	3,882,466
<u>110,149,621</u>	<u>15,900,797</u>	<u>14,543,738</u>	<u>6,791,788</u>	<u>14,669,309</u>	<u>208,017,416</u>
<u>149,087,263</u>	<u>31,466,744</u>	<u>28,744,019</u>	<u>6,796,288</u>	<u>16,131,946</u>	<u>\$ 342,823,467</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, 2011**

Fund balances of governmental funds		\$ 208,017,416
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. This amount does not include the capital assets of the internal service funds which are reported below.		916,048,446
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. This amount does not include the long-term liabilities of the internal service funds which are included below.		
Long-term debt	(294,518,715)	
Compensated absences	<u>(38,641,239)</u>	(333,159,954)
Deferred issuance costs are amortized over the maturity of the debt on the statement of net assets.		2,457,511
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.		(4,728,504)
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis in governmental fund		81,563,251
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 unrestricted in the governmental activities in the statement of net assets.		<u>70,389,582</u>
Net assets of governmental activities		<u>\$ 940,587,748</u>

See accompanying Notes to the Basic Financial Statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2011

	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax
Revenues:				
Taxes	\$ 139,651,951	-	-	-
License and permits	3,790,130	-	-	-
Intergovernmental	3,897,163	42,585,765	31,251,946	9,113,740
Charges for services	9,313,501	12,162	-	-
Fines and forfeits	7,902,164	-	-	-
Investment income	243,356	51,714	36,551	78,950
Gain on sale of land held for resale	-	-	-	-
Cost recoveries	16,566,726	5,000	-	-
Rental income	15,228,906	-	-	-
Miscellaneous	689,407	1,719,398	240,993	-
Total revenues	<u>197,283,304</u>	<u>44,374,039</u>	<u>31,529,490</u>	<u>9,192,690</u>
Expenditures:				
Current:				
General government	6,208,222	-	-	-
Human resources	1,300,984	-	-	-
Finance and management services	2,999,661	-	-	-
Museum	1,518,764	-	-	-
Library	2,495,525	325,393	-	-
Recreation and community services	12,704,207	1,130,011	-	-
Police department	100,174,484	15,526,549	-	-
Fire department	46,795,171	225,088	-	-
Planning and building	6,818,869	1,096,552	-	-
Public works	5,139,759	-	-	2,064,826
Community development	316,188	19,167,156	29,995,935	-
Pass-through payments to districts and other agencies	-	-	-	-
County administrative charge	-	-	-	-
Capital Outlay	932,190	6,248,383	-	-
Debt Service:				
Principal retirement	1,066,629	-	-	1,125,000
Interest and fiscal charges	835,770	-	-	3,060,281
Cost of issuance and other bond charges	-	-	-	-
Total expenditures	<u>189,306,423</u>	<u>43,719,132</u>	<u>29,995,935</u>	<u>6,250,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,976,881</u>	<u>654,907</u>	<u>1,533,555</u>	<u>2,942,583</u>
Other financing sources (uses):				
Transfers in (Note 3D)	6,812,859	861,093	-	-
Transfers out (Note 3D)	(12,286,305)	-	-	(15,277,646)
Issuance of refunding debt	-	-	-	-
Bond discount	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(5,473,446)</u>	<u>861,093</u>	<u>-</u>	<u>(15,277,646)</u>
Net change in fund balances	2,503,435	1,516,000	1,533,555	(12,335,063)
Fund balances (deficit) - beginning	<u>8,470,583</u>	<u>4,563,988</u>	<u>3,697,680</u>	<u>36,011,985</u>
Fund balances (deficit) - ending	<u>\$ 10,974,018</u>	<u>6,079,988</u>	<u>5,231,235</u>	<u>23,676,922</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
-	298,831	51,433,689	-	49,815	\$ 191,434,286
-	15,623	-	-	-	3,805,753
-	26,893,082	-	-	8,182,164	121,923,860
-	158,812	-	-	414,087	9,898,562
-	-	-	-	-	7,902,164
431,550	184,673	190,583	20,917	116,661	1,354,955
238,000	-	-	-	-	238,000
24,311	63,153	882,915	-	524,431	18,066,536
235,475	205,972	-	-	-	15,670,353
616,523	-	-	2,057,452	219,850	5,543,623
<u>1,545,859</u>	<u>27,820,146</u>	<u>52,507,187</u>	<u>2,078,369</u>	<u>9,507,008</u>	<u>375,838,092</u>
-	-	-	-	-	6,208,222
-	-	-	-	273,145	1,574,129
-	-	-	-	-	2,999,661
-	-	-	-	-	1,518,764
-	-	-	-	-	2,820,918
-	-	-	-	3,030,943	16,865,161
-	-	-	-	1,481,546	117,182,579
-	-	-	-	-	47,020,259
-	-	-	-	117,579	8,033,000
-	2,133,186	-	-	2,392,070	11,729,841
8,259,938	-	389,354	-	-	58,128,571
3,683,082	-	9,076,659	-	-	12,759,741
83,559	-	441,537	-	-	525,096
745,317	48,689,670	-	-	1,872,123	58,487,683
447,866	-	2,335,000	9,270,000	-	14,244,495
9,339	-	5,124,640	8,512,682	-	17,542,712
-	-	778,321	-	-	778,321
<u>13,229,101</u>	<u>50,822,856</u>	<u>18,145,511</u>	<u>17,782,682</u>	<u>9,167,406</u>	<u>378,419,153</u>
<u>(11,683,242)</u>	<u>(23,002,710)</u>	<u>34,361,676</u>	<u>(15,704,313)</u>	<u>339,602</u>	<u>(2,581,061)</u>
21,163,424	15,257,646	2,250,974	9,094,075	530,000	55,970,071
(861,093)	-	(23,701,114)	(2,250,974)	-	(54,377,132)
-	-	66,790,000	-	-	66,790,000
-	-	(373,843)	-	-	(373,843)
-	-	-	(59,850,000)	-	(59,850,000)
<u>20,302,331</u>	<u>15,257,646</u>	<u>44,966,017</u>	<u>(53,006,899)</u>	<u>530,000</u>	<u>8,159,096</u>
8,619,089	(7,745,064)	79,327,693	(68,711,212)	869,602	5,578,035
<u>101,530,532</u>	<u>23,645,861</u>	<u>(64,783,955)</u>	<u>75,503,000</u>	<u>13,799,707</u>	<u>202,439,381</u>
<u>110,149,621</u>	<u>15,900,797</u>	<u>14,543,738</u>	<u>6,791,788</u>	<u>14,669,309</u>	<u>\$ 208,017,416</u>

**Reconciliation of the Statement of Revenues, Expenditures,
And Changes in the Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2011**

Net change in fund balances-total governmental funds		\$ 5,578,035
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	58,487,683	
Depreciation expense	(20,272,391)	
Net of deletion	<u>(1,083,167)</u>	37,132,125
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund.		134,545
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.		5,666,823
Deferred issuance costs are amortized over the maturity of the debt. This is the current year amortization expense.		(91,451)
Accrued interest for long term liabilities including bonds payable. This is the net change in accrued interest for the current period.		1,091,339
The increase in the OPEB obligation is reported in the statement of activities but does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		(6,373,096)
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.		<u>2,608,057</u>
Change in net assets with governmental activities		<u>\$ 45,746,377</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.

CITY OF SANTA ANA

**Statement of Net Assets
Proprietary Funds
June 30, 2011**

	Water	Parking
Assets:		
Current assets:		
Cash and investments (Note 3A)	\$ 16,748,544	4,298,883
Receivables:		
Accounts	9,109,426	-
Allowance for uncollectible accounts	(196,611)	-
Interest	16,864	7,415
Due from other funds	-	-
Inventory of supplies	-	-
Total current assets	<u>25,678,223</u>	<u>4,306,298</u>
Noncurrent assets:		
Advances to other funds (Note 3D)	2,000,000	-
Restricted cash and investments (Note 3A)	680,519	-
Cash and investments with fiscal agent (Note 3A)	187	1
Capital assets (Note 3C):		
Land	603,545	3,591,049
Buildings	223,583	-
Improvements other than buildings	110,015,563	-
Equipment	13,347,265	360,909
Parking structures	-	14,748,556
Construction work in progress	7,170,458	-
Other assets	278,589	-
Less accumulated depreciation	(62,871,881)	(6,936,703)
Total capital assets (net of accumulated depreciation)	<u>68,767,122</u>	<u>11,763,811</u>
Total noncurrent assets	<u>71,447,828</u>	<u>11,763,812</u>
Total assets	<u>97,126,051</u>	<u>16,070,110</u>
Liabilities:		
Current liabilities:		
Accounts payable	5,878,832	40,958
Retention payable	85,849	-
Compensated absences payable (current portion) (Note 3E)	121,694	10,500
Notes payable (current portion) (Note 3E)	160,910	-
Interest payable	237,358	26,555
Deposits payable	1,310,802	-
Claims payable (current portion) (Note 3E)	-	-
Capital lease payable (current portion) (Note 3E)	-	-
Revenue bonds payable (current portion) (Note 3E)	855,000	-
Certificates of participation payable (current portion) (Note 3E)	-	1,215,000
Total current liabilities	<u>8,650,445</u>	<u>1,293,013</u>
Noncurrent liabilities:		
Compensated absences payable	365,080	31,500
Notes payable	992,102	-
Claims payable	-	-
Capital lease payable	-	-
Postemployment benefits obligation	353,344	37,666
Revenue bonds payable, net of deferred amounts	14,094,609	-
Certificate of participation payable, net of deferred amounts	-	5,254,775
Total noncurrent liabilities	<u>15,805,135</u>	<u>5,323,941</u>
Total liabilities	<u>24,455,580</u>	<u>6,616,954</u>
Net assets:		
Invested in capital assets, net of related debt	52,664,501	5,294,036
Restricted for :		
National pollution discharge elimination system	-	-
Unrestricted	20,005,970	4,159,120
Total net assets	<u>\$ 72,670,471</u>	<u>9,453,156</u>

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Nonmajor	Business-Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
		Total		
10,582,820	\$	31,630,247	\$	84,783,369
4,266,842		13,376,268		10,000
(58,481)		(255,092)		-
19,977		44,256		147,081
-		-		802,667
-		-		1,085,979
14,811,158		44,795,679		86,829,096
-		2,000,000		3,140,000
-		680,519		281,936
-		188		-
3,792,491		7,987,085		-
8,607,909		8,831,492		-
41,345,826		151,361,389		859,017
86,023		13,794,197		33,485,684
4,817,296		19,565,852		-
1,036,264		8,206,722		6,003,599
-		278,589		-
(30,093,558)		(99,902,142)		(29,162,267)
29,592,251		110,123,184		11,186,033
29,592,251		112,803,891		14,607,969
44,403,409		157,599,570		101,437,065
785,326		6,705,116		1,142,631
-		85,849		-
186,514		318,708		459,032
-		160,910		-
-		263,913		-
11,000		1,321,802		-
-		-		7,274,490
-		-		1,043,130
-		855,000		-
-		1,215,000		-
982,840		10,926,298		9,919,283
559,541		956,121		1,377,091
-		992,102		-
-		-		17,003,269
-		-		1,074,235
542,662		933,672		1,673,605
-		14,094,609		-
-		5,254,775		-
1,102,203		22,231,279		21,128,200
2,085,043		33,157,577		31,047,483
29,592,251		87,550,788		9,068,668
1,186,282		1,186,282		-
11,539,833		35,704,923		61,320,914
42,318,366	\$	124,441,993	\$	70,389,582

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2011

	Water	Parking
Operating revenues:		
Charges for services	\$ 47,471,674	3,215,991
Miscellaneous	311,755	516,653
Total operating revenues	<u>47,783,429</u>	<u>3,732,644</u>
Operating expenses:		
Cost of goods sold	-	-
Personal services	3,970,851	593,507
Contractual services	10,486,225	1,110,493
Materials and supplies	11,376,567	23,573
Other services and charges	16,727,496	174,308
Administration	-	-
Insurance	-	-
Provision for self-insured losses	-	-
Depreciation	2,355,524	326,543
Total operating expenses	<u>44,916,663</u>	<u>2,228,424</u>
Operating income	<u>2,866,766</u>	<u>1,504,220</u>
Nonoperating revenues (expenses):		
Intergovernmental	85,096	-
Net (decrease) in the fair value of investment	(34,136)	-
Investment earnings	66,598	34,695
Interest expense	(756,854)	(402,574)
Total nonoperating revenues (expenses)	<u>(639,296)</u>	<u>(367,879)</u>
Income before transfers	<u>2,227,470</u>	<u>1,136,341</u>
Transfers in (Note 3D)	-	-
Transfers out (Note 3D)	-	-
Change in net assets	2,227,470	1,136,341
Net assets - beginning	<u>70,443,001</u>	<u>8,316,815</u>
Net assets - ending	<u>\$ 72,670,471</u>	<u>9,453,156</u>

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Nonmajor	Business-Type Activities- Enterprise Funds	Governmental Activities- Internal Service Funds
	Total	
25,575,358	\$ 76,263,023	\$ 68,964,551
6,845,451	7,673,859	3,477,953
<u>32,420,809</u>	<u>83,936,882</u>	<u>72,442,504</u>
-	-	1,490,799
6,599,699	11,164,057	14,684,213
10,942,356	22,539,074	7,497,335
338,671	11,738,811	3,221,986
12,038,609	28,940,413	3,983,774
-	-	6,000,212
-	-	19,935,789
-	-	10,174,384
956,685	3,638,752	1,738,573
<u>30,876,020</u>	<u>78,021,107</u>	<u>68,727,065</u>
<u>1,544,789</u>	<u>5,915,775</u>	<u>3,715,439</u>
209,528	294,624	-
-	(34,136)	(86,462)
78,621	179,914	615,240
-	(1,159,428)	(43,221)
<u>288,149</u>	<u>(719,026)</u>	<u>485,557</u>
1,832,938	5,196,749	4,200,996
-	-	2,682,230
-	-	(4,275,169)
1,832,938	5,196,749	2,608,057
40,485,428	119,245,244	67,781,525
<u>42,318,366</u>	<u>\$ 124,441,993</u>	<u>\$ 70,389,582</u>

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Water	Parking
Cash flows from operating activities:		
Receipts from customers	\$ 46,599,585	3,215,991
Receipts from interfund services provided	-	-
Receipts from other operating sources	311,755	516,653
Payments to suppliers for goods and services	(38,239,855)	(1,280,617)
Payments from interfund services used	-	-
Payments to employees	(3,823,806)	(568,684)
Net cash provided by operating activities	4,847,679	1,883,343
Cash flows from noncapital financing activities:		
Intergovernment contribution	85,096	-
Transfer in	-	-
Transfer out	-	-
Net cash provided by (used for) noncapital financing activities	85,096	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,872,097)	-
Retirement of long-term liabilities	(951,822)	(1,060,000)
Interest paid	(765,705)	(361,062)
Net cash used for capital and related financing activities	(6,589,624)	(1,421,062)
Cash flows from investing activities:		
Interest received	70,636	35,699
Net (decrease) in the fair value of investment	(34,137)	-
Net cash provided by investing activities	36,499	35,699
Net increase (decrease) in cash and cash equivalents	(1,620,350)	497,980
Cash and cash equivalents - beginning	19,049,600	3,800,904
Cash and cash equivalents - ending (Includes restricted assets)	\$ 17,429,250	4,298,884

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Page 2 of 4

Nonmajor	Business -Type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds	
		Totals			
25,266,236	\$	75,081,812	\$	-	
-		-		69,017,518	
6,845,451		7,673,859		3,477,953	
(23,543,054)		(63,063,526)		(47,845,743)	
-		-		(2,343,017)	
(6,262,154)		(10,654,644)		(15,862,468)	
<u>2,306,479</u>		<u>9,037,501</u>		<u>6,444,243</u>	
209,528		294,624		-	
-		-		2,682,230	
-		-		(4,275,169)	
<u>209,528</u>		<u>294,624</u>		<u>(1,592,939)</u>	
(262,543)		(5,134,640)		(1,043,717)	
-		(2,011,822)		(1,012,925)	
-		(1,126,767)		(85,216)	
<u>(262,543)</u>		<u>(8,273,229)</u>		<u>(2,141,858)</u>	
76,677		183,012		652,613	
-		(34,137)		(86,462)	
<u>76,677</u>		<u>148,875</u>		<u>566,151</u>	
2,330,141		1,207,771		3,275,597	
<u>8,252,679</u>		<u>31,103,183</u>		<u>81,789,708</u>	
<u>10,582,820</u>	\$	<u>32,310,954</u>	\$	<u>85,065,305</u>	

Continued

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Water	Parking
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,866,766	1,504,220
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,355,524	326,543
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(853,864)	-
Decrease (increase) in inventory of supply	-	-
Increase (decrease) in accounts payable	272,368	27,757
Increase (decrease) in compensated absences payable	23,612	11,357
Increase (decrease) in deposits payable	(18,225)	-
Increase (decrease) in retention payable	78,065	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in postemployment benefits obligation	123,433	13,466
Net cash provided by operating activities	\$ <u>4,847,679</u>	<u>1,883,343</u>
Noncash investing, capital, and financing activities:		
(Decrease) in fair value of investments	\$ <u>(34,137)</u>	<u>-</u>

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

Page 4 of 4

Nonmajor	Business -Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
		Total		
1,544,789	\$	5,915,775	\$	3,715,439
956,685		3,638,752		1,738,573
(309,122)		(1,162,986)		293,614
-		-		36,611
(223,418)		76,707		(803,562)
146,125		181,094		222,803
-		(18,225)		-
-		78,065		-
-		-		791,955
191,420		328,319		448,810
2,306,479	\$	9,037,501	\$	6,444,243
-	\$	(34,137)	\$	(86,462)

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Current assets:		
Cash and investments (Note 3A)	\$	35,305,460
Receivables:		
Loans and notes		950,296
Interest		38,074
Intergovernmental		<u>1,603,184</u>
Total assets	\$	<u><u>37,897,014</u></u>

Liabilities

Accounts payable	\$	820
Notes payable		250,296
Due to City employees		7,661,743
Due to governmental agencies		<u>29,984,155</u>
Total liabilities	\$	<u><u>37,897,014</u></u>

See accompanying Notes to the Basic Financial Statements.

CITY OF SANTA ANA, CALIFORNIA

Notes to the Basic Financial Statements



Notes to the Basic Financial Statements, JUNE 30, 2011

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 RDA's Directors, designate management, and have full accountability for the RDA's fiscal matters. The RDA's financial data and transactions are included with 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 with the special revenue Housing Authority fund. There is no separate Component Unit Financial Report (CUFR) prepared for the Authority.

Santa Ana Financing Authority

The Santa Ana Financing Authority (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 SAFA's board has full accountability for the Financing Authority's fiscal affairs. The SAFA'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 SAFA.

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 (SAFA) 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, 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 payment of debt service.

Interagency Receivables and Payables. Interagency current receivables and payables are classified as amounts "due from" and "due to" other funds. Interagency 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 \$14,664,154. 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 , Sewer System	75
Water System	50
Vehicles	5
Office and Comper Equipment	3-5
Library Materials	6
Intangible	5-10

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.

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 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. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for government funds are made up of the followings:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

- *Unassigned Fund Balance* – is the residual classification for the General Fund including all amounts not contained in the other classifications and the residual negative fund balance of governmental funds other than the General Fund. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

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 \$208,017,416 differs from "net assets" of governmental activities \$940,587,748 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.

Cost of capital assets	\$	1,262,228,663
Accumulated depreciation		<u>(346,180,217)</u>
Total capital assets, net	\$	<u><u>916,048,446</u></u>

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 \$29,904,852 are included in the internal service funds adjustment.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Tax allocation bonds payable	\$	(84,275,000)
Tax allocation refunding bonds		(20,960,000)
Lease revenue bonds payable		(80,740,000)
Certificates of participation		(76,045,000)
Long-term loans payable		(7,633,917)
Compensated absences payable		(38,641,239)
Capitalized lease obligations payable		(813,070)
Postemployment benefit obligation		(25,417,723)
Bond premium		(2,241,850)
Bond discount		1,300,715
Less: Deferred amount on refunding		<u>2,307,130</u>
Total governmental activities long-term debt	\$	<u><u>(333,159,954)</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>(4,728,504)</u></u>
------------------------	----	---------------------------

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>70,389,582</u></u>
-------------------------------	----	--------------------------

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>81,563,251</u></u>
-----------------------	----	--------------------------

B. Explanation of Differences between Governmental Funds Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$ 5,578,035 differs from the “change in net assets” for governmental activities \$45,746,377 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. The effect of changes in internal service funds capital assets of (\$694,856) are not reflected in the adjustment below:

Capital outlay	\$	58,487,683
Depreciation expense		(20,272,391)
Net deletions		<u>(1,083,167)</u>
Difference	\$	<u>37,132,125</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

Postemployment benefits obligation (less \$662,684 in internal service fund liabilities)	\$	<u>(6,373,096)</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 \$892,897 is reflected in the adjustment below:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Principal payments made:		
Tax allocation bonds	\$	525,000
Tax allocation refunding revenue bonds		1,810,000
Police administrative and holding facility lease revenue bonds		4,190,000
Refunding revenue bonds		64,930,000
Certificates of participation		1,470,000
Long-term loans payable		447,866
Capitalized lease obligations		<u>1,411,567</u>
Total principal repayments		<u>74,784,433</u>
Internal service fund activity		(892,897)
Tax allocation refunding revenue bonds		(66,790,000)
Deferred issuance costs		778,321
Bond issued discount		373,843
Proceeds from long-term loan		(75,577)
Amortization of bonds issued premium		429,201
Amortization of bonds issued discount		(48,075)
Amortization of deferred charges		(441,111)
Net change in compensated absences		<u>(2,451,315)</u>
Net change	\$	<u><u>5,666,823</u></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><u>1,091,339</u></u>
------------------	----	-------------------------

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><u>2,608,057</u></u>
---	----	-------------------------

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 \$ 134,545

C. Fund Deficits

At June 30, 2011, the deficit of \$599,783 in the nonmajor Capital Grants Capital Projects Fund is 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, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 290,596,331
Restricted assets:	
Cash and investments	13,206,986
Cash and investments with fiscal agents	16,058,913
Statement of fiduciary assets and liabilities:	
Cash and investments	<u>35,305,460</u>
Total cash and investments	<u>\$ 355,167,690</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 894,791
Deposits with financial institutions	9,028,609
Investments	<u>345,244,290</u>
Totals	<u>\$ 355,167,690</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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. The investment types that are restricted by the City's investment policy are Reverse Repurchase Agreements, County Pooled Investment Funds, and JPA Pools. 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

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	\$ 218,646,963	\$ 194,854,227	\$ 4,037,030	\$ 19,755,706	\$ -
Negotiable Certificate of Deposit	4,000,650	4,000,650	-	-	-
Commercial Paper Discount	8,205,625	8,205,625	-	-	-
Mortgage-backed Securities	259,250	-	-	-	259,250
Local Agency Investment Fund	98,072,891	98,072,891	-	-	-
Held by Fiscal Agent:					
Money Market Funds	4,596,153	4,596,153	-	-	-
Federal Agency Securities	6,679,214	6,679,214	-	-	-
Local Agency Investment Fund	169,638	169,638	-	-	-
Investment Contracts	4,613,906	4,613,906	-	-	-
	<u>\$ 345,244,290</u>	<u>\$ 321,192,304</u>	<u>\$ 4,037,030</u>	<u>\$ 19,755,706</u>	<u>\$ 259,250</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):

NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Callable agency securities with interest rates that increase in ranges from 2 percent to 7 percent	\$ 14,752,493

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.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 218,646,963	N/A	\$ 218,646,963	\$ -	\$ -
Negotiable Certificate of Deposit	4,000,650	A	-	-	4,000,650
Commercial Paper Discount	8,205,625	A	-	-	8,205,625
Mortgage-backed Securities	259,250	AA	-	-	259,250
Local Agency Investment Fund	98,072,891	N/A	-	-	98,072,891
Held by Fiscal Agent:					
Money Market Funds	4,596,153	A	-	4,596,153	-
Federal Agency Securities	6,679,214	N/A	6,679,214	-	-
Local Agency Investment Fund	169,638	N/A	-	-	169,638
Investment Contracts	4,613,906	N/A	-	-	4,613,906
	<u>\$ 345,244,290</u>		<u>\$ 225,326,177</u>	<u>\$ 4,596,153</u>	<u>\$ 115,321,960</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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	82,197,179
Federal Home Loan Mortgage Corp.	Federal agency securities	59,400,222
Federal National Mortgage Association	Federal agency securities	62,320,589

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.) is \$4,613,906 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 contract 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, 2011, 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, 2011 was \$24 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011 had a balance of \$66.4 billion, of that amount 5.01% (3.3 billion) was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011.

NOTES TO THE BASIC FINANCIAL STATEMENTS

- 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 \$108,403,782 accrued interest as of June 30, 2011, and are as follows:

	Loans Receivable	Loans Payable
City of Santa Ana	\$ 430,356,379	\$ -
Redevelopment Agency: Merged Project	-	430,356,379
Total	\$ 430,356,379	\$ 430,356,379

- C. Capital Assets.** Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,124,182	\$ 979,277	\$ -	\$ 13,103,459
Right of way	427,118,325	-	-	427,118,325
Street trees	7,031,327	-	-	7,031,327
Construction in progress	115,400,000	56,236,055	(36,831,811)	134,804,244
Total capital assets not being depreciated	561,673,834	57,215,332	(36,831,811)	582,057,355
Capital assets being depreciated:				
Buildings	198,606,231	-	-	198,606,231
Improvements	70,250,272	4,233,104	-	74,483,376
Equipment	54,195,593	1,803,765	(809,091)	55,190,267
Infrastructure	363,507,734	32,842,050	(11,191,827)	385,157,957
Library materials	7,061,800	264,826	(244,849)	7,081,777
Total capital assets being depreciated	693,621,630	39,143,745	(12,245,767)	720,519,608
Less: accumulated depreciation for:				
Buildings	(100,350,527)	(5,964,354)	-	(106,314,881)
Improvements	(34,919,526)	(2,536,282)	-	(37,455,808)
Equipment	(42,338,058)	(3,136,729)	809,090	(44,665,697)
Infrastructure	(181,105,401)	(10,057,577)	10,112,839	(181,050,139)
Library materials	(5,784,742)	(316,022)	244,805	(5,855,959)
Total accumulated depreciation	(364,498,254)	(22,010,964)	11,166,734	(375,342,484)
Capital assets being depreciated, net	329,123,376	17,132,781	(1,079,033)	345,177,124
Governmental activities capital assets, net	\$ 890,797,210	\$ 74,348,113	\$ (37,910,844)	\$ 927,234,479

CITY OF SANTA ANA

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,987,085	\$ -	\$ -	\$ 7,987,085
Construction in progress	3,826,351	5,062,607	(682,236)	8,206,722
Total capital assets not being depreciated	11,813,436	5,062,607	(682,236)	16,193,807
Capital assets being depreciated:				
Buildings	8,831,492	-	-	8,831,492
Water system and other improvements	150,671,824	714,440	(24,875)	151,361,389
Equipment	22,994,760	39,829	(9,240,392)	13,794,197
Parking structures	19,565,852	-	-	19,565,852
Computer softwares	278,589	-	-	278,589
Total capital assets being depreciated	202,342,517	754,269	(9,265,267)	193,831,519
Less: accumulated depreciation for:				
Buildings	(5,616,585)	(218,482)	-	(5,835,067)
Improvements other than buildings	(73,945,427)	(2,764,064)	24,876	(76,684,615)
Equipment	(18,423,158)	(226,874)	9,240,392	(9,409,640)
Parking structures	(7,543,488)	(415,403)	-	(7,958,891)
Computer softwares	-	(13,929)	-	(13,929)
Total accumulated depreciation	(105,528,658)	(3,638,752)	9,265,268	(99,902,142)
Capital assets being depreciated, net	96,813,859	(2,884,483)	1	93,929,377
Business-type capital assets, net	\$ <u>108,627,295</u>	\$ <u>2,178,124</u>	\$ <u>(682,235)</u>	\$ <u>110,123,184</u>

Governmental activities:

General government	\$ 1,387,927
Finance and management services	12,236
Museum	435,649
Library	395,611
Recreation and community services	2,116,768
Police	4,665,856
Fire	499,389
Planning & Building	2,801
Public works	10,439,548
Community development	316,606
Capital assets held by the City's internal services funds are charged to the various functions based on their usage of the assets	<u>1,738,573</u>

Total depreciation expense - governmental activities \$ 22,010,964

NOTES TO THE BASIC FINANCIAL STATEMENTS

Business-type activities:	
Water	\$ 2,355,524
Parking	326,543
Transportation Center	422,193
Sewer	501,978
Sanitation	5,163
Federal Clean Water	<u>27,351</u>
Total depreciation expense - business-type activities	<u>\$ 3,638,752</u>

Construction Commitments

The City has active construction projects as of June 30, 2011. 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	\$ 275,729,329	\$ 112,078,381	\$ 387,807,710
Park improvements	17,762,145	4,548,190	22,310,335
Water system improvements	22,361,860	5,790,594	28,152,454
Sewer improvements	10,928,793	5,208	10,934,001
Other improvements	14,166,400	3,271,656	17,438,056

D. Interfund Receivables, Payables, Transfers, and Advances. The composition of interfund balances as of and for the year ended June 30, 2011 was as follows:

Due To/From Other Funds:

	<u>Due From Other Funds (Receivable)</u>		
<u>Due To Other Funds (Payable)</u>	<u>Capital Projects Community Redevelopment Agency</u>	<u>Internal Service Funds</u>	<u>Total</u>
Community Redevelopment Agency Debt Service Fund	\$ 254,283	\$ -	\$ 254,283
Nonmajor Governmental Funds	<u>-</u>	<u>802,667</u>	<u>802,667</u>
Total	<u>\$ 254,283</u>	<u>\$ 802,667</u>	<u>\$ 1,056,950</u>

The non-major Capital Project Grant Funds received temporary advances from the Liability and Property Insurance, an Internal Service Fund, to cover deficit cash balances in the amount of \$802,667. The Community Redevelopment Agency Debt Service Fund received \$254,283 from Capital Projects Community Redevelopment Agency Fund representing its share of tax increment monies received in July 2011.

Interfund Transfers:

Transfers Out	Transfers In								Total
	General Fund	Special Revenue Grants Fund	Street Construction Capital Projects Fund	RDA Capital Projects	RDA Debt Service Fund	SAFA Debt Service Fund	Non-Major Special Revenue Fund	Internal Service Funds	
General Fund	\$ -	-	-	-	-	9,094,075	530,000	2,662,230	\$ 12,286,305
Special Revenue Gas Tax Fund	-	-	15,257,646	-	-	-	-	20,000	15,277,646
RDA Capital Projects Fund	-	861,093	-	-	-	-	-	-	861,093
RDA Debt Service Fund	2,537,690	-	-	21,163,424	-	-	-	-	23,701,114
SAFA Debt Service Fund	-	-	-	-	2,250,974	-	-	-	2,250,974
Internal Service Funds	4,275,169	-	-	-	-	-	-	-	4,275,169
	<u>\$ 6,812,859</u>	<u>861,093</u>	<u>15,257,646</u>	<u>21,163,424</u>	<u>2,250,974</u>	<u>9,094,075</u>	<u>530,000</u>	<u>2,682,230</u>	<u>\$ 58,652,301</u>

The \$2,537,690 represents loan repayments from the RDA Debt Service Fund to General Fund. The General Fund received transfers of \$4,275,169 from Internal Service Funds to General Fund consisting of: 1) \$403,734 transfers from the Public Works Engineering and Administrative Internal Service Funds for its share in the energy conservation capital lease payment; 2) \$196,118 transfers from the Building Maintenance for its share in the City Hall Expansion Certificates of Participation payment; and 3) \$3,675,317 from Liability & Property Self Insurance Fund, an Internal Service Fund for its share of General Fund's operations.

The \$861,093 represents the residual amount between the purchase value of various land parcels and their current carrying value that were recorded as an intra-entity transfers of assets from RDA Capital Projects to Special Revenue Grant Funds.

The RDA Capital Projects Fund received a transfer of \$21,163,424 from the RDA Debt Service consisting of: 1) \$13,675,382 for the low and moderate housing share of tax increment set-aside monies; 2) \$85,277 for the 1989 Tax Allocation Bond payments; 3) \$7,402,765 for other obligations' payments.

The RDA Debt Service Fund received from the SAFA Debt Service Fund the amount of \$2,250,974 representing the saving from the payoff SAFA Refunding Revenue Bonds.

The SAFA Debt Service Fund received a transfer of \$9,094,075 from the General Fund for payment of the police lease revenue bonds debt service.

The amount of \$15,257,646 was received in the Street Construction Capital Projects Fund from Special Gas Tax Fund to reimburse the Street Construction Fund for eligible street related construction and maintenance costs. The nonmajor Special Revenue Funds received transfers of \$530,000 representing the General Fund's support for Civic Center and Centennial Park maintenance.

The Communications Internal Service Fund received a transfer of \$2,662,230 from the General Fund representing the General Fund's share in the implementation of the City's Communications Strategic Plan. The Public Works Engineering and Administrative Internal Service Fund received \$20,000 from Special Revenue Gas Tax Fund representing Engineering Cost Allocation from the State.

Advances To/From Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Internal Service Funds	General Fund	\$ 3,140,000
Water Enterprise Fund	General Fund	2,000,000
Capital Projects Community Redevelopment Agency	Debt Service Community Redevelopment Agency	7,202,359
		<u>\$ 12,342,359</u>

The \$3,140,000 amount represent advances made by the Workers Compensation 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 from the Equipment Maintenance and Replacement Fund. The advance 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 \$7,202,359 were used for ERAF payments as mandated by the State to balance the State of California 2004-05, 2005-06 and 2009-10 budgets.

E. Long-Term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Tax allocation bonds	\$ 18,010,000	\$ 66,790,000	\$ 525,000	\$ 84,275,000	\$ 545,000
Tax allocation refunding bonds	22,770,000	-	1,810,000	20,960,000	1,890,000
Capital leases	4,342,004	-	1,411,567	2,930,437	1,365,162
Certificates of participation	77,515,000	-	1,470,000	76,045,000	1,535,000
Lease revenue bonds	84,930,000	-	4,190,000	80,740,000	4,370,000
Refunding revenue bonds	64,930,000	-	64,930,000	-	-
Long-term loans	8,006,206	75,577	447,866	7,633,917	-
Less: Deferred amount of refunding	(2,748,241)	-	(441,111)	(2,307,130)	-
Bond discount	(974,947)	(373,843)	(48,075)	(1,300,715)	-
Add: Bond premium	2,671,051	-	429,201	2,241,850	-
Total bonds payable, long-term loans and capital leases	<u>279,451,073</u>	<u>66,491,734</u>	<u>74,724,448</u>	<u>271,218,359</u>	<u>9,705,162</u>
Compensated absences payable	38,026,045	13,294,267	10,842,952	40,477,360	10,119,340
Claims payable - worker's comp	18,909,733	5,354,912	4,799,534	19,465,111	4,600,000
Claims payable - liability insurance	4,576,071	2,932,856	2,696,279	4,812,648	2,674,490
Governmental activities Long-term liabilities	<u>\$ 340,962,922</u>	<u>\$ 88,073,769</u>	<u>\$ 93,063,213</u>	<u>\$ 335,973,478</u>	<u>\$ 27,098,992</u>
Business-type activities:					
Revenue bonds payable	\$ 16,250,000	\$ -	\$ 830,000	\$ 15,420,000	\$ 855,000
Refunding COP	7,755,000	-	1,060,000	6,695,000	1,215,000
Notes payable	1,308,435	-	155,423	1,153,012	160,910
Less: Deferred amounts	(1,564,020)	-	(169,097)	(1,394,923)	-
Add: Bond premium	789,759	-	90,452	699,307	-
Total bonds payable and long-term notes payable	<u>24,539,174</u>	<u>-</u>	<u>1,966,778</u>	<u>22,572,396</u>	<u>2,230,910</u>
Compensated absences payable	1,093,735	1,285,569	1,104,475	1,274,829	318,708
Business-type activities long-term liabilities	<u>\$ 25,632,909</u>	<u>\$ 1,285,569</u>	<u>\$ 3,071,253</u>	<u>\$ 23,847,225</u>	<u>\$ 2,549,618</u>

Internal service funds predominantly serve the governmental funds. Accordingly, \$24.28 million of claims payable is included as part of the above totals for governmental activities.

At year-end, \$1.84 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.

Outstanding
Balance
June 30, 2011

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 RDA'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.

\$17,485,000

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

Period Ending June 30	Principal	Interest
2012	545,000	729,566
2013	560,000	711,260
2014	580,000	691,660
2015	605,000	670,620
2016	625,000	648,168
2017-2021	3,515,000	2,846,520
2022-2026	4,355,000	2,012,947
2027-2031	5,455,000	915,862
2032	1,245,000	28,012
Total	\$ 17,485,000	\$ 9,254,615

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.

Outstanding
Balance
June 30, 2011

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 (FGIC) under a Municipal Bond New Issue Insurance Policy. As of March 25, 2009, Moody's withdrew the credit rating of FGIC.

\$20,960,000

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

Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,890,000	\$ 1,000,750
2013	1,990,000	903,750
2014	2,085,000	801,875
2015	2,200,000	694,750
2016	2,310,000	582,000
2016-2020	<u>10,485,000</u>	<u>1,081,125</u>
Total	<u>\$ 20,960,000</u>	<u>\$ 5,064,250</u>

2011A Tax Allocation Bonds (Merged Project Area).

The 2011A Tax Allocation Refunding Bonds were issued in the amount of \$66,790,000 on January 25, 2011 to provide funding for the defeasance and refinancing of the 1998 Santa Ana Financing Authority Refunding Revenue Bonds series A, B, C, and D (SAFA), and for the financing of \$6.1 million in redevelopment activities, including certain public parking and infrastructure improvements. The SAFA bonds were an obligation of the City, the proceeds from which were used to purchase the 1989 Tax Allocation Refunding Bonds Series A, B, C and E (1989). The 1989 bonds were an obligation of the Community Redevelopment Agency of the City (Agency), and this transaction resulted in the retirement of those bonds. The 2011 bonds mature serially starting on September 1, 2017 through 2028, in amounts ranging from \$805,000 to \$10,820,000, and pay interest at rates varying from 5% to 6.75%. The outstanding principal balance at June 30, 2011, is \$66,790,000.

Outstanding
Balance
June 30, 2011

The 2011 bonds are an obligation of the Agency and are secured by a first pledge of and lien on tax revenues, excluding all other amounts of taxes, such as those which are required to be deposited into the Low and Moderate Income Housing Fund of the Agency, taxes which constitute supplemental subventions payable by the State to the Agency, taxes which constitute amounts to be paid by the Agency pursuant to certain pass-through agreements described in the official statement, except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the 2011 bonds and any parity debt, taxes which constitute amounts payable by the Agency under former Section 33676 of the Redevelopment Law for payments to affected taxing entities, taxes to the extent required for the payment of debt service on the 2003 Bonds, and taxes pledged and annually allocated to the South Main Street Redevelopment Plan. The economic gain on refunding was \$1.98 million. The total debt service amount outstanding for the bonds is \$122.8 million. Pledged tax revenue recognized during the year ended June 30, 2011, was \$33.6 million against the total debt service payments of \$0.

\$66,790,000

2011A Tax allocation bonds debt service requirements to maturity are as follows:

Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$	\$ 4,525,589
2013		4,209,850
2014		4,209,850
2015		4,209,850
2016		4,209,850
2017-2021	10,160,000	20,390,931
2022-2026	38,050,000	12,892,419
2027-2029	18,580,000	1,400,962
Total	\$ <u>66,790,000</u>	\$ <u>56,049,301</u>

All project tax increment revenues except dedicated housing tax increment allocation are the security for tax allocation bonds. The revenues have been pledged until the year 2031 for the 2003 Series A bonds, 2019 for the 2003 Series B bonds and 2029 for 2011A Bonds. The total debt service amount for the bonds is \$175.6 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2011 was \$37.8 million as against the total debt service payments of \$7.5 million.

Total Tax Allocation Bonds and Refunding Bonds

\$105,235,000

CAPITALIZED LEASE OBLIGATIONS

Outstanding
Balance
June 30, 2011

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 one-half years 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, 2011 totaled \$804,681.

\$804,681

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, 2011 totaled \$8,391.

8,391

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 intangible assets 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. In 2010, Utility Billing Software was capitalized for \$278,589. The future minimum lease payments required under the terms of the lease at June 30, 2011 totaled \$2,117,365.

2,117,365

Total Capitalized Lease Obligations

\$2,930,437

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Period Ending		Principal	Interest
June 30			
2012	\$	1,365,162	\$ 80,158
2013		1,398,788	38,071
2014		166,487	2,872
Total	\$	<u>2,930,437</u>	\$ <u>121,101</u>

Outstanding
Balance
June 30, 2011

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.

\$9,160,000

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 \$122,102,474. Pledged gas tax revenues recognized during the fiscal year ended June 30, 2011 was \$9.1 million as against the total debt service payment of \$4.2 million. At June 30, 2011, the reserve balance is \$4,212,788.

66,885,000

Total Certificates of Participation

\$76,045,000

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
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	420,000	366,835	1,325,000	2,886,181	1,745,000	3,253,016
2016	435,000	346,742	1,380,000	2,829,181	1,815,000	3,175,923
2017-2021	2,515,000	1,397,663	7,990,000	13,067,156	10,505,000	14,464,819
2022-2026	3,160,000	733,670	9,855,000	11,195,068	13,015,000	11,928,738
2027-2031	1,485,000	70,617	12,265,000	8,790,357	13,750,000	8,860,974
2031-2035	-	-	15,360,000	5,684,019	15,360,000	5,684,019
2036-2040	-	-	15,045,000	1,799,569	15,045,000	1,799,569
Total	\$ 9,160,000	\$ 4,128,010	\$ 66,885,000	\$ 55,217,474	\$ 76,045,000	\$ 59,345,484

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, 2011, 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.

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 AIRS 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Outstanding
Balance
June 30, 2011

year 2024. The amount in the reserve account at June 30, 2011 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).

Total Lease Revenue Bonds \$80,740,000

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

Period Ending June 30	Principal	Interest
2012	\$ 4,370,000	\$ 4,694,575
2013	4,585,000	4,541,625
2014	4,685,000	4,381,150
2015	5,030,000	4,193,750
2016	5,345,000	3,879,375
2017-2021	32,180,000	13,947,814
2022-2024	24,545,000	3,130,314
Total	<u>\$ 80,740,000</u>	<u>\$ 38,768,603</u>

Outstanding
Balance
June 30, 2011

LONG-TERM LOANS

Santa Ana Venture Loan. 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, 2011 the unpaid accrued interest for the Santa Ana Venture Loan is \$852,200.

\$6,220,687

Santa Ana Firemen's Benevolent Association (FBA). 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, 2011 the unpaid accrued interest for the FBA Loan is \$713,230.

1,413,230

Total Long-Term Loans

\$7,633,917

Compensated Absences. Accrued vacation (\$21,610,924) represents total vested vacation benefits for all City employees in the governmental funds. Sick leave benefits (\$17,030,315) 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, 2011. Also included herein is \$1,836,121 representing accrued vacation and sick leave benefits for employees, in the Internal Service Funds.

\$40,477,360

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 \$21.05 million. Pledged revenue recognized during the fiscal year ended June 30, 2011 was \$5.2 million as against total debt payment of \$1.52 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:

Period Ending	Principal	Interest
<u>June 30</u>	<u> </u>	<u> </u>
2012	\$ 855,000	\$ 664,472
2013	880,000	638,431
2014	900,000	609,494
2015	930,000	578,031
2016	965,000	544,266
2017-2021	5,475,000	2,036,837
2022-2025	5,415,000	558,125
Total	<u>\$ 15,420,000</u>	<u>\$ 5,629,656</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:

Operating revenue	\$ 47,783,429
Operating expenses (net of depreciation expense of \$ 2,355,524)	<u>42,561,139</u>
Net revenue	5,222,290
 Amount required for payment of principal and interest payable for the year ended June 30, 2012 (\$1,519,472 x 1.20)	 <u>1,823,366</u>
Excess of net revenue over amount required	<u>\$ 3,398,924</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, 2011 is \$6,695,000.

COP debt service requirements to maturity are as follows:

Year Ending			
June 30	Principal		Interest
2012	\$ 1,215,000	\$	318,663
2013	1,405,000		257,912
2014	1,625,000		198,200
2015	1,895,000		116,950
2016	<u>555,000</u>		<u>22,200</u>
Total	<u>\$ 6,695,000</u>	<u>\$</u>	<u>913,925</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, 2011 is \$1,153,012. The note is a liability of the City’s Water Enterprise Fund.

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

Period Ending June 30	Principal	Interest
2012	\$ 160,910	\$ 38,960
2013	166,591	33,279
2014	172,473	27,397
2015	178,562	21,307
2016	184,867	15,003
2017-2018	289,609	10,195
Total	\$ <u>1,153,012</u>	\$ <u>146,141</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, 2011, the City and the Housing Authority of the City of Santa Ana issued residential mortgage revenue bonds totaling \$61,003,704. 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
February 14, 1996	Variable	\$ 7,900,000
July 1, 2001	4.00-6.50%	3,640,000
November 1, 2001	6.05%	3,306,000
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	6,399,746
July 1, 2009	Variable	4,055,000
		\$ <u>61,003,704</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, 2011, ten issues totaling \$81,324,000 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>6</u>	<u>26,106,000</u>
	<u>10</u>	<u>\$81,324,000</u>

Commercial Rehabilitation Loan Program:

Housing Rehabilitation Loan Programs. The City and the 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 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 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 \$250,296 are reflected at June 30, 2011. 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, 2011 loans totaling \$41,505,317 and \$38,690,133 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 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, 2011 totaled \$7,218,982.

Period Ending June 30	Principal Component	Interest Component	Total Lease Payment
2012	\$ 338,617	\$ 341,205	\$ 679,822
2013	355,002	324,819	679,821
2014	372,181	307,640	679,821
2015	390,192	289,630	679,822
2016	409,073	270,749	679,822
2017-2021	2,362,163	1,036,945	3,399,108
2022-2026	2,991,754	407,354	3,399,108
	<u>\$ 7,218,982</u>	<u>\$ 2,978,342</u>	<u>\$ 10,197,324</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 three separated Internal Service Funds for the administration of the City’s self-insurance programs and the payment of health and dental benefits (Employee Group insurance Fund), workers’ compensation (Workers Compensation Fund) and liability claims (Liability and Property Insurance Fund). 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. All BICEP members share the risk for the first layer of claims between \$1 million to \$2 million. Reinsurance and excess insurance covers amounts from \$2 million to \$102 million maximum. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

All funds of the City participate in the program and make payments to the Liability and Property insurance Fund and the Workers Compensation 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 Employee Group Insurance Internal Service Fund represent estimated premiums payable to PERS and the dental insurance carriers.

Claims expenses 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, 2011, 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, 2011. Changes in the balances of claims liabilities since July 1, 2009 resulted from the following:

	<u>Workers'</u>		<u>Liability</u>		<u>Total</u>
	<u>Compensation</u>				
Net Unpaid Claims - July 1, 2009	\$ 18,590,140	\$	4,691,792	\$	23,281,932
Claims and Changes in Estimate	7,514,161		189,590		7,703,751
Claims Payments	<u>(4,292,523)</u>		-		<u>(4,292,523)</u>
Unpaid Claims - June 30, 2010	21,811,778		4,881,382		26,693,160
Less Discount Taken	<u>(2,902,045)</u>		<u>(305,311)</u>		<u>(3,207,356)</u>
Net Unpaid Claims - June 30, 2010	<u>\$ 18,909,733</u>	<u>\$</u>	<u>4,576,071</u>	<u>\$</u>	<u>23,485,804</u>

	<u>Workers'</u>		<u>Liability</u>		<u>Total</u>
	<u>Compensation</u>				
Net Unpaid Claims - July 1, 2010	\$ 18,909,733	\$	4,576,071	\$	23,485,804
Claims and Changes in Estimate	8,335,893		3,256,265		11,592,158
Claims Payments	<u>(4,799,534)</u>		<u>(2,696,279)</u>		<u>(7,495,813)</u>
Unpaid Claims - June 30, 2011	22,446,092		5,136,057		27,582,149
Less Discount Taken	<u>(2,980,981)</u>		<u>(323,409)</u>		<u>(3,304,390)</u>
Net Unpaid Claims - June 30, 2011	<u>\$ 19,465,111</u>	<u>\$</u>	<u>4,812,648</u>	<u>\$</u>	<u>24,277,759</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, 2011, the total obligations for project costs is \$430,356,379 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, 2011 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.

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 2010-11 rate was 23.139% for the safety employees and 12.780% 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, 2010, actuarial valuation is as follows:

<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Accrued Liability % of Payroll</u>
<u>Miscellaneous Plan</u>					
\$ 609,179	\$ 506,240	\$ 102,939	83.10%	\$ 66,693	154.30%
<u>Safety Plan</u>					
\$ 811,956	\$ 716,735	\$ 95,221	88.30%	\$ 60,380	157.70%

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.

For fiscal year 2010-11, the City's annual pension cost of \$22,058,928 for CalPERS was equal to the City's required and actual contributions. For fiscal year 2010-11, total member's contribution to CalPERS, including contributions on behalf of employees, was \$32,983,768. The required contribution was determined as part of the June 30, 2008 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). The assumptions used for determining the contribution requirements are the same as the assumptions used in the calculation of the funded status. 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
06/30/09	\$ 22,504	100%	-
06/30/10	22,882	100%	-
06/30/11	22,059	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, 2011 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 (101) 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, 2010 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 2010-11 totaled \$373,349. The balance available at June 30, 2011 totaled \$1,507,045, 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 721 (SEIU), the Mid/Administrative Managers' Association (SAMA). 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, 2011:

	<u>SEIU</u>	<u>PMA</u>	<u>FMA</u>	<u>SAMA</u>	<u>CASA</u>	<u>POA (1)</u>
Retirees and beneficiaries receiving benefits	164	19	8	24	8	-
Terminated plan members entitled to but not yet receiving benefits	0	1	1	5	3	-
Active plan members	<u>439</u>	<u>15</u>	<u>5</u>	<u>49</u>	<u>48</u>	<u>-</u>
Total	<u>603</u>	<u>35</u>	<u>14</u>	<u>78</u>	<u>59</u>	<u>-</u>

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

(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 2011, the negotiated percentage is 1.75% for SAMA, CASA; 1% for SEIU; 1.75% for FMA; 0.75% for POA and 1.25% PMA. Eligibility and benefits varies depending upon the pertinent provisions as embodied in each bargaining units' Memorandum of Understanding (MOU) with the City. SAMA, CASA agreed to reduce 0.75% from their 1.75% negotiated City's contribution percentage on the subsidy plan.

(D) *Annual Pension Cost and Funded Status.* Contributions made by the City to each respective bargaining unit in fiscal year 2010-11 and the respective units' balances available for benefits (not held in an irrevocable trust) at June 30, 2011 were as follows:

	<u>Contribution</u>	<u>Balance in Agency Fund</u>
POA	\$ 380,172	\$ N/A (1)
PMA	22,276	179,237
SEIU	327,385	822,567
FMA	23,041	23,928
SAMA/CASA	110,218 (2)	690,667
Total	<u>\$ 863,092</u>	<u>\$ 1,716,399</u>

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

(2) SAMA/CASA contribution were 1% for Fiscal Year 2010-11

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 & 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 10-11, the total City’s PEMHCA contribution for retirees was \$284,783.

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.

Premium rates and increases

The minimum CalPERS rates for PEMHCA for 2011 is \$108 monthly under the unequal contributions provision based on year entering the plan with a 4.5% increase assumptions. The Medical Trend Rates are as follow:

<u>Year</u>	<u>Rate</u>
2010	10%
2011	9%
2012	8%
2013	7%
2014	6%
2015+	5%

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 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:

CITY OF SANTA ANA

(Dollar amounts in thousands)

	POA (1)	PMA	FBA	FMA	SEIU	SAMA/ CASA	Total PEMHCA
PEMHCA							
Annual required contribution	\$ -	\$ 57	\$ 523	\$ 14	\$ 947	\$ 190	\$ 1,731
Interest on net OPEB obligation	-	7	51	2	110	22	192
Adjustment to annual required contribution	-	(7)	(51)	(2)	(110)	(22)	(192)
Annual OPEB cost (expense)	-	57	523	14	947	190	1,731
Contribution made	-	(14)	(81)	(3)	(164)	(23)	(285)
Increase (decrease) in net OPEB obligation	-	43	442	11	783	167	1,446
Net OPEB obligation - beginning of year	-	163	1,192	37	2,581	507	4,480
Net OPEB obligation - end of year	\$ -	\$ 206	\$ 1,634	\$ 48	\$ 3,364	\$ 674	\$ 5,926

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

(Dollar amounts in thousands)

	POA	PMA	FBA	FMA	SEIU	SAMA/ CASA	Total Subsidy Plan
SUBSIDY PLAN							
Annual required contribution	\$ 3,928	\$ 36	\$ 1,259	\$ 33	\$ 1,376	\$ 411	\$ 7,043
Interest on net OPEB obligation	460	1	78	6	110	37	692
Adjustment to annual required contribution	(460)	(1)	(78)	(6)	(110)	(37)	(692)
Annual OPEB cost (expense)	3,928	36	1,259	33	1,376	411	7,043
Contribution made	(380)	(22)	(373)	(23)	(328)	(110)	(1,236)
Increase (decrease) in net OPEB obligation	3,548	14	886	10	1,048	301	5,807
Net OPEB obligation - beginning of year	10,823	29	1,835	145	2,596	864	16,292
Net OPEB obligation - end of year	\$ 14,371	\$ 43	\$ 2,721	\$ 155	\$ 3,644	\$ 1,165	\$ 22,099

(Dollar amounts in thousands)

TOTAL OPEB	Subsidy		Total
	PEMHCA	Plan	OPEB
Annual required contribution	\$ 1,731	\$ 7,043	\$ 8,774
Interest on net OPEB obligation	192	692	884
Adjustment to annual required contribution	(192)	(692)	(884)
Annual OPEB cost (expense)	1,731	7,043	8,774
Contribution made	(285)	(1,236)	(1,521)
Increase (decrease) in net OPEB obligation	1,446	5,807	7,253
Net OPEB obligation - beginning of year	4,480	16,292	20,772
Net OPEB obligation - end of year	\$ 5,926	\$ 22,099	\$ 28,025

The required contribution was determined as part of the June 30, 2011 actuarial valuation. The actuarial assumptions for both PEMHCA and Subsidy plans 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 actuarial accrued liability (AAL) and normal cost under the entry age normal actuarial method. The Health Care Cost Trend Rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of plan participants. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the three preceding years were as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
POA	06/30/09	4,037	9.7%	7,389
PMA	06/30/09	126	32.5%	164
FBA	06/30/09	1,330	33.6%	1,750
FMA	06/30/09	102	18.6%	159
SEIU	06/30/09	2,509	28.7%	3,699
SAMA/CASA	06/30/09	569	38.3%	807
Total		<u>8,673</u>	<u>20.5%</u>	<u>13,968</u>
POA	06/30/10	3,805	9.8%	10,823
PMA	06/30/10	90	65.6%	192
FBA	06/30/10	1,726	25.7%	3,027
FMA	06/30/10	46	47.8%	182
SEIU	06/30/10	2,250	33.5%	5,177
SAMA/CASA	06/30/10	580	2.9%	1,371
Total		<u>8,497</u>	<u>19.9%</u>	<u>20,772</u>
POA	06/30/11	3,928	9.7%	14,371
PMA	06/30/11	93	38.7%	249
FBA	06/30/11	1,782	25.5%	4,355
FMA	06/30/11	47	55.3%	203
SEIU	06/30/11	2,323	21.2%	7,008
SAMA/CASA	06/30/11	601	22.1%	1,839
Total		<u>8,774</u>	<u>17.3%</u>	<u>28,025</u>

Funded Status as of June 30, 2011 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 Actuarial Accrued Liability (UAAL)	(b)/(a) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL As a % of Covered Payroll
POA	06/30/11 \$	49,545 \$	- \$	49,545	0%	\$ 62,009	79.9%
PMA	06/30/11	1,856	-	1,856	0%	2,463	75.4%
FBA	06/30/11	28,007	-	28,007	0%	26,007	107.7%
SEIU	06/30/11	34,261	-	34,261	0%	55,640	61.6%
FMA	06/30/11	918	-	918	0%	841	109.2%
SAMA/CASA	06/30/11	8,133	-	8,133	0%	10,604	76.7%
Total	\$	<u>122,720</u> \$	<u>-</u> \$	<u>122,720</u>	<u>0%</u>	<u>\$ 157,564</u>	<u>77.9%</u>

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

G. Net Assets Designations

As of June 30, 2011, the following business-type activities funds of the City had designations of unrestricted net assets as follows:

	Business-Type Activities Enterprise Funds			
	Water	Parking	Nonmajor	Total
Designated for authorized projects	\$ 5,790,595	\$ -	\$ -	\$ 5,790,595
Designated for subsequent year expenditures	3,479,194	3,250,046	6,469,355	13,198,595
Designated for bond resolutions requirement	1,823,366	-	-	1,823,366
Designated for account receivable	8,912,815	-	-	8,912,815
Undesignated	-	909,074	5,070,478	5,979,552
Total unrestricted net assets	<u>\$ 20,005,970</u>	<u>\$ 4,159,120</u>	<u>\$ 11,539,833</u>	<u>\$ 35,704,923</u>

Note 5. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCY

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Santa Ana intends to use available monies of its executing redevelopment agency for this purpose and the City and Agency will be executing a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State

Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On September 19, 2011, City Ordinance No. NS-2823 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$20.5 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$5 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that

future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

CITY OF SANTA ANA, CALIFORNIA

Required Supplementary Information

Required Supplementary
Information

CAFR

**General Fund
Budgetary Comparison Schedule
Year ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 136,810,135	136,810,135	139,651,951	\$ 2,841,816
License and permits	3,538,640	3,538,640	3,790,130	251,490
Intergovernmental	2,603,754	2,603,754	3,897,163	1,293,409
Charges for services	8,918,098	9,048,098	9,313,501	265,403
Fines and forfeits	7,013,049	7,013,049	7,902,164	889,115
Investment income	184,316	184,316	243,356	59,040
Cost recoveries and donations	16,670,397	16,957,547	16,566,726	(390,821)
Rental income	14,707,526	14,707,526	15,228,906	521,380
Miscellaneous	419,033	493,427	689,407	195,980
Total revenues	190,864,948	191,356,492	197,283,304	5,926,812
Expenditures:				
General Government:				
City Council	890,775	890,775	803,941	86,834
Clerk of the Council	616,645	616,645	547,097	69,548
City Attorney	1,948,015	1,948,015	2,065,926	(117,911)
City Manager	735,155	735,155	940,035	(204,880)
Nondepartmental	2,098,175	2,348,175	1,851,223	496,952
Total General Government	6,288,765	6,538,765	6,208,222	330,543
Human Resources	1,418,680	1,418,914	1,300,984	117,930
Finance and Management Services	3,916,935	3,920,238	2,999,661	920,577
Museum	1,517,510	1,517,510	1,518,764	(1,254)
Library	2,878,220	2,939,818	2,495,525	444,293
Recreation and Community Services	13,587,802	13,869,544	12,704,207	1,165,337
Police Department	96,953,945	97,338,811	100,174,484	(2,835,673)
Fire Department	44,984,892	45,181,923	46,795,171	(1,613,248)
Planning and Building	7,992,388	8,068,565	6,818,869	1,249,696
Public Works	4,748,340	4,817,363	5,139,759	(322,396)
Community Development	517,814	517,814	316,188	201,626
	178,516,526	179,590,500	180,263,612	(673,112)
Capital Outlay	1,380,996	2,136,381	932,190	1,204,191
Debt Service:				
Principal retirement	1,146,917	1,146,917	1,066,629	80,288
Interest and fiscal charges	823,488	823,488	835,770	(12,282)
Total expenditures	188,156,692	190,236,051	189,306,423	929,628
Excess (deficiency) of revenues over (under) expenditures	2,708,256	1,120,441	7,976,881	6,856,440
Other financing sources (uses):				
Transfers in	6,812,859	6,812,859	6,812,859	-
Transfers out	(12,356,306)	(12,356,306)	(12,286,305)	70,001
Capital lease arrangements	-	-	-	-
Total other financing sources (uses)	(5,543,447)	(5,543,447)	(5,473,446)	70,001
Net change in fund balance	(2,835,191)	(4,423,006)	2,503,435	6,926,441
Fund balance - beginning	8,470,583	8,470,583	8,470,583	-
Fund balance - ending	\$ 5,635,392	\$ 4,047,577	\$ 10,974,018	\$ 6,926,441

See accompanying Notes to Required Supplementary Information.

Special Revenue Housing Authority Fund
Budgetary Comparison Schedule
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 31,058,719	31,058,719	31,251,946	\$ 193,227
Investment income	23,000	23,000	36,551	13,551
Miscellaneous	103,000	103,000	240,993	137,993
Total revenues	<u>31,184,719</u>	<u>31,184,719</u>	<u>31,529,490</u>	<u>344,771</u>
Expenditures:				
Current:				
Community development	<u>29,995,375</u>	<u>31,206,052</u>	<u>29,995,935</u>	<u>1,210,117</u>
Net change in fund balance	<u>1,189,344</u>	<u>(21,333)</u>	<u>1,533,555</u>	<u>1,554,888</u>
Fund balance - beginning	<u>3,697,680</u>	<u>3,697,680</u>	<u>3,697,680</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,887,024</u>	<u>3,676,347</u>	<u>5,231,235</u>	<u>\$ 1,554,888</u>

See accompanying Notes to Required Supplementary Information.

**Special Revenue Gas Tax Fund
Budgetary Comparison Schedule
Year ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,918,908	8,918,908	9,113,740	\$ 194,832
Investment income	235,000	235,000	78,950	(156,050)
Total revenues	<u>9,153,908</u>	<u>9,153,908</u>	<u>9,192,690</u>	<u>38,782</u>
Expenditures:				
Current:				
Public works	4,232,054	4,232,054	2,064,826	2,167,228
Debt Service:				
Principal retirement	1,125,000	1,125,000	1,125,000	-
Interest and fiscal charges	<u>3,060,285</u>	<u>3,060,285</u>	<u>3,060,281</u>	<u>4</u>
Total expenditures	<u>8,417,339</u>	<u>8,417,339</u>	<u>6,250,107</u>	<u>2,167,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>736,569</u>	<u>736,569</u>	<u>2,942,583</u>	<u>2,206,014</u>
Other financing sources (uses):				
Transfers out	<u>(30,540,095)</u>	<u>(30,540,095)</u>	<u>(15,277,646)</u>	<u>15,262,449</u>
Net change in fund balance	(29,803,526)	(29,803,526)	(12,335,063)	17,468,463
Fund balance - beginning	<u>36,011,985</u>	<u>36,011,985</u>	<u>36,011,985</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,208,459</u>	<u>6,208,459</u>	<u>23,676,922</u>	<u>\$ 17,468,463</u>

See accompanying Notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, YEAR ENDED JUNE 30, 2011

A. 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 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 and Sewer Connection Fee funds. The Recreation and Community Services Department is responsible for the Civic Center and Maintenance fund. Housing Authority and the Air Quality Improvement funds 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, but are not required to be legally adopted by the City Council. 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

REQUIRED SUPPLEMENTARY INFORMATION

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 XIIB 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, 2011, proceeds of taxes did not exceed related appropriations.

Budgetary Compliance. The total expenditures/expenses were within the legal prescribed limits as approved by the City Council. The Police Department expenditures exceeded the budget by \$2,835,673. The primary cause of this was the budget anticipation of a minimum of 25 retirements during the fiscal year, only 15 occurred. The Fire Department ended the fiscal year with \$1,601,940 deficit. The deficit is primarily due to the City approved underfunding in anticipation of constant staffing reductions through labor negotiations as set forth in the firefighters Memorandum of Understanding (MOU). The reduction was not successfully negotiated in fiscal year 2010-11. The primary cause of the deficits of City Attorney and City Manager was the unbudgeted final payout to retired employees. Public Works expenditures were funded by higher than expected revenues.

Required Supplementary Information
Miscellaneous and Safety Plans
Schedule of Funding Progress
June 30, 2011
(in thousands)

Plan	Actuarial Valuation Date	(a) Entry Age Normal Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets	(c) Unfunded Actuarial Accrued Liability (UAAL)	(b)/(a) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL As a % of Covered Payroll
Miscellaneous	06/30/09	\$ 491,604	\$ 458,593	\$ 33,011	93.3%	\$ 74,884	44.1%
Safety	06/30/09	723,343	664,953	58,390	91.9%	59,327	98.4%
Miscellaneous	06/30/10	573,851	483,527	90,324	84.3%	71,649	126.1%
Safety	06/30/10	790,899	691,149	99,750	87.4%	62,068	160.7%
Miscellaneous	06/30/11	609,179	506,240	102,939	83.1%	66,693	154.3%
Safety	06/30/11	811,956	716,735	95,221	88.3%	60,380	157.7%

REQUIRED SUPPLEMENTARY INFORMATION

**Required Supplementary Information
OPEB Schedule of Funding Progress
June 30, 2011
(in thousands)**

	Actuarial Valuation Date	(a) Entry Age Normal Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets	(a)-(b)=(c) Unfunded/ 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/CASA	06/30/09	7,349	-	7,349	0%	9,947	73.9%
Total		107,336	-	107,336	0%	147,801	72.6%
POA	06/30/10	46,312	-	46,312	0%	60,057	77.1%
PMA	06/30/10	1,781	-	1,781	0%	2,385	74.7%
FBA	06/30/10	26,294	-	26,294	0%	25,188	104.4%
SEIU	06/30/10	32,482	-	32,482	0%	53,889	60.3%
FMA	06/30/10	888	-	888	0%	815	109.0%
SAMA/CASA	06/30/10	7,590	-	7,590	0%	10,270	73.9%
Total		115,347	-	115,347	0%	152,604	75.6%
POA	06/30/11	49,545	-	49,545	0%	62,009	79.9%
PMA	06/30/11	1,856	-	1,856	0%	2,463	75.4%
FBA	06/30/11	28,007	-	28,007	0%	26,007	107.7%
SEIU	06/30/11	34,261	-	34,261	0%	55,640	61.6%
FMA	06/30/11	918	-	918	0%	841	109.2%
SAMA/CASA	06/30/11	8,133	-	8,133	0%	10,604	76.7%
Total		\$ 122,720	-	\$ 122,720	0%	\$ 157,564	77.9%



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

CITY OF SANTA ANA, CALIFORNIA

Supplementary Schedules



**Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011**

	Special Revenue Funds	Capital Projects Funds	Total
Assets			
Cash and investments	\$ 6,459,543	8,861,498	\$ 15,321,041
Receivables:			
Interest	7,601	11,000	18,601
Intergovernmental	307,716	484,588	792,304
Total assets	<u>\$ 6,774,860</u>	<u>9,357,086</u>	<u>\$ 16,131,946</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 144,836	136,254	\$ 281,090
Retention payable	12,480	57,586	70,066
Due to other funds	-	802,667	802,667
Deferred revenues	220,950	87,864	308,814
Total liabilities	<u>378,266</u>	<u>1,084,371</u>	<u>1,462,637</u>
Fund balances:			
Restricted for:			
Community development	-	1,059,406	1,059,406
Public safety	322,979	-	322,979
Drainage construction	-	4,580,689	4,580,689
Other capital projects	5,425,746	-	5,425,746
Cultural recreation and community services	647,869	3,232,403	3,880,272
Unassigned	<u>-</u>	<u>(599,783)</u>	<u>(599,783)</u>
Total fund balances	<u>6,396,594</u>	<u>8,272,715</u>	<u>14,669,309</u>
Total liabilities and fund balances	<u>\$ 6,774,860</u>	<u>9,357,086</u>	<u>\$ 16,131,946</u>

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2011**

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Taxes	\$ -	49,815	\$ 49,815
Intergovernmental	4,128,149	4,054,015	8,182,164
Charges for services	414,087	-	414,087
Investment income	46,399	70,262	116,661
Cost recoveries	512,931	11,500	524,431
Miscellaneous	-	219,850	219,850
Total revenues	5,101,566	4,405,442	9,507,008
Expenditures:			
Current:			
Human resources	273,145	-	273,145
Recreation and community services	2,919,249	111,694	3,030,943
Police department	1,481,546	-	1,481,546
Planning and building	117,579	-	117,579
Public works	-	2,392,070	2,392,070
Capital outlay	291,507	1,580,616	1,872,123
Total expenditures	5,083,026	4,084,380	9,167,406
Excess (deficiency) of revenues over (under) expenditures	18,540	321,062	339,602
Other financing sources:			
Transfers in	530,000	-	530,000
Total other financing sources (uses)	530,000	-	530,000
Net change in fund balances	548,540	321,062	869,602
Fund balances - beginning	5,848,054	7,951,653	13,799,707
Fund balances - ending	\$ 6,396,594	\$ 8,272,715	\$ 14,669,309

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, 2011**

	Sewer Connection Fee	Civic Center & Maintenance
Assets		
Cash and investments	\$ 5,428,806	221,588
Receivables:		
Interest	6,598	-
Intergovernmental	-	220,950
Total assets	\$ 5,435,404	442,538
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	9,658	107,995
Retention payable	-	12,480
Deferred revenues	-	220,950
Total liabilities	9,658	341,425
Fund balances (deficit):		
Restricted for:		
Public safety	-	-
Other capital projects	5,425,746	-
Cultural recreation and community services	-	101,113
Total fund balances	5,425,746	101,113
Total liabilities and fund balances	\$ 5,435,404	442,538

NONMAJOR SPECIAL REVENUE FUNDS

Inmate Welfare	Air Quality Improvement	Total
342,993	466,156	\$ 6,459,543
425	578	7,601
-	86,766	307,716
343,418	553,500	\$ 6,774,860
20,439	6,744	144,836
-	-	12,480
-	-	220,950
20,439	6,744	378,266
322,979	-	322,979
-	-	5,425,746
-	546,756	647,869
322,979	546,756	6,396,594
343,418	553,500	\$ 6,774,860

**Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2011**

	Sewer Connection Fee	Civic Center & Maintenance
Revenues:		
Intergovernmental	\$ -	3,626,254
Charges for services	414,087	-
Investment income	42,064	-
Cost recoveries	25,000	-
Total revenues	481,151	3,626,254
Expenditures:		
Current:		
Human resources	-	-
Recreation and community services	-	2,919,249
Police department	-	1,050,370
Planning and building	-	-
Capital Outlay	291,507	-
Total expenditures	291,507	3,969,619
Excess (deficiency) of revenues over (under) expenditures	189,644	(343,365)
Other financing sources (uses):		
Transfers in	-	530,000
Total other financing sources (uses)	-	530,000
Net change in fund balances	189,644	186,635
Fund balances (deficit) - beginning	5,236,102	(85,522)
Fund balances - ending	\$ 5,425,746	101,113

NONMAJOR SPECIAL REVENUE FUNDS

Inmate Welfare	Air Quality Maintenance	Total
-	501,895	\$ 4,128,149
-	-	414,087
2,563	1,772	46,399
485,779	2,152	512,931
488,342	505,819	5,101,566
-	273,145	273,145
-	-	2,919,249
431,176	-	1,481,546
-	117,579	117,579
-	-	291,507
431,176	390,724	5,083,026
57,166	115,095	18,540
-	-	530,000
-	-	530,000
57,166	115,095	548,540
265,813	431,661	5,848,054
322,979	546,756	\$ 6,396,594

CITY OF SANTA ANA

**Nonmajor Special Revenue Funds
Sewer Connection Fee
Budgetary Comparison Schedule
Year ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,400,000	2,400,000	414,087	\$ (1,985,913)
Investment income	-	-	42,064	42,064
Cost recoveries	-	-	25,000	25,000
Total revenues	<u>2,400,000</u>	<u>2,400,000</u>	<u>481,151</u>	<u>(1,918,849)</u>
Expenditures:				
Capital Outlay	<u>2,400,000</u>	<u>2,400,000</u>	<u>291,507</u>	<u>2,108,493</u>
Total expenditures	<u>2,400,000</u>	<u>2,400,000</u>	<u>291,507</u>	<u>2,108,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>189,644</u>	<u>189,644</u>
Net change in fund balance	-	-	189,644	189,644
Fund balance - beginning	<u>5,236,102</u>	<u>5,236,102</u>	<u>5,236,102</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,236,102</u>	<u>5,236,102</u>	<u>5,425,746</u>	<u>\$ 189,644</u>

**Nonmajor Special Revenue Funds
Civic Center & Maintenance
Budgetary Comparison Schedule
Year ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,773,020	5,136,368	3,626,254	\$ (1,510,114)
Total revenues	2,773,020	5,136,368	3,626,254	(1,510,114)
Expenditures:				
Current:				
Recreation and community services	2,328,645	4,278,413	2,919,249	1,359,164
Police department	1,044,375	1,044,375	1,050,370	(5,995)
Total expenditures	3,373,020	5,322,788	3,969,619	1,353,169
Excess (deficiency) of revenues over (under) expenditures	(600,000)	(186,420)	(343,365)	(156,945)
Other financing sources (uses):				
Transfers in	600,000	600,000	530,000	(70,000)
Total other financing sources (uses)	600,000	600,000	530,000	(70,000)
Net change in fund balance	-	413,580	186,635	(226,945)
Fund balance (deficit) - beginning	(85,522)	(85,522)	(85,522)	-
Fund balance (deficit) - ending	\$ (85,522)	328,058	101,113	\$ (226,945)

CITY OF SANTA ANA

Nonmajor Special Revenue Funds
Inmate Welfare Fund
Budgetary Comparison Schedule
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 10,000	10,000	2,563	\$ (7,437)
Miscellaneous	400,000	400,000	485,779	85,779
Total revenues	410,000	410,000	488,342	78,342
Expenditures:				
Current:				
Police department	640,000	641,250	431,176	210,074
Total expenditures	640,000	641,250	431,176	210,074
Excess (deficiency) of revenues over (under) expenditures	(230,000)	(231,250)	57,166	288,416
Net change in fund balance	(230,000)	(231,250)	57,166	288,416
Fund balance - beginning	265,813	265,813	265,813	-
Fund balance - ending	\$ 35,813	34,563	322,979	\$ 288,416

Nonmajor Special Revenue Funds
Air Quality Improvement
Budgetary Comparison Schedule
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 298,060	298,060	501,895	\$ 203,835
Investment income	3,795	3,795	1,772	(2,023)
Cost recoveries	2,705	2,705	2,152	(553)
Total revenues	304,560	304,560	505,819	201,259
Expenditures:				
Current:				
Human resources	336,585	306,608	273,145	33,463
Finance and management services	250,000	126,000	-	126,000
Planning and building	145,725	299,725	117,579	182,146
Total expenditures	732,310	732,333	390,724	341,609
Excess (deficiency) of revenues over (under) expenditures	(427,750)	(427,773)	115,095	542,868
Net change in fund balance	(427,750)	(427,773)	115,095	542,868
Fund balance - beginning	431,661	431,661	431,661	-
Fund balance - ending	\$ 3,911	3,889	546,756	\$ 542,868



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.

Inclusionary Housing Fee – This fund is used to account for receipt from Developer fees and disbursement for planning (including but not limited to preparation of one of more elements of its general plan or for zoning improvements), conceptual design, final design, bid preparation, award of bid, property appraisal, property acquisition, relocation, lost goodwill, and/or construction of new or substantially rehabilitated existing affordable housing in the City.”

**Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2011**

	Capital Grants	Drainage Construction
Assets		
Cash and investments	\$ -	4,575,163
Receivables:		
Interest	-	5,526
Intergovernmental	484,588	-
	484,588	-
Total assets	484,588	4,580,689
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	136,254	-
Retention payable	57,586	-
Due to other funds	802,667	-
Deferred revenues	87,864	-
	1,084,371	-
Total liabilities	1,084,371	-
Fund balances (deficit):		
Restricted for:		
Community development	-	-
Drainage construction	-	4,580,689
Cultural recreation and community services	-	-
Unassigned:	(599,783)	-
	(599,783)	-
Total fund balances (deficit)	(599,783)	4,580,689
Total liabilities and fund balances	\$ 484,588	4,580,689

Nonmajor Capital Projects Funds

Park Acquisitions & Development	Inclusionary Housing Fee	Total
3,228,212	1,058,123	\$ 8,861,498
4,191	1,283	11,000
-	-	484,588
3,232,403	1,059,406	9,357,086
-	-	136,254
-	-	57,586
-	-	802,667
-	-	87,864
-	-	1,084,371
-	1,059,406	1,059,406
-	-	4,580,689
3,232,403	-	3,232,403
-	-	(599,783)
3,232,403	1,059,406	8,272,715
3,232,403	1,059,406	\$ 9,357,086

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2011

	Capital Grants	Drainage Construction
Revenues:		
Taxes	\$ -	49,815
Intergovernmental	4,054,015	-
Investment income	-	35,627
Cost recoveries	-	-
Miscellaneous	-	-
Total revenues	<u>4,054,015</u>	<u>85,442</u>
Expenditures:		
Current:	\$	
Recreation and Community Services	83,009	-
Public Works	2,392,070	-
Capital outlay	<u>1,253,861</u>	<u>-</u>
Total expenditures	<u>3,728,940</u>	<u>-</u>
Net change in fund balances	<u>325,075</u>	<u>85,442</u>
Fund balances (deficit) - beginning	<u>(924,858)</u>	<u>4,495,247</u>
Fund balances (deficit) - ending	<u><u>\$ (599,783)</u></u>	<u><u>4,580,689</u></u>

NONMAJOR CAPITAL PROJECTS FUNDS

Park Acquisitions & Development	Inclusionary Housing Fee	Total
-	-	\$ 49,815
-	-	4,054,015
26,395	8,240	70,262
11,500	-	11,500
219,850	-	219,850
<u>257,745</u>	<u>8,240</u>	<u>4,405,442</u>
28,685	-	111,694
-	-	2,392,070
326,755	-	1,580,616
-	-	-
<u>355,440</u>	<u>-</u>	<u>4,084,380</u>
(97,695)	8,240	321,062
<u>3,330,098</u>	<u>1,051,166</u>	<u>7,951,653</u>
<u>3,232,403</u>	<u>1,059,406</u>	<u>\$ 8,272,715</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, 2011

	<u>Refuse Collections</u>	<u>Transportation Center</u>
Assets:		
Current assets:		
Cash and investments	\$ 1,661,450	507,749
Receivables:		
Accounts	1,933,168	-
Allowance for uncollectible accounts	(30,978)	-
Interest	3,050	1,190
Total current assets	<u>3,566,690</u>	<u>508,939</u>
Noncurrent assets:		
Capital assets:		
Land	-	3,792,491
Buildings	-	8,607,909
Improvements other than buildings	-	3,462,519
Equipment	-	-
Parking structures	-	4,817,296
Construction work in progress	-	-
Less accumulated depreciation	-	(9,234,677)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>11,445,538</u>
Total noncurrent assets	<u>-</u>	<u>11,445,538</u>
Total assets	<u>3,566,690</u>	<u>11,954,477</u>
Liabilities:		
Current liabilities:		
Accounts payable	52,566	93,842
Compensated absences payable (current portion)	2,993	-
Deposits payable	-	11,000
Total current liabilities	<u>55,559</u>	<u>104,842</u>
Noncurrent liabilities:		
Compensated absences payable	8,979	-
Postemployment benefits obligation	21,463	4,107
Total noncurrent liabilities	<u>30,442</u>	<u>4,107</u>
Total liabilities	<u>86,001</u>	<u>108,949</u>
Net assets:		
Invested in capital assets	-	11,445,538
Restricted for:		
National Pollution Discharge Elimination System	-	-
Unrestricted	3,480,689	399,990
Total net assets	<u>\$ 3,480,689</u>	<u>11,845,528</u>

NONMAJOR ENTERPRISE FUNDS

Sewer	Sanitation	Federal Clean Water Protection	Total
5,201,305	1,934,744	1,277,572	\$ 10,582,820
861,886	1,271,064	200,724	4,266,842
(19,108)	(8,395)	-	(58,481)
9,286	4,152	2,299	19,977
<u>6,053,369</u>	<u>3,201,565</u>	<u>1,480,595</u>	<u>14,811,158</u>
-	-	-	3,792,491
-	-	-	8,607,909
37,336,292	-	547,015	41,345,826
34,393	51,630	-	86,023
-	-	-	4,817,296
1,036,264	-	-	1,036,264
<u>(20,750,281)</u>	<u>(28,827)</u>	<u>(79,773)</u>	<u>(30,093,558)</u>
<u>17,656,668</u>	<u>22,803</u>	<u>467,242</u>	<u>29,592,251</u>
<u>17,656,668</u>	<u>22,803</u>	<u>467,242</u>	<u>29,592,251</u>
<u>23,710,037</u>	<u>3,224,368</u>	<u>1,947,837</u>	<u>44,403,409</u>
221,102	313,548	104,268	785,326
43,325	112,790	27,406	186,514
-	-	-	11,000
<u>264,427</u>	<u>426,338</u>	<u>131,674</u>	<u>982,840</u>
129,975	338,369	82,218	559,541
125,991	310,680	80,421	542,662
<u>255,966</u>	<u>649,049</u>	<u>162,639</u>	<u>1,102,203</u>
<u>520,393</u>	<u>1,075,387</u>	<u>294,313</u>	<u>2,085,043</u>
17,656,668	22,803	467,242	29,592,251
-	-	1,186,282	1,186,282
<u>5,532,976</u>	<u>2,126,178</u>	<u>-</u>	<u>11,539,833</u>
<u>23,189,644</u>	<u>2,148,981</u>	<u>1,653,524</u>	<u>\$ 42,318,366</u>

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2011

	Refuse Collections	Transportation Center
Operating revenues:		
Charges for services	\$ 9,404,575	967,755
Miscellaneous	6,813,902	1,925
Total operating revenues	<u>16,218,477</u>	<u>969,680</u>
Operating expenses:		
Cost of goods sold	-	-
Personal services	267,871	(9,593)
Contractual services	7,293,682	813,453
Materials and supplies	9,106	9,550
Other services and charges	7,768,012	77,780
Depreciation	-	422,193
Total operating expenses	<u>15,338,671</u>	<u>1,313,383</u>
Operating income (loss)	<u>879,806</u>	<u>(343,703)</u>
Nonoperating revenues (expenses):		
Intergovernmental	209,528	-
Investment earnings	10,970	4,236
Total nonoperating revenues (expenses)	<u>220,498</u>	<u>4,236</u>
Change in net assets	1,100,304	(339,467)
Net assets - beginning	<u>2,380,385</u>	<u>12,184,995</u>
Net assets - ending	<u>\$ 3,480,689</u>	<u>11,845,528</u>

NONMAJOR ENTERPRISE FUND

Sewer	Sanitation	Federal Clean Water Protection	Total
4,674,473	7,976,565	2,551,990	\$ 25,575,358
4,457	25,167	-	6,845,451
<u>4,678,930</u>	<u>8,001,732</u>	<u>2,551,990</u>	<u>32,420,809</u>
-	-	-	-
1,518,435	3,922,339	900,647	6,599,699
747,060	1,358,839	729,322	10,942,356
181,332	136,411	2,272	338,671
513,197	2,979,851	699,769	12,038,609
501,978	5,163	27,351	956,685
<u>3,462,002</u>	<u>8,402,603</u>	<u>2,359,361</u>	<u>30,876,020</u>
<u>1,216,928</u>	<u>(400,871)</u>	<u>192,629</u>	<u>1,544,789</u>
-	-	-	209,528
36,704	16,609	10,102	78,621
<u>36,704</u>	<u>16,609</u>	<u>10,102</u>	<u>288,149</u>
1,253,632	(384,262)	202,731	1,832,938
<u>21,936,012</u>	<u>2,533,243</u>	<u>1,450,793</u>	<u>40,485,428</u>
<u>23,189,644</u>	<u>2,148,981</u>	<u>1,653,524</u>	<u>\$ 42,318,366</u>

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2011

	Refuse Collections	Transportation Center
Cash flows from operating activities:		
Receipts from customers	\$ 9,222,611	1,014,541
Receipts from other operating sources	6,813,902	1,925
Payments to suppliers for goods and services	(15,509,234)	(861,049)
Payments to employees	(247,420)	-
Net cash provided by (used for) operating activities	<u>279,859</u>	<u>155,417</u>
Cash flows from noncapital financing activities:		
Intergovernment contribution	<u>209,528</u>	-
Net cash used for noncapital financing activities	<u>209,528</u>	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	<u>9,201</u>	<u>3,936</u>
Net cash provided by investing activities	<u>9,201</u>	<u>3,936</u>
Net increase (decrease) in cash and cash equivalents	498,588	159,353
Cash and cash equivalents - beginning	<u>1,162,862</u>	<u>348,396</u>
Cash and cash equivalents - ending	<u>\$ 1,661,450</u>	<u>507,749</u>

NONMAJOR ENTERPRISE FUNDS

Sewer	Sanitation	Federal Clean Water Protection	Total
4,618,456	7,896,452	2,514,176	\$ 25,266,236
4,457	25,167	-	6,845,451
(1,394,560)	(4,423,151)	(1,355,060)	(23,543,054)
(1,405,336)	(3,800,209)	(809,189)	(6,262,154)
1,823,017	(301,741)	349,927	2,306,479
-	-	-	209,528
-	-	-	209,528
(262,543)	-	-	(262,543)
(262,543)	-	-	(262,543)
36,187	17,628	9,725	76,677
36,187	17,628	9,725	76,677
1,596,661	(284,113)	359,652	2,330,141
3,604,644	2,218,857	917,920	8,252,679
5,201,305	1,934,744	1,277,572	\$ 10,582,820

Continued

**Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2011**

	<u>Refuse Collections</u>	<u>Transportation Center</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 879,806	(343,703)
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	(181,964)	46,786
Increase (decrease) in accounts payable	(438,434)	39,734
Increase (decrease) in compensated absences payable	11,972	(9,593)
Increase (decrease) in postemployment benefits obligation	<u>8,479</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 279,859</u>	<u>155,417</u>

NONMAJOR ENTERPRISE FUNDS

Page 4 of 4

Sewer	Sanitation	Federal Clean Water Protection	Total
1,216,928	(400,871)	192,629	\$ 1,544,789
501,978	5,163	27,351	956,685
(56,017)	(80,113)	(37,814)	(309,122)
47,029	51,950	76,303	(223,418)
71,299	15,458	56,989	146,125
41,800	106,672	34,469	191,420
1,823,017	(301,741)	349,927	\$ 2,306,479



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, 2011

	<u>Central Services</u>	<u>Building Maintenance</u>	<u>Equipment Maintenance and Replacement</u>
Assets:			
Current assets:			
Cash and investments	\$ 869,888	1,874,703	5,854,873
Receivables:			
Accounts	-	-	-
Interest	1,501	-	10,163
Due from other funds	-	-	-
Inventory of supplies	20,078	-	1,065,901
Total current assets	<u>891,467</u>	<u>1,874,703</u>	<u>6,930,937</u>
Noncurrent assets:			
Advances to other funds	-	-	220,000
Restricted cash and investments	-	-	-
Capital assets:			
Improvements other than buildings	-	602,886	-
Equipment	378,225	21,104	25,205,671
Construction work in progress	-	-	-
Less accumulated depreciation	(336,544)	(617,710)	(20,779,090)
Total capital assets (net of accumulated depreciation)	<u>41,681</u>	<u>6,280</u>	<u>4,426,581</u>
Total noncurrent assets	<u>41,681</u>	<u>6,280</u>	<u>4,646,581</u>
Total assets	<u>933,148</u>	<u>1,880,983</u>	<u>11,577,518</u>
Liabilities:			
Current liabilities:			
Accounts payable	21,939	187,216	365,235
Compensated absences payable (current portion)	4,910	36,239	87,087
Claims payable (current portion)	-	-	-
Capital lease payable (current portion)	-	-	-
Total current liabilities	<u>26,849</u>	<u>223,455</u>	<u>452,322</u>
Noncurrent liabilities:			
Compensated absences payable	14,729	108,717	261,261
Claims payable	-	-	-
Capital lease payable	-	-	-
Postemployment benefits obligation	21,012	122,858	264,090
Total noncurrent liabilities	<u>35,741</u>	<u>231,575</u>	<u>525,351</u>
Total liabilities	<u>62,590</u>	<u>455,030</u>	<u>977,673</u>
Net assets:			
Invested in capital assets, net of related debt	41,681	6,280	4,426,581
Unrestricted	828,877	1,419,673	6,173,264
Total net assets	<u>\$ 870,558</u>	<u>1,425,953</u>	<u>10,599,845</u>

INTERNAL SERVICE FUNDS

Page 2 of 3

Liability and Property Insurance	Employee Group Insurance	Workers Compensation	Information and Communications Services	City Yard Operations
29,830,077	2,875,171	27,950,465	12,706,217	204,059
-	-	-	-	-
55,078	3,813	49,821	21,760	368
802,667	-	-	-	-
-	-	-	-	-
<u>30,687,822</u>	<u>2,878,984</u>	<u>28,000,286</u>	<u>12,727,977</u>	<u>204,427</u>
-	-	2,920,000	-	-
-	281,936	-	-	-
-	-	-	-	256,131
-	15,754	-	7,540,397	68,201
-	-	-	6,003,599	-
-	(15,754)	-	(7,159,525)	(86,432)
-	-	-	6,384,471	237,900
-	281,936	2,920,000	6,384,471	237,900
<u>30,687,822</u>	<u>3,160,920</u>	<u>30,920,286</u>	<u>19,112,448</u>	<u>442,327</u>
300,093	3,440	11,291	205,556	9,917
535	7,625	19,807	57,935	-
2,674,490	-	4,600,000	-	-
-	-	-	1,043,130	-
<u>2,975,118</u>	<u>11,065</u>	<u>4,631,098</u>	<u>1,306,621</u>	<u>9,917</u>
1,604	22,874	59,421	173,805	-
2,138,158	-	14,865,111	-	-
-	-	-	1,074,235	-
37,600	58,757	102,582	179,588	-
<u>2,177,362</u>	<u>81,631</u>	<u>15,027,114</u>	<u>1,427,628</u>	<u>-</u>
<u>5,152,480</u>	<u>92,696</u>	<u>19,658,212</u>	<u>2,734,249</u>	<u>9,917</u>
-	-	-	4,267,106	237,900
25,535,342	3,068,224	11,262,074	12,111,093	194,510
<u>25,535,342</u>	<u>3,068,224</u>	<u>11,262,074</u>	<u>16,378,199</u>	<u>432,410</u>

Continued

Internal Service Funds
Combining Statement of Net Assets
June 30, 2011

	Engineering and Administrative Services	Quality Service Training	Total
Assets:			
Current assets:			
Cash and investments	\$ 2,260,415	357,501	\$ 84,783,369
Receivables:			
Accounts	10,000	-	10,000
Interest	4,030	547	147,081
Due from other funds	-	-	802,667
Inventory of supplies	-	-	1,085,979
Total current assets	<u>2,274,445</u>	<u>358,048</u>	<u>86,829,096</u>
Noncurrent assets:			
Advances to other funds	-	-	3,140,000
Restricted cash and investments	-	-	281,936
Capital assets:			
Improvements other than buildings	-	-	859,017
Equipment	256,332	-	33,485,684
Construction work in progress	-	-	6,003,599
Less accumulated depreciation	(167,212)	-	(29,162,267)
Total capital assets (net of accumulated depreciation)	<u>89,120</u>	<u>-</u>	<u>11,186,033</u>
Total noncurrent assets	<u>89,120</u>	<u>-</u>	<u>14,607,969</u>
Total assets	<u>2,363,565</u>	<u>358,048</u>	<u>101,437,065</u>
Liabilities:			
Current liabilities:			
Accounts payable	37,944	-	1,142,631
Compensated absences payable (current portion)	244,894	-	459,032
Claims payable (current portion)	-	-	7,274,490
Capital lease payable (current portion)	-	-	1,043,130
Total current liabilities	<u>282,838</u>	<u>-</u>	<u>9,919,283</u>
Noncurrent liabilities:			
Compensated absences payable	734,680	-	1,377,091
Claims payable	-	-	17,003,269
Capital lease payable	-	-	1,074,235
Postemployment benefits obligation	887,118	-	1,673,605
Total noncurrent liabilities	<u>1,621,798</u>	<u>-</u>	<u>21,128,200</u>
Total liabilities	<u>1,904,636</u>	<u>-</u>	<u>31,047,483</u>
Net assets:			
Invested in capital assets, net of related debt	89,120	-	9,068,668
Unrestricted	<u>369,809</u>	<u>358,048</u>	<u>61,320,914</u>
Total net assets	<u>\$ 458,929</u>	<u>358,048</u>	<u>\$ 70,389,582</u>



CITY OF SANTA ANA, CALIFORNIA

Comprehensive
Annual Financial Report

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2011

Page 1 of 3

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Operating revenues:			
Charges for services	\$ 831,589	3,898,830	10,104,373
Miscellaneous	-	-	55,108
Total operating revenues	<u>831,589</u>	<u>3,898,830</u>	<u>10,159,481</u>
Operating expenses:			
Cost of goods sold	-	-	1,490,799
Personal services	190,846	1,408,145	2,893,426
Contractual services	176,815	1,622,707	882,848
Materials and supplies	298,677	82,364	2,340,900
Other services and charges	130,843	198,552	1,011,989
Administration	-	-	-
Insurance	-	-	-
Provision for self-insured losses	-	-	-
Depreciation	7,768	75,361	1,340,064
Total operating expenses	<u>804,949</u>	<u>3,387,129</u>	<u>9,960,026</u>
Operating income (loss)	<u>26,640</u>	<u>511,701</u>	<u>199,455</u>
Nonoperating revenues (expenses):			
Net (decrease) in the fair value of investment	-	-	-
Investment earnings	6,279	-	39,326
Interest expense	-	-	-
Total nonoperating revenues (expenses)	<u>6,279</u>	<u>-</u>	<u>39,326</u>
Income (loss) before transfers	32,919	511,701	238,781
Transfers in	-	-	-
Transfers out	-	(196,118)	-
Change in net assets	32,919	315,583	238,781
Net assets - beginning	<u>837,639</u>	<u>1,110,370</u>	<u>10,361,064</u>
Net assets - ending	<u>\$ 870,558</u>	<u>1,425,953</u>	<u>10,599,845</u>

INTERNAL SERVICE FUNDS

Page 2 of 3

<u>Liability and Property Insurance</u>	<u>Employee Group Insurance</u>	<u>Workers Compensation</u>	<u>Information and Communications Services</u>	<u>City Yard Operations</u>
8,845,845	19,752,708	8,932,849	4,690,657	956,905
-	2,482,250	467,733	25,520	-
<u>8,845,845</u>	<u>22,234,958</u>	<u>9,400,582</u>	<u>4,716,177</u>	<u>956,905</u>
-	-	-	-	-
-	-	-	1,727,619	51,831
-	-	-	3,890,896	249,238
-	-	-	371,163	24,079
-	-	-	362,193	639,439
2,590,359	1,375,450	2,034,403	-	-
1,231,263	18,421,313	283,213	-	-
2,932,856	1,886,616	5,354,912	-	-
-	-	-	267,439	18,257
<u>6,754,478</u>	<u>21,683,379</u>	<u>7,672,528</u>	<u>6,619,310</u>	<u>982,844</u>
<u>2,091,367</u>	<u>551,579</u>	<u>1,728,054</u>	<u>(1,903,133)</u>	<u>(25,939)</u>
(53,428)	-	(33,034)	-	-
230,208	18,438	205,949	92,946	1,728
-	-	-	(43,221)	-
<u>176,780</u>	<u>18,438</u>	<u>172,915</u>	<u>49,725</u>	<u>1,728</u>
2,268,147	570,017	1,900,969	(1,853,408)	(24,211)
-	-	-	2,662,230	-
<u>(3,675,317)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,407,170)	570,017	1,900,969	808,822	(24,211)
<u>26,942,512</u>	<u>2,498,207</u>	<u>9,361,105</u>	<u>15,569,377</u>	<u>456,621</u>
<u><u>25,535,342</u></u>	<u><u>3,068,224</u></u>	<u><u>11,262,074</u></u>	<u><u>16,378,199</u></u>	<u><u>432,410</u></u>

Continued

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2011

	Engineering and Administrative Services	Quality Service Training	Total
Operating revenues:			
Charges for services	\$ 10,895,475	55,320	\$ 68,964,551
Miscellaneous	447,342	-	3,477,953
Total operating revenues	<u>11,342,817</u>	<u>55,320</u>	<u>72,442,504</u>
Operating expenses:			
Cost of goods sold	-	-	1,490,799
Personal services	8,412,346	-	14,684,213
Contractual services	674,831	-	7,497,335
Materials and supplies	104,803	-	3,221,986
Other services and charges	1,640,758	-	3,983,774
Administration	-	-	6,000,212
Insurance	-	-	19,935,789
Provision for self-insured losses	-	-	10,174,384
Depreciation	29,684	-	1,738,573
Total operating expenses	<u>10,862,422</u>	<u>-</u>	<u>68,727,065</u>
Operating income (loss)	<u>480,395</u>	<u>55,320</u>	<u>3,715,439</u>
Nonoperating revenues (expenses):			
Net (decrease) in the fair value of investment	-	-	(86,462)
Investment earnings	18,066	2,300	615,240
Interest expense	-	-	(43,221)
Total nonoperating revenues (expenses)	<u>18,066</u>	<u>2,300</u>	<u>485,557</u>
Income (loss) before transfers	498,461	57,620	4,200,996
Transfers in	20,000	-	2,682,230
Transfers out	<u>(403,734)</u>	<u>-</u>	<u>(4,275,169)</u>
Change in net assets	114,727	57,620	2,608,057
Net assets (deficit) - beginning, as restated	<u>344,202</u>	<u>300,428</u>	<u>67,781,525</u>
Net assets (deficit) - ending	<u>\$ 458,929</u>	<u>\$ 358,048</u>	<u>\$ 70,389,582</u>



CITY OF SANTA ANA, CALIFORNIA
**Comprehensive
Annual Financial Report**

Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2011

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 831,589	3,898,830	10,104,373
Receipts from other operating sources	-	-	55,108
Payments to suppliers for goods and services	(475,203)	(1,661,413)	(4,654,706)
Payments for interfund services used	(130,843)	(198,553)	(1,011,989)
Payments to employees	(180,782)	(1,370,982)	(2,801,767)
Net cash provided by (used for) operating activities	<u>44,761</u>	<u>667,882</u>	<u>1,691,019</u>
Cash flows from noncapital financing activities:			
Transfers in	-	-	-
Transfers out	-	(196,118)	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(196,118)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	-	(683,389)
Retirement of long-term debt	-	-	-
Interest paid	-	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>(683,389)</u>
Cash flows from investing activities:			
Interest received	6,627	-	41,148
(Decrease) in the fair value of investment	-	-	-
Net cash provided by investing activities	<u>6,627</u>	<u>-</u>	<u>41,148</u>
Net increase (decrease) in cash and cash equivalents	51,388	471,764	1,048,778
Cash and cash equivalents - beginning	818,500	1,402,939	4,806,095
Cash and cash equivalents - ending (Includes restricted cash and investments)	<u>\$ 869,888</u>	<u>1,874,703</u>	<u>5,854,873</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 26,640	511,701	199,455
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	7,768	75,361	1,340,064
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	-	-
Decrease (increase) in inventory of supplies	4,936	-	31,675
Increase (decrease) in accounts payable	(4,647)	43,657	28,166
Increase (decrease) in compensated absences payable	6,197	40,966	6,797
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in postemployment benefits obligation	3,867	(3,803)	84,862
Net cash provided by (used for) operating activities	<u>\$ 44,761</u>	<u>667,882</u>	<u>1,691,019</u>
Noncash investing, capital, and financing activities:			
(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
8,845,845	19,752,708	8,932,849	4,690,657	956,905
-	2,482,250	467,733	25,520	-
(5,707,623)	(21,572,275)	(6,129,746)	(4,942,600)	(279,021)
-	-	-	(362,193)	(639,439)
(413,933)	(411,510)	(958,482)	(1,650,444)	(51,831)
<u>2,724,289</u>	<u>251,173</u>	<u>2,312,354</u>	<u>(2,239,060)</u>	<u>(13,386)</u>
-	-	-	2,662,230	-
(3,675,317)	-	-	-	-
<u>(3,675,317)</u>	<u>-</u>	<u>-</u>	<u>2,662,230</u>	<u>-</u>
-	-	-	(354,115)	-
-	-	-	(1,012,925)	-
-	-	-	(85,216)	-
-	-	-	(1,452,256)	-
248,036	17,719	213,806	103,059	1,891
(53,428)	-	(33,034)	-	-
<u>194,608</u>	<u>17,719</u>	<u>180,772</u>	<u>103,059</u>	<u>1,891</u>
(756,420)	268,892	2,493,126	(926,027)	(11,495)
<u>30,586,497</u>	<u>2,888,215</u>	<u>25,457,339</u>	<u>13,632,244</u>	<u>215,554</u>
<u>29,830,077</u>	<u>3,157,107</u>	<u>27,950,465</u>	<u>12,706,217</u>	<u>204,059</u>
2,091,367	551,579.00	1,728,054	(1,903,133)	(25,939)
-	-	-	267,439	18,257
240,647	-	-	-	-
-	-	-	-	-
148,731	(310,602.00)	(19,858)	(680,541)	(5,704)
(2,405)	(10,536.00)	12,027	66,426	-
236,577	-	555,378	-	-
9,372	20,732.00	36,753	10,749	-
<u>2,724,289</u>	<u>251,173.00</u>	<u>2,312,354</u>	<u>(2,239,060)</u>	<u>(13,386)</u>
<u>(53,428)</u>	<u>-</u>	<u>(33,034)</u>	<u>-</u>	<u>-</u>

Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2011

	Engineering and Administrative Services	Quality Service Training	Total
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 10,948,442	55,320	\$ 69,017,518
Receipts from other operating sources	447,342	-	3,477,953
Payments to suppliers for goods and services	(2,423,156)	-	(47,845,743)
Payments for interfund services used	-	-	(2,343,017)
Payments to employees	(8,022,737)	-	(15,862,468)
Net cash provided by (used for) operating activities	<u>949,891</u>	<u>55,320</u>	<u>6,444,243</u>
Cash flows from noncapital financing activities:			
Transfers in	20,000	-	2,682,230
Transfers out	(403,734)	-	(4,275,169)
Net cash provided by (used for) noncapital financing activities	<u>(383,734)</u>	<u>-</u>	<u>(1,592,939)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,213)	-	(1,043,717)
Retirement of long-term debt	-	-	(1,012,925)
Interest paid	-	-	(85,216)
Net cash used for capital and related financing activities	<u>(6,213)</u>	<u>-</u>	<u>(2,141,858)</u>
Cash flows from investing activities:			
Interest received	17,882	2,445	652,613
(Decrease) in the fair value of investment	-	-	(86,462)
Net cash provided by investing activities	<u>17,882</u>	<u>2,445</u>	<u>566,151</u>
Net increase (decrease) in cash and cash equivalents	577,826	57,765	3,275,597
Cash and cash equivalents - beginning	<u>1,682,589</u>	<u>299,736</u>	<u>81,789,708</u>
Cash and cash equivalents - ending (Includes restricted cash and investments)	<u>\$ 2,260,415</u>	<u>357,501</u>	<u>\$ 85,065,305</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 480,395	55,320	\$ 3,715,439
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	29,684	-	1,738,573
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	52,967	-	293,614
Decrease (increase) in inventory of supplies	-	-	36,611
Increase (decrease) in accounts payable	(2,764)	-	(803,562)
Increase (decrease) in compensated absences payable	103,331	-	222,803
Increase (decrease) in claims payable	-	-	791,955
Increase (decrease) in postemployment benefits obligation	286,278	-	448,810
Net cash provided by (used for) operating activities	<u>\$ 949,891</u>	<u>55,320</u>	<u>\$ 6,444,243</u>
Noncash investing, capital, and financing activities:			
(Decrease) in fair value of investments	<u>\$ -</u>	<u>-</u>	<u>\$ (86,462)</u>

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, 2011**

	Payroll	Treasurer's Trust	Retirees Health Insurance Subsidy
Assets			
Cash and investments	\$ 8,376,348	3,478,369	2,519,923
Receivables:			
Loans and notes	-	-	700,000
Interest	120	541	4,650
Intergovernmental	-	-	-
Total assets	<u>\$ 8,376,468</u>	<u>3,478,910</u>	<u>3,224,573</u>
Liabilities			
Accounts payable	-	-	-
Notes payable	-	-	-
Due to City employees	\$ 4,437,170	-	3,224,573
Due to governmental agencies	3,939,298	3,478,910	-
Total liabilities	<u>\$ 8,376,468</u>	<u>3,478,910</u>	<u>3,224,573</u>

AGENCY FUNDS

Housing Rehabilitation Loan Program	TSIA Santa Ana- Tustin	School Districts' Trust	Total
-	12,554,739	8,376,081 \$	35,305,460
250,296	-	-	950,296
-	22,604	10,159	38,074
-	-	1,603,184	1,603,184
<u>250,296</u>	<u>12,577,343</u>	<u>9,989,424 \$</u>	<u>37,897,014</u>
-	820	- \$	820
250,296	-	-	250,296
-	-	-	7,661,743
-	12,576,523	9,989,424	29,984,155
<u>250,296</u>	<u>12,577,343</u>	<u>9,989,424 \$</u>	<u>37,897,014</u>

Agency Funds
Combining Statement of Changes with Fiduciary Assets and Liabilities
Year ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
PAYROLL FUND				
Assets				
Cash and investments	\$ 9,023,230	\$ 160,569,730	\$ 161,216,612	\$ 8,376,348
Interest receivable	154	120	154	120
Total assets	<u>\$ 9,023,384</u>	<u>\$ 160,569,850</u>	<u>\$ 161,216,766</u>	<u>\$ 8,376,468</u>
Liabilities				
Due to City employees	\$ 5,128,402	\$ 138,250,861	\$ 138,942,093	\$ 4,437,170
Due to governmental agencies	3,894,982	22,318,989	22,274,673	3,939,298
Total liabilities	<u>\$ 9,023,384</u>	<u>\$ 160,569,850</u>	<u>\$ 161,216,766</u>	<u>\$ 8,376,468</u>
TREASURER'S TRUST FUND				
Assets				
Cash and investments	\$ 3,096,341	\$ 6,048,129	\$ 5,666,101	\$ 3,478,369
Interest receivable	818	541	818	541
Total assets	<u>\$ 3,097,159</u>	<u>\$ 6,048,670</u>	<u>\$ 5,666,919</u>	<u>\$ 3,478,910</u>
Liabilities				
Due to governmental agencies	\$ 3,097,159	\$ 6,048,670	\$ 5,666,919	\$ 3,478,910
Total liabilities	<u>\$ 3,097,159</u>	<u>\$ 6,048,670</u>	<u>\$ 5,666,919</u>	<u>\$ 3,478,910</u>
RETIREES HEALTH INSURANCE SUBSIDY				
Assets				
Cash and investments	\$ 2,747,340	\$ 911,130	\$ 1,138,547	\$ 2,519,923
Notes receivable	700,000	700,000	700,000	700,000
Interest receivable	6,482	4,650	6,482	4,650
Total assets	<u>\$ 3,453,822</u>	<u>\$ 1,615,780</u>	<u>\$ 1,845,029</u>	<u>\$ 3,224,573</u>
Liabilities				
Due to city employees	\$ 3,453,822	\$ 1,615,780	\$ 1,845,029	\$ 3,224,573
Total liabilities	<u>\$ 3,453,822</u>	<u>\$ 1,615,780</u>	<u>\$ 1,845,029</u>	<u>\$ 3,224,573</u>

	Balance June 30,2010	Additions	Deductions	Balance June 30,2011
HOUSING REHABILITATION LOAN PROGRAM				
Assets				
Notes receivables	\$ 250,296	\$ -	\$ -	\$ 250,296
Total assets	<u>\$ 250,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,296</u>
Liabilities				
Notes payable	\$ 250,296	\$ -	\$ -	\$ 250,296
Total liabilities	<u>\$ 250,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,296</u>
TRANSPORTATION CORRIDOR FUND				
Assets				
Cash and investments	\$ 209,652	\$ 40,113	\$ 249,766	\$ -
Total assets	<u>\$ 209,652</u>	<u>\$ 40,113</u>	<u>\$ 249,766</u>	<u>\$ -</u>
Liabilities				
Due to governmental agencies	\$ 209,652	\$ 40,113	\$ 249,766	\$ -
Total liabilities	<u>\$ 209,652</u>	<u>\$ 40,113</u>	<u>\$ 249,766</u>	<u>\$ -</u>
TRANSPORTATION SYSTEM IMPROVEMENT AUTHORITY SANTA-ANA - TUSTIN				
Assets				
Cash and investments	\$ 12,461,149	\$ 137,323	\$ 43,733	\$ 12,554,739
Interest receivable	28,385	22,604	28,385	22,604
Total assets	<u>\$ 12,489,534</u>	<u>\$ 159,927</u>	<u>\$ 72,118</u>	<u>\$ 12,577,343</u>
Liabilities				
Accounts payable	\$ 952	\$ 820	\$ 952	\$ 820
Due to governmental agencies	12,488,582	159,927	71,986	12,576,523
Total liabilities	<u>\$ 12,489,534</u>	<u>\$ 160,747</u>	<u>\$ 72,938</u>	<u>\$ 12,577,343</u>

(Continued)

Agency Funds
Combining Statement of Changes with Fiduciary Assets and Liabilities
Year ended June 30, 2011

Page 3 of 3

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
SCHOOL DISTRICTS'				
TRUST FUND				
Assets				
Cash and investments	\$ 6,877,060	\$ 3,939,592	\$ 2,440,571	\$ 8,376,081
Interest receivable	13,323	10,159	13,323	10,159
Intergovernmental	2,576,650	3,681,028	4,654,494	1,603,184
Total assets	<u>\$ 9,467,033</u>	<u>\$ 7,630,779</u>	<u>\$ 7,108,388</u>	<u>\$ 9,989,424</u>
Liabilities				
Due to governmental agencies	\$ 9,467,033	\$ 7,630,779	\$ 7,108,388	\$ 9,989,424
Total liabilities	<u>\$ 9,467,033</u>	<u>\$ 7,630,779</u>	<u>\$ 7,108,388</u>	<u>\$ 9,989,424</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 34,414,772	\$ 171,646,017	\$ 170,755,329	\$ 35,305,459
Receivables:				
Loans and notes	950,296	-	-	950,296
Interest	49,162	38,074	49,162	38,074
Intergovernmental	2,576,650	3,681,028	4,654,494	1,603,184
Total assets	<u>\$ 37,990,880</u>	<u>\$ 175,365,119</u>	<u>\$ 175,458,986</u>	<u>\$ 37,897,014</u>
Liabilities				
Accounts payable	\$ 952	\$ 820	\$ 952	\$ 820
Notes payable	250,296	-	-	250,296
Due to City employees	8,582,224	139,866,641	140,787,122	7,661,743
Due to governmental agencies	29,157,408	36,198,478	35,371,732	29,984,155
Total liabilities	<u>\$ 37,990,880</u>	<u>\$ 176,065,939</u>	<u>\$ 176,159,806</u>	<u>\$ 37,897,014</u>

CITY OF SANTA ANA, CALIFORNIA

Statistical Section



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
<p>Financial Trends</p> <p><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></p>	169
<p>Revenue Capacity</p> <p><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></p>	181
<p>Debt Capacity</p> <p><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></p>	193
<p>Demographic and Economic Information</p> <p><i>This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. (Schedule 17)</i></p>	199
<p>Operating Information</p> <p><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></p>	200

CITY OF SANTA ANA

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

	Fiscal Year			
	2011	2010	2009	2008
Governmental Activities:				
Investment in capital assets, net of related debt	\$ 767,746	\$ 723,057	\$ 684,618	\$ 650,254
Restricted	146,268	156,629	182,938	185,518
Unrestricted	26,574	15,155	5,165	(6,279)
Total governmental activities net assets	<u>\$ 940,588</u>	<u>\$ 894,841</u>	<u>\$ 872,721</u>	<u>\$ 829,493</u>
Business-type activities:				
Investment in capital assets, net of related debt	\$ 87,551	\$ 84,088	\$ 83,163	\$ 79,764
Restricted	1,186	956	7,014	4,111
Unrestricted	35,705	34,201	24,745	20,385
Total business-type activities net assets	<u>\$ 124,442</u>	<u>\$ 119,245</u>	<u>\$ 114,922</u>	<u>\$ 104,260</u>
Primary government:				
Investment in capital assets, net of related debt	\$ 855,297	\$ 807,145	\$ 767,781	\$ 730,018
Restricted	147,454	157,585	189,952	189,629
Unrestricted	62,279	49,356	29,910	14,106
Total primary government net assets	<u>\$ 1,065,030</u>	<u>\$ 1,014,086</u>	<u>\$ 987,643</u>	<u>\$ 933,753</u>

Source: City of Santa Ana 2002 - 2011 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.

STATISTICAL SECTION

SCHEDULE 1

Fiscal Year						
2007	2006	2005	2004	2003	2002	
\$ 700,479	\$ 658,414	\$ 644,474	\$ 646,755	\$ 644,080	\$ 545,893	
117,988	164,332	144,464	147,433	139,892	100,408	
(24,752)	(122,359)	(136,627)	(170,248)	(168,784)	(82,670)	
<u>\$ 793,715</u>	<u>\$ 700,387</u>	<u>\$ 652,311</u>	<u>\$ 623,940</u>	<u>\$ 615,188</u>	<u>\$ 563,631</u>	
\$ 69,748	\$ 39,031	\$ 69,906	\$ 69,554	\$ 67,517	\$ 62,022	
2,846	9,579	9,066	8,948	6,843	12,467	
28,270	15,774	12,877	10,917	9,028	8,199	
<u>\$ 100,864</u>	<u>\$ 64,384</u>	<u>\$ 91,849</u>	<u>\$ 89,419</u>	<u>\$ 83,388</u>	<u>\$ 82,688</u>	
\$ 770,227	\$ 727,445	\$ 714,380	\$ 716,309	\$ 711,597	\$ 607,915	
120,834	173,911	153,530	156,381	146,735	112,875	
3,518	(106,585)	(123,750)	(159,331)	(159,756)	(74,471)	
<u>\$ 894,579</u>	<u>\$ 794,771</u>	<u>\$ 744,160</u>	<u>\$ 713,359</u>	<u>\$ 698,576</u>	<u>\$ 646,319</u>	

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

	Fiscal Year					Page 1 of 6
	2011	2010	2009	2008	2007	
Expenses:						
Governmental activities:						
General government (1)	\$ 12,333	\$ 15,227	\$ 20,456	\$ 6,912	\$ 26,370	
Cultural recreation and community services (2)	24,084	25,528	27,937	24,057	28,956	
Public safety (3)	174,524	183,885	175,036	157,792	151,581	
Developmental services (4)	31,073	30,338	29,849	44,289	29,698	
Community development	58,735	68,150	53,598	58,798	56,286	
Pass-through payments to districts and other agencies	12,760	28,093 *	10,399 *	9,341 *	8,786 *	
County administrative charge	525	486 *	391 *	287 *	208 *	
Interest on long -term debt	14,664	16,828	16,580	16,585	12,420	
Total governmental activities expenses	\$ 328,698	\$ 368,534	\$ 334,246	\$ 318,061	\$ 314,305	
Business-type activities:						
Water	\$ 45,674	\$ 45,727	\$ 41,910	\$ 41,289	\$ 39,184	
Parking	2,631	2,824	2,767	2,973	2,898	
Refuse collections	15,339	16,716	13,205	13,345	12,978	
Transportation center	1,313	1,423	1,422	1,282	1,303	
Sewer	3,462	3,485	3,140	3,313	3,084	
Sanitation	8,403	8,072	7,781	7,641	7,252	
Federal clean water protection	2,359	2,210	2,217	2,585	2,798	
Total business-type expenses	79,181	80,457	72,442	72,428	69,497	
Total primary government expenses	\$ 407,879	\$ 448,991	\$ 406,688	\$ 390,489	\$ 383,802	

Continued

* Restated property taxes for pass-through payments to districts and other agencies and County administrative charge

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 - 2011 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.

Fiscal Year					Page 2 of 6
2006	2005	2004	2003	2002	
\$ 16,137	\$ 14,146	\$ 15,459	\$ 14,533	\$ 16,303	
23,406	21,766	26,325	26,183	29,803	
135,530	129,507	130,369	118,392	116,905	
16,735	27,439	26,225	28,034	34,815	
70,235	67,561	59,321	46,813	54,170	
9,238 *	6,399 *	4,049 *	3,450 *	2,186 *	
227 *	- *	- *	- *	- *	
13,918	13,903	15,979	16,090	14,634	
<u>\$ 285,426</u>	<u>\$ 280,721</u>	<u>\$ 277,727</u>	<u>\$ 253,495</u>	<u>\$ 268,816</u>	
\$ 34,609	\$ 35,671	\$ 32,530	\$ 30,757	\$ 30,514	
2,949	2,952	2,663	2,656	12,344	
13,316	12,126	11,784	11,611	2,604	
1,342	1,256	1,518	1,192	1,296	
2,818	2,373	2,157	2,050	695	
8,212	7,615	7,518	7,418	7,714	
1,944	1,853	1,327	624	-	
<u>65,190</u>	<u>63,846</u>	<u>59,497</u>	<u>56,308</u>	<u>55,167</u>	
<u>\$ 350,616</u>	<u>\$ 344,567</u>	<u>\$ 337,224</u>	<u>\$ 309,803</u>	<u>\$ 323,983</u>	

Continued

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

	Fiscal Year					Page 3 of 6
	2011	2010	2009	2008	2007	
Program revenues:						
Governmental activities:						
Charges for services:						
General government (1)	\$ 5,912	\$ 4,659	\$ 5,482	4,076	\$ 3,857	
Cultural recreation and community services (2)	2,595	3,231	2,598	1,569	2,649	
Public safety (3)	29,171	25,370	20,844	17,642	17,959	
Developmental services (4)	17,186	15,706	13,833	10,591	12,214	
Community development	4,688	6,321	8,694	418	1,733	
Operating grants and contributions	87,080	99,887	72,232	61,202	71,352	
Capital grants and contributions	32,910	37,218	38,694	37,448	54,166	
Total governmental activities program revenues	\$ 179,542	\$ 192,392	\$ 162,377	\$ 132,946	\$ 163,930	
Business-type activities:						
Charges for services:						
Water	\$ 47,783	\$ 48,782	\$ 47,338	\$ 42,574	\$ 42,233	
Parking	3,733	4,287	4,274	3,757	4,105	
Refuse collections	16,218	14,988	8,615	8,111	7,877	
Transportation center	970	1,233	1,026	850	724	
Sewer	4,679	4,816	4,522	3,610	3,422	
Sanitation	8,002	7,946	8,091	7,831	7,922	
Federal clean water protection	2,552	2,474	2,384	2,340	2,389	
Operating grants and contributions	295	-	6,442	6,185	6,082	
Capital grants and contributions	-	-	-	-	-	
Total business-type activities Program revenues	84,232	84,526	82,692	75,258	74,754	
Total primary government Program revenues	\$ 263,774	\$ 276,918	\$ 245,069	\$ 208,204	\$ 238,684	
Net (expense) revenue						
Governmental activities	(149,156)	(176,142)	(171,869)	(185,115)	(150,375)	
Business -type activities	5,051	4,069	10,250	2,830	5,257	
Total primary government net (expense) revenue	\$ (144,105)	\$ (172,073)	\$ (161,619)	\$ (182,285)	\$ (145,118)	

Continued

Fiscal Year					Page 4 of 6
2006	2005	2004	2003	2002	
\$ 4,673	\$ 6,028	\$ 5,221	\$ 5,618	\$ 5,810	
5,515	3,847	2,382	2,104	1,364	
19,486	21,468	21,385	17,679	15,151	
11,299	7,586	7,828	6,821	7,367	
3,867	5,035	893	64	2	
62,431	67,327	57,317	67,656	68,021	
<u>27,749</u>	<u>12,990</u>	<u>21,333</u>	<u>16,460</u>	<u>17,210</u>	
\$ 135,020	\$ 124,281	\$ 116,359	\$ 116,402	\$ 114,925	
\$ 38,401	\$ 35,991	\$ 35,040	\$ 31,181	\$ 30,899	
3,639	3,115	3,439	2,774	6,959	
7,647	7,389	7,252	7,000	2,647	
905	720	1,252	1,479	1,415	
2,684	2,318	2,344	2,214	1,409	
7,948	7,926	7,746	7,777	7,805	
2,725	2,041	1,941	702	-	
6,225	5,721	5,525	5,121	4,361	
-	-	714	579	366	
<u>70,174</u>	<u>65,221</u>	<u>65,253</u>	<u>58,827</u>	<u>55,861</u>	
\$ <u>205,194</u>	\$ <u>189,502</u>	\$ <u>181,612</u>	\$ <u>175,229</u>	\$ <u>170,786</u>	
(150,406)	(156,440)	(161,368)	(137,093)	(153,891)	
4,984	1,375	5,756	2,519	694	
\$ <u>(145,422)</u>	\$ <u>(155,065)</u>	\$ <u>(155,612)</u>	\$ <u>(134,574)</u>	\$ <u>(153,197)</u>	

Continued

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Page 5 of 6					
General revenues and other changes in net assets					
Government activities:					
General government (1)	\$ (6,421)	\$ (7,033)	\$ (10,791)	\$ (1,801)	\$ (20,737)
Cultural recreation and community services (2)	(15,937)	(12,613)	(19,708)	(15,476)	(21,398)
Public safety (3)	(129,423)	(137,118)	(137,103)	(133,106)	(116,787)
Developmental services (4)	27,685	27,200	22,104	3,717	36,457
Community development	2,889	(1,170)	999	(12,019)	(6,309)
Pass-through payments to districts and other agencies	(12,760)	(28,093)	(10,399)	(9,341)	(8,786)
County administrative charge	(525)	(486)	(391)	(287)	(208)
Interest on long-term debt	(14,664)	(16,828)	(16,580)	(16,585)	(12,420)
General revenues:					
Property taxes	103,610	108,001 *	117,756 *	112,967 *	103,306 *
Sales Taxes	37,409	34,496	39,699	46,421	46,770
Hotels visitors' taxes	5,970	5,650	6,149	7,714	7,442
Utility users taxes	25,328	26,097	27,693	28,112	28,327
Business taxes	10,380	9,944	10,027	10,444	10,019
Franchise taxes	7,562	7,777	5,866	5,618	5,293
Other taxes	1,176	1,090	1,500	1,837	3,242
Intergovernmental, unrestricted	1,934	1,255	1,202	1,672	2,174
Investment income	869	2,862	4,613	5,219	7,505
Other revenues	665	1,089	543	389	825
Transfers	-	-	50	128	-
Total Governmental activities	<u>45,747</u>	<u>22,120</u>	<u>43,229</u>	<u>35,623</u>	<u>64,715</u>
Business-type activities:					
Water	2,195	3,055	5,428	1,285	3,050
Parking	1,102	1,463	1,506	785	1,206
Refuse collections	1,089	(1,728)	1,852	950	981
Transportation center	(344)	(191)	(395)	(433)	(579)
Sewer	1,217	1,332	1,382	297	338
Sanitation	(401)	(126)	309	190	670
Federal clean water protection	193	263	167	(245)	(409)
General revenues:					
Investment income	146	255	463	850	1,223
Transfers	-	-	(50)	(128)	-
Total business-type activities	<u>5,197</u>	<u>4,323</u>	<u>10,662</u>	<u>3,551</u>	<u>6,480</u>
Total primary government	<u>50,944</u>	<u>26,443</u>	<u>53,891</u>	<u>39,174</u>	<u>71,195</u>
Changes in net assets					
Government activities	45,747	22,120	43,229	35,623	64,715
Business-type activities	5,197	4,323	10,662	3,551	6,480
Total primary government	\$ <u>50,944</u>	\$ <u>26,443</u>	\$ <u>53,891</u>	\$ <u>39,174</u>	\$ <u>71,195</u>

* Restated property taxes for pass-through payments to districts and other agencies and County administrative charge

Continued

STATISTICAL SECTION

SCHEDULE 2

Fiscal Year					Page 6 of 6
2006	2005	2004	2003	2002	
\$ (11,086)	\$ (11,086)	\$ (9,627)	\$ (8,423)	\$ (8,688)	
(11,366)	(11,366)	(18,111)	(17,165)	(19,085)	
(103,069)	(103,069)	(105,523)	(93,764)	(96,304)	
19,210	19,210	8,671	2,484	(7,848)	
(20,713)	(20,713)	(16,749)	(684)	(5,144)	
(9,238)	(6,399)	(4,049)	(3,450)	(2,186)	
(227)	-	-	-	-	
(139,189)	(13,918)	(15,979)	(16,091)	(14,634)	
92,089 *	81,273 *	60,389 *	56,538 *	52,575 *	
45,094	43,973	41,865	40,383	39,059	
7,187	5,470	4,656	3,993	3,899	
27,565	26,666	25,874	24,958	24,335	
9,829	8,180	7,792	7,637	7,576	
7,107	5,673	5,422	5,141	5,403	
5,188	2,174	3,352	5,851	20,982	
2,904	7,726	15,905	-	-	
7,468	7,085	4,572	5,915	5,239	
310	323	285	20,332	533	
200	(581)	7	(4,576)	-	
<u>(70,737)</u>	<u>40,621</u>	<u>8,752</u>	<u>29,079</u>	<u>5,712</u>	
792	321	2,511	1,003	385	
690	787	1,147	119	43	
556	359	622	510	(1,023)	
(437)	(536)	(266)	287	438	
(134)	(54)	902	164	736	
(264)	311	227	358	115	
781	188	614	78	-	
803	473	281	441	755	
(200)	581	(7)	4,576	-	
<u>2,587</u>	<u>2,430</u>	<u>6,031</u>	<u>7,536</u>	<u>1,449</u>	
<u>(68,150)</u>	<u>43,051</u>	<u>14,783</u>	<u>36,615</u>	<u>7,161</u>	
54,534	40,621	8,752	29,079	5,712	
2,587	2,430	6,031	7,536	1,449	
<u>\$ 57,121</u>	<u>\$ 43,051</u>	<u>\$ 14,783</u>	<u>\$ 36,615</u>	<u>\$ 7,161</u>	

CITY OF SANTA ANA

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

	Fiscal Year			
	2011	2010*	2009	2008
General Fund				
Reserved	\$ -	\$ -	\$ 5,243	\$ 3,945
Committed	1,314	5,509	-	-
Assigned	2,987	-	-	-
Unreserved	-	-	11,093	32,183
Unassigned	6,673	2,962	-	-
Total General Fund	\$ <u>10,974</u>	\$ <u>8,471</u>	\$ <u>16,336</u>	\$ <u>36,128</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ 142,939	\$ 113,693
Nonspendable	3,652	12,354	-	-
Restricted	196,182	247,124	-	-
Assigned to Continuing Projects	-	3,831	-	-
Unreserved, Reported in:				
Special Revenue	(2,191)	(86)	63,681	77,705
Capital Projects	(600)	(925)	10,721	11,875
Debt Services	-	(68,330)	-	-
Total all other governmental funds	\$ <u>197,043</u>	\$ <u>193,968</u>	\$ <u>217,341</u>	\$ <u>203,273</u>

Source: City of Santa Ana 2002 - 2011 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.

*The City of Santa Ana implemented GASB54 for the fiscal year ended June 30, 2010.

STATISTICAL SECTION

SCHEDULE 3

Fiscal Year						
2007	2006	2005	2004	2003	2002	
\$ 4,361	\$ 9,459	\$ 5,577	\$ 7,659	\$ 10,645	\$ 12,714	
-	-	-	-	-	-	
-	-	-	-	-	-	
36,438	42,890	32,679	12,422	11,961	13,925	
-	-	-	-	-	-	
<u>\$ 40,799</u>	<u>\$ 52,349</u>	<u>\$ 38,256</u>	<u>\$ 20,081</u>	<u>\$ 22,606</u>	<u>\$ 26,639</u>	
\$ 85,460	\$ 80,941	\$ 93,205	\$ 101,638	\$ 94,624	\$ 64,167	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
16,893	10,061	5,918	10,030	7,604	8,738	
28,538	23,085	15,305	9,931	5,630	14,788	
-	-	-	-	-	-	
<u>\$ 130,891</u>	<u>\$ 114,087</u>	<u>\$ 114,428</u>	<u>\$ 121,599</u>	<u>\$ 107,858</u>	<u>\$ 87,693</u>	

CITY OF SANTA ANA

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

	Fiscal Year			
	2011	2010	2009	2008
Revenues:				
Taxes	\$ 191,434	\$ 193,055	\$ 205,817	\$ 210,242
License and permits	3,806	2,845	3,485	3,321
Intergovernmental	121,924	128,240	109,186	89,337
Charges for services	9,899	10,147	9,161	13,643
Fines and forfeits	7,902	6,435	7,332	7,645
Investment income	1,355	2,072	11,504	13,568
Gain on sale of land held for resale	238	-	-	350
Miscellaneous	39,280	44,368	39,359	35,050
Total revenues	<u>375,838</u>	<u>387,162</u>	<u>385,844</u>	<u>373,156</u>
Expenditures:				
General government (1)	10,782	11,745	20,300	16,497
Cultural recreation and community services (2)	21,205	23,629	26,883	28,176
Public safety (3)	164,203	177,346	173,793	160,806
Developmental services (4)	19,763	19,716	22,022	23,134
Community development	71,413	67,454	53,439	55,330
Capital outlay	58,488	56,481	46,819	41,769
Debt service:				
Principal retirement	14,244	12,485	12,791	11,154
Interest and fiscal charges	17,543	20,769	20,992	20,430
Cost of issuance and other bond charges	778	28,594	11,738	11,503
Total expenditures	<u>378,419</u>	<u>418,220</u>	<u>388,777</u>	<u>368,799</u>
Excess (deficiency) of revenues over (under) expenditures	(2,581)	(31,058)	(2,933)	4,357
Other Financing Sources (uses):				
Transfers in	55,970	68,438	65,647	57,400
Transfers out	(54,377)	(68,619)	(69,137)	(61,025)
Bond premium	-	-	-	-
Bond discount	(374)	-	-	-
Capital lease agreement	-	-	-	-
Issuance and other costs	-	-	-	-
Loan proceeds	-	-	700	-
OCIP investment loss	-	-	-	-
Payment to refunded bond escrow agent	(59,850)	-	-	-
Proceeds from COP	-	-	-	-
Proceeds from issuance of bonds	-	-	-	68,010
Proceeds from lease revenue bonds	-	-	-	-
Proceeds of refunding debt	66,790	-	-	(1,032)
Proceeds from state (CHFA) loan	-	-	-	-
Total other financing sources (uses)	<u>8,159</u>	<u>(181)</u>	<u>(2,790)</u>	<u>63,353</u>
Net change in fund balance	\$ <u>5,578</u>	\$ <u>(31,239)</u>	\$ <u>(5,723)</u>	\$ <u>67,710</u>
Debt service as a percent of noncapital expenditures	9.9%	9.2%	9.9%	9.7%

Source: City of Santa Ana 2002 - 2011 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

STATISTICAL SECTION

SCHEDULE 4

Fiscal Year						
2007	2006	2005	2004	2003	2002	
\$ 201,155	\$ 190,891	\$ 173,009	\$ 149,350	\$ 141,502	\$ 134,391	
3,488	4,172	3,822	3,853	3,144	2,455	
128,046	87,718	85,023	94,229	98,861	95,628	
10,878	16,280	13,570	11,960	10,913	10,340	
5,891	5,911	5,005	3,943	3,615	3,814	
27,458	29,696	26,203	23,002	21,397	23,264	
-	-	-	-	-	-	
13,242	15,487	9,111	8,798	10,593	7,349	
<u>390,158</u>	<u>350,155</u>	<u>315,743</u>	<u>295,135</u>	<u>290,025</u>	<u>277,241</u>	
19,152	15,022	13,107	11,796	13,024	14,092	
28,264	24,636	22,917	21,370	23,525	26,715	
156,930	141,660	134,747	120,150	113,407	110,000	
20,032	17,769	15,493	17,363	19,631	21,421	
40,225	40,968	43,220	39,551	44,265	40,958	
77,665	48,385	40,708	40,801	49,110	40,857	
11,614	11,350	9,641	7,429	8,376	6,871	
19,384	20,142	21,518	21,596	24,573	21,699	
8,993	9,465	6,397	4,787	3,450	2,186	
<u>382,259</u>	<u>329,397</u>	<u>307,748</u>	<u>284,843</u>	<u>299,361</u>	<u>284,799</u>	
7,899	20,758	7,995	10,292	(9,336)	(7,558)	
39,411	67,313	67,470	58,988	84,723	59,067	
(42,582)	(69,597)	(64,461)	(59,094)	(87,219)	(63,069)	
-	-	-	2,383	-	-	
-	-	-	-	(274)	-	
526	-	-	-	5,687	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	(40,535)	(36,456)	-	
-	-	-	-	-	-	
-	-	-	-	20,945	-	
-	-	-	-	-	-	
-	-	-	38,845	37,199	-	
-	-	-	335	865	1,143	
<u>(2,645)</u>	<u>(2,284)</u>	<u>3,009</u>	<u>922</u>	<u>25,470</u>	<u>(2,859)</u>	
\$ 5,254	\$ 18,474	\$ 11,004	\$ 11,214	\$ 16,134	\$ (10,417)	
10.2%	11.2%	11.7%	11.9%	13.2%	11.7%	

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

Fiscal Year Ended June 30	City			Taxable Assessed Value	Total Direct Tax Rate ²
	Secured	Unsecured	Less: Exemptions ¹		
2011	\$ 18,313,282	\$ 1,575,006	\$ (173,894)	\$ 19,714,394	-
2010	18,811,560	1,700,267	(174,101)	20,337,726	-
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

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.

Redevelopment Agency

Secured	Unsecured	Less: Exemptions ¹	Taxable Assessed Value	Total Direct Tax Rate ²
\$ 5,508,301	\$ 1,030,585	\$ (6,124)	\$ 6,532,762	1.1066
5,861,379	1,147,376	(5,924)	7,002,831	1.1068
5,802,723	1,135,087	(5,827)	6,931,983	1.0590
5,204,255	1,077,781	(5,980)	6,276,056	1.0641
3,915,380	1,002,201	(4,456)	4,913,125	1.0630
3,957,501	909,681	(3,242)	4,863,940	1.0656
3,705,383	910,600	(3,132)	4,612,851	1.0827
3,527,810	956,067	(2,917)	4,480,960	1.0626

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

	2011	2010	2009
City direct rates:			
City basic rate	(2)	(2)	(2)
Redevelopment agency			
Total City direct rate	-	-	-
Overlapping Rates:			
Santa Ana Unified School			
District bonds	0.07147	0.07167	0.03212
Rancho Santiago Community			
College District bonds	0.03146	0.03141	0.02253
Metropolitan Water District	0.00370	0.00370	0.00430
County of Orange	1.00000	1.00000	1.00000
Total direct rate	1.10663	1.10678	1.05895

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.

SCHEDULE 6

2008	2007	2006	2005	2004
(2)	(2)	(2)	(2)	(2)
-	-	-	-	-
0.03585	0.03915	0.04353	0.04961	0.03871
0.02373	0.01911	0.01691	0.02726	0.01776
0.00450	0.00470	0.00520	0.00580	0.00610
1.00000	1.00000	1.00000	1.00000	1.00000
<u>1.06408</u>	<u>1.06296</u>	<u>1.06564</u>	<u>1.08267</u>	<u>1.06257</u>

**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 *
2011	\$ 29,205,930	\$ 27,083,336	92.7%	\$ 339,161	\$ 27,422,497	93.9%
2010	28,550,867	27,376,262	95.9%	1,116,499	28,492,761	99.8%
2009	29,692,293	29,424,955	99.1%	1,182,516	30,607,471	103.1%
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%

Source: County of Orange Auditor-Controller's Office

* Percentage of annual levy exceeds 100 percent due to the delinquent collections of the year

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

Category	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
General Retail	\$ 32,722	32,467	35,097	39,163	40,425	40,966	39,059
Business to Business	27,500	28,838	35,293	37,484	40,034	38,206	38,719
Transportation	31,641	28,414	32,835	36,254	36,901	35,862	34,188
Food Products	20,797	20,283	21,654	22,867	22,402	21,875	20,967
Construction	14,239	14,305	17,661	20,820	21,621	20,147	18,342
Miscellaneous ¹	1,428	1,548	1,997	1,735	1,703	1,655	1,059
Total	\$ 128,327	125,855	144,536	158,323	163,086	158,711	152,334

1. Miscellaneous category includes health & government

The County of Orange has a 8.75% 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 Remitters
Fiscal Year 2011**

<u>Principal Property Tax Remitters</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Mainplace Shoppingtown	\$ 216,586,828	1	1.10%
SFI Mac Arthur Pl Orange	139,350,778	2	0.71%
First American Title	114,994,826	3	0.58%
Greenville Ranch LLC	97,822,608	4	0.50%
Freedom Newspapers Inc	81,593,634	5	0.41%
Maguire Properties Griffi	80,938,234	6	0.41%
GLL US Office LP	77,540,000	7	0.39%
Prime South Main LP	74,298,544	8	0.38%
Bel Santa Ana LLC	71,206,349	9	0.36%
Colton David A	<u>65,471,674</u>	10	<u>0.33%</u>
Total	<u>\$ 1,019,803,475</u>		<u>5.17%</u>

Presented in order of highest to lowest estimated property tax revenue paid to the City and Redevelopment Agency

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.



CITY OF SANTA ANA, CALIFORNIA
**Comprehensive
Annual Financial Report**

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

	Fiscal Year			
	2011	2010	2009	2008
Type of Customer				
Residential	8,017,322.1	8,084,666.0	9,775,959.9	9,116,657.7
Commercial	2,174,889.3	2,158,521.6	2,772,523.9	2,751,669.8
Industrial	725,834.5	710,905.9	996,097.7	965,694.2
Wholesale food	110,922.4	106,531.7	115,519.1	110,642.7
Government	325,890.9	316,262.6	218,620.8	116,565.3
Others ¹	489,859.2	515,525.3	655,178.0	548,450.8
Total	11,844,718.4	11,892,413.1	14,533,899.4	13,609,680.5
Total direct rate per 44 units ²	\$ 2.673	\$ 2.673	\$ 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 Nine Fiscal Years

Fiscal Year Ended June 30	Monthly base Rate ¹	Rate per 44 Units ²
2011	\$ 7.00	2.67
2010	7.00	2.67
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 2011**

Water Customer	2011	
	Taxable Water Charges	Percentage of Total Water Revenues
Chroma Systems	\$ 325,479	0.75%
Adohr Farms Inc	249,797	0.57%
Fairview Villas	207,577	0.48%
Power Circuits Inc.	223,142	0.51%
Far West Management Corp	142,385	0.33%
Warwick Square Assoc. Inc.	142,057	0.33%
Town Square Owners	119,435	0.27%
County of Orange	128,008	0.29%
On The Lk Versailles	109,687	0.25%
MacArthur Village	108,347	0.25%
Total	\$ 1,755,913	4.02%

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 Eight Fiscal Years**

Other Governmental Activities Debt						
Fiscal Year Ended June 30	Tax Allocation Bonds	Tax Allocation Refunding Bonds	Capital Leases	Certificates of Participation		
2011	\$ 84,275,000	\$ 20,960,000	\$ 2,930,437	\$ 76,045,000		
2010	18,010,000	22,770,000	4,342,004	77,515,000		
2009	18,520,000	24,500,000	5,705,163	77,845,000		
2008	19,020,000	26,160,000	8,516,932	78,160,000		
2007	19,510,000	27,689,080	4,087,758	10,455,000		
2006	19,990,000	29,243,169	4,511,149	10,745,000		
2005	20,470,000	30,757,258	5,684,440	11,020,000		
2004	20,945,000	32,236,347	7,107,587	11,285,000		

Business-type Activities						
Fiscal Year Ended June 30	Revenue Bonds Payable	Certificates of Participation	Refunding COP	Notes Payable		
2011	\$ 15,420,000	\$ -	\$ 6,695,000	\$ 1,153,012		
2010	16,250,000	-	7,755,000	1,308,434		
2009	17,060,000	-	8,680,000	1,458,557		
2008	17,850,000	-	9,485,000	1,603,559		
2007	18,015,209	2,360,000	9,914,595	1,743,617		
2006	18,731,609	3,428,883	11,294,550	1,878,899		
2005	19,438,010	4,432,394	12,589,505	2,009,567		
2004	19,404,410	5,385,904	13,814,460	2,135,779		

Notes:

Source: City of Santa Ana 2004 - 2011 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.

SCHEDULE 13

Other Governmental Activities Debt

Lease Revenue Bonds	Refunding Revenue Bonds	Long Term Loans
\$ 80,740,000	\$ -	\$ 7,633,917
84,930,000	64,930,000	8,006,082
88,960,000	69,750,000	8,328,862
92,830,000	74,335,000	7,050,475
96,543,001	78,695,000	7,054,737
100,967,003	82,850,000	8,878,375
105,301,003	86,830,000	10,586,752
108,220,004	90,605,000	12,189,685

Total Primary Government	Percentage of Personal Income ²	Debt Per Capital ²
\$ 295,852,366	0.05%	\$ 6,724
305,816,520	0.06%	7,142
320,807,582	0.06%	7,475
335,010,966	0.06%	8,000
276,067,997	0.05%	7,077
292,518,637	0.06%	7,924
309,118,929	0.07%	8,786
323,329,176	0.08%	9,757

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

	Fiscal Year			
	2011	2010	2009	2008
Debt limit	\$ 497,207,207	\$ 512,795,676	\$ 548,286,091	\$ 529,602,908
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ <u>497,207,207</u>	\$ <u>512,795,676</u>	\$ <u>548,286,091</u>	\$ <u>529,602,908</u>

Legal Debt Margin Calculation for Fiscal Year 2011:

Assessed value	\$ 19,888,288,298
Debt Limit (2.5 percent of assessed value) ¹	<u>497,207,207</u>
Debt applicable to limit:	
General obligation bonds	None
Legal debt margin	\$ <u>497,207,207</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.

STATISTICAL SECTION

SCHEDULE 14

						Fiscal Year					
2007		2006		2005		2004		2003		2002	
\$	488,986,777	\$	436,374,410	\$	333,262,607	\$	280,586,375	\$	266,029,957	\$	252,587,891
	-		-		-		-		-		-
\$	<u>488,986,777</u>	\$	<u>436,374,410</u>	\$	<u>333,262,607</u>	\$	<u>280,586,375</u>	\$	<u>266,029,957</u>	\$	<u>252,587,891</u>

**Direct and Overlapping Debt
Fiscal Year 2011**

<u>City of Santa Ana</u>			
2010-11 Assessed Valuation:	\$	19,888,288,298	
Redevelopment Incremental Valuation:		5,251,404,978	
	\$	14,636,883,320	
		Total Debt	City's Share of
<u>Overlapping Tax and Assessment Debt:</u>		<u>06/30/11</u>	<u>(1) Debt 06/30/11</u>
Metropolitan Water District	\$	227,670,000	0.817 \$ 1,860,064
Coast Community College District		326,768,867	0.284 928,024
Rancho Santiago Community College District		309,908,025	27.160 84,171,020
Garden Grove Unified School District		130,000,160	13.313 17,306,921
Santa Ana Unified School District		310,984,745	53.637 166,802,888
Tustin Unified School District Facilities Improvement District No 2002-1		60,148,766	11.874 7,142,064
Tustin Unified School District Facilities Improvement District No 2008-1		50,000,000	11.779 5,889,500
Total Overlapping Tax and Assessment Debt:			\$ 284,100,481
<u>Ratios to 2010-11 Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt.....		1.43%	
<u>Direct General Fund Debt:</u>			
City of Santa Ana General Fund Obligations		100,785,000	100.000 100,785,000
Total Gross Direct General Fund Debt			\$ 100,785,000
Less: City of Santa Ana Certificate of Participation supported by parking revenues			6,695,000
Total Net Direct General Fund Debt			\$ 94,090,000
<u>Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$	316,898,000	3.918% \$ 12,416,064
Orange County Pension Fund Obligations		54,682,497	3.918 2,142,460
Orange County Board of Education Certificates of Participation		19,000,000	3.918 744,420
South Orange Community College District Certificates of Participation		17,375,000	0.777 135,004
Orange Unified School District Benefit Obligations		91,365,000	2.519 2,301,484
Orange Unified School District Certificates of Participation		49,350,000	2.519 1,243,127
Santa Ana Unified School District Certificates of Participation		52,212,863	53.637 28,005,413
Tustin Unified School District Certificates of Participation		5,005,000	7.378 369,269
Irvine Ranch Water District Certificates of Participation		81,400,000	0.599 487,586
Total Overlapping General Fund Debt			\$ 47,844,827
Total Net Direct and Overlapping General Fund Debt			\$ 141,934,827
Total Gross Overlapping Debt			\$ 331,945,308
Total Net Overlapping Debt			\$ 331,945,308
Gross Combined Total Debt			\$ 432,730,308 (2)
Net Combined Total Debt			\$ 426,035,308

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

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Adjust Assessed Valuation:

Gross Total Direct Debt (\$100,785,000).....	0.69%
Net Total Direct Debt (\$94,090,000).....	0.64%
Gross Combined Total Debt.....	2.96%
Net Combined Total Debt.....	2.91%

State School Building Aid Repayable as of 06/30/11 \$0

SCHEDULE 16

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

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 47,783	\$ 44,917	\$ 2,866	830	688	31.77
2010	48,782	42,542	6,240	810	708	31.12
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 - 2011 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 Eight Calendar Years**

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2010	324,528	\$ 565,365,000	\$ 43,999	9.6%
2009	357,754	551,271,000	42,818	15.7%
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 2011**

Employer	2011	
	Number of Employees	Percent of Total Employment
County of Orange	10,410	6.4%
Ingram Micro	3,700	2.3%
Rancho Santiago Community College	2,300	1.4%
United States Postal Service	2,623	1.6%
City of Santa Ana	2,044	1.3%
State of California	1,719	1.1%
Tenet Healthsystem Medical	1,500	0.9%
Freedom Communications Inc	900	0.6%
Corinthian Colleges Inc	858	0.5%
Ponderosa Builders Inc	800	0.5%

"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**

<u>Function</u>	Full-Time and Part-time Employees as of June 30			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General government (1)	178	192	203	232
Cultural recreation and community services (2)	396	395	404	459
Public safety (3)	877	896	934	973
Developmental services (4)	256	246	281	326
Community development	<u>90</u>	<u>94</u>	<u>111</u>	<u>121</u>
Total	<u>1,797</u>	<u>1,823</u>	<u>1,933</u>	<u>2,111</u>

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

Full-Time and Part-time Employees as of June 30

2007	2006	2005	2004	2003	2002
229	218	211	216	225	241
462	360	369	386	450	538
963	939	919	981	997	1,025
311	294	303	308	322	339
122	118	132	138	141	140
<u>2,087</u>	<u>1,929</u>	<u>1,934</u>	<u>2,029</u>	<u>2,135</u>	<u>2,283</u>

**Operating Indicators by Function
Last Six Fiscal Years**

	2011	2010
Police:		
Physical arrests	11,645	11,313
Parking citations issued	82,737	87,827
Traffic citations issued	12,873	17,989
Responses to 911 calls	150,057	24,986
Fire:		
Number of emergency calls	18,360	17,808
Inspections	4,931	5,124
Public Works:		
Streets:		
-Street resurfacing (miles)	-	-
-Pot holes repaired	23,750	25,000
Sanitation:		
-Refuse collected (tons/year) *		
-Recyclables collected (tons/year) *		
Refuse collected (tons/year)		
-Tons Disposed		
-Goal: Max lbs refuse disposed/person *	7.5	7.5
-Actual: lbs refuse disposed/person *	5	4.7
Water:		
-New connections	22	35
-Water mains breaks	35	41
-Average daily consumption (thousands of gallons)	33,400	34,900
Parks, recreation and community services:		
Athletic field permits issued	8,781	8,890
Number of recreation classes (subjects)	172	151
Number of facility rentals	2,722	3,014
Planning and Building:		
Number of building permits issued	2,355	2,032
Number of plan checks	1,561	1,405
Number of inspections	24,185	23,168
Number of demolition building permits	27	17
Value of construction (in thousands):		
-Commercial and industrial construction	12,278	2,544
-Residential construction	11,695	1,408
-Other additions and alterations	73,671	55,008

* 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.

STATISTICAL SECTION

SCHEDULE 20

2009	2008	2007	2006
12,975	13,841	12,450	12,219
94,792	103,817	103,383	95,299
20,154	26,233	42,995	34,028
25,009	25,616	24,671	22,301
17,859	10,645	18,215	19,960
3,985	2,033	4,026	4,106
94	10	2	1.39
25,000	27,440	28,500	26,570
	1,025,000	1,025,000	970,000
	620,000	600,000	580,000
8			
5			
52	89	147	107
19	21	27	13
36,700	38,400	83,000	42,000
9,871	9,139	8,659	9,855
158	127	104	91
3,335	3,002	2,691	1,812
2,215	3,112	3,868	4,581
1,571	2,672	3,221	2,574
39,147	48,687	42,308	41,659
12	42	45	48
6,571	14,069	15,031	7,374
951	7,170	22,007	122,060
43,132	69,403	64,773	93,717

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

	2011	2010	2009	2008	2007	2006
Police:						
Stations	2	2	2	2	2	2
Fire:						
Fire stations	10	10	10	10	10	10
Public Works:						
Street (miles)	421	425	425	425	425	400
Streetlights	1,789	1,630	1,606	1,606	1,593	1,582
Traffic Signals	292	285	285	282	279	275
Parks, Recreation and community services						
Number of parks	35	35	35	35	40	40
Number of libraries	2	2	2	2	2	2
Number of recreation facilities	17	17	17	17	8	8
Number of municipal swimming pools	5	5	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	2 WITH 25 COURTS	2 WITH 25 COURTS
Number of miles of bike trails	11	11	11	11	11	11
Water:						
Water mains (miles)	478	478	488	488	488	488
Maximum daily capacity (thousands of gallons)	146,000	146,000	146,000	146,000	159,000	157,000
Number of water wells	20	20	20	20	19	19
Number of reservoirs	10	10	10	10	10	10
Number of hydrants	4,812	4,812	4,779	4,943	4,927	4,901
Sewer:						
Sewer mains (miles)	390	390	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.