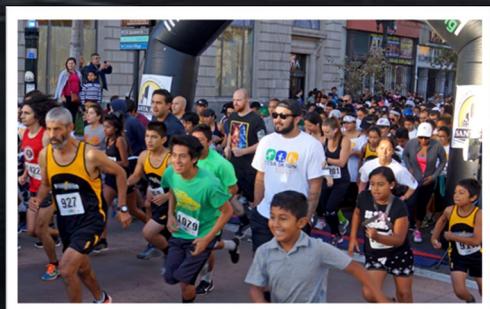


CITY OF SANTA ANA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



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

2018

CITY OF SANTA ANA, CALIFORNIA

2018
Comprehensive Annual
Financial Report

For the Fiscal Year Ended June 30, 2018

Prepared by
Finance & Management Services Agency



Comprehensive Annual Financial Report

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June 30, 2018

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CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Michele Martinez
COUNCILMEMBERS
P. David Benavides
Vicente Sarmiento
Jose Solorio
Sal Tinajero
Juan Villegas



CITY MANAGER
Raul Godinez II
CITY ATTORNEY
Sonia R. Carvalho
CLERK OF THE COUNCIL
Maria D. Huizar

CITY OF SANTA ANA

20 Civic Center Plaza • P.O. Box 1988
Santa Ana, California 92702
www.santa-ana.org

December 7, 2018

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

In accordance with the requirements of the California State law and City Charter, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) for the City of Santa Ana (the City) for the fiscal year ended June 30, 2018. 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 in the United States of America (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.

White Nelson Diehl Evans LLP (WNDE), a firm of certified public accountants who were selected via a competitive bid process and subsequently awarded a contract on May 3, 2016, has audited the City's financial statements. The auditors have issued unmodified opinions on these financial statements. Such opinions state that the City adhered to the applicable accounting regulations appropriately and that the financial report is fairly presented in all material respects in accordance with GAAP. Their report is located at the front of the financial section of the CAFR.

The CAFR consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. In making these representations, management of the City 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's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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's MD&A can be found immediately following the report of the independent auditors.

SANTA ANA CITY COUNCIL

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The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018 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. WNDE concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

If over \$750,000 is expended on Federal Financial grant programs, the City is also required to undergo an annual "Single Audit" in conformity with the provisions of the Single Audit Act of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). For the year-ended June 30, 2018, the City expended over \$750,000 in federal grant monies and thus is required to undergo a Single Audit. The standards governing Single Audit engagements require the auditors to consider internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Due to the size and complexity of the City's financial systems and the timing of the audit, the Single Audit report is issued separately from the audited financial statements. The Single Audit report must be issued by March 31, 2019 and will be available upon request.

City Profile

The City provides a full range of municipal services, including: police, the construction and maintenance of streets and related infrastructure, municipal utilities such as water, sewer, refuse and sanitation, recreational activities, a public library along with various cultural events. The City has also contracted the Orange County Fire Authority and CARE Ambulance Service to provide fire suppression and emergency medical services, respectively. Additionally, the City administers three other legally separate entities, which include the Successor Agency to the Santa Ana Redevelopment Agency, Housing Authority of the City of Santa Ana, and the Santa Ana Financing Authority.

Founded in 1869, Santa Ana is located in Southern California adjacent to the Santa Ana River, within 10 miles (16 km) from the California coast. The City is part of the Greater Los Angeles Area, which according to the U.S. Census Bureau, is the second largest metropolitan area in the U.S., with almost eighteen million people. Santa Ana is 57th most populous City in the nation according to the 2011 Census data and the 11th largest City in the State.

In 1952, the City was established as a charter city and adopted the council-manager form of government. Policy-making and legislative authority is vested in a governing City Council consisting of the Mayor and six Councilmembers. 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 Council is nominated from wards, but elected at large and on a non-partisan basis. Councilmembers serve four-year staggered terms, while the Mayor is elected to serve a two-year term.

City Profile (continued)

The City Manager is responsible for carrying out the policies and ordinances of the City Council as well as overseeing the day-to-day operations of the City. Furthermore, the City Manager is also responsible for developing and recommending the City's budget, which is then submitted to the City Council for approval.

Moreover, Santa Ana is the 2nd largest within Orange County occupying 27.3 square miles and serving a population of 338,247. Centrally located within Orange County, the City houses both State and Federal agencies, County Administration, County Court functions and the Ronald Reagan Federal Court House within its civic center complex. The current Office of Management and Budget metropolitan designation for the Orange County Area is Santa Ana–Anaheim–Irvine.

Santa Ana is also home to many attractive amenities such as the Main Place shopping mall, the world-renowned Bowers Museum, the Discovery Science Center, and the Santa Ana Zoo at Prentice Park, which includes a variety of animal exhibits such as the Ocelot Exhibit and the Conservation Carrousel featuring endangered species. Santa Ana also boasts many unique shops, premier restaurants and artist galleries in the Historic Downtown Santa Ana area.

The City currently houses nationally recognized schools such as Mater Dei High School and Orange County School of the Arts. Both academic institutions are well known for their college level academics program. Furthermore, Mater Dei is nationally recognized in athletics while the Orange County School of the Arts is highly recognized in music, dance and theatre.

Additionally, the Santa Ana Unified School District houses the most Charter schools within Orange County, including the recently established Advanced Learning Academy STEM (Science, Technology, Engineering, and Mathematics). The academy provides local youth an opportunity to obtain the necessary skills required to succeed in a post-secondary education.

Santa Ana is also the headquarters for many recognized companies such as Behr Paint, First American Corporation, Abbott Medical Optics, Stearns Lending, IPC USA and SchoolsFirst Federal Credit Union a leading Credit Union serving the educational community for the region. The City also houses major regional headquarters for the Xerox Corporation, Psomas and Ultimate Software.

Local Economy

The City is located within the Los Angeles-Long Beach-Santa Ana Metropolitan area. The area is the 2nd highest producing metro area in the country as measured by Gross Metropolitan Product. The City is known as the heart of Orange County and the center of government, commerce and transportation. The City is also home to approximately 30,000 businesses (active licenses-calendar year 2018) with the top 25 businesses generating approximately 25% of the jurisdiction's total sales tax revenue. The City has a solid retail base, which is anchored by the Main Place Mall, the Santa Ana Auto Mall and an emerging downtown. The historic downtown area has attracted many new restaurants that surround a cultural artist village component.

Additionally, the City's general economic base includes transportation, and business-to-business, food industry and construction. Transportation and general retail make up approximately 50% of the City's sales tax base. However, the top five segments for the City are restaurants, new auto-sales, building materials-wholesale, miscellaneous retail, and service stations. These segments demonstrate the continued growth of Santa Ana as a point of destination.

Local Economy (continued)

Currently the City is experiencing moderate growth within its revenue sources such as; sales tax, property tax, property tax in-lieu of vehicle license fees, business license and hotel visitors tax. As noted previously, increased economic activity is reflected with surging assessed valuations for real property, which in turn is providing the City a stable and reliable source of income.

Economic Condition and Outlook

Staff projected a deficit approximating \$7.2 million for the fiscal year 2017-18 General Fund. However, the year-end deficit realized totaled \$6.9 million largely attributable to increasing pension costs, which are expected to increase an average of 13.7% over the next five years.

Additionally, City Staff developed and presented a two-year financial forecast. The two-year forecast is a useful tool to provide policy makers a road map for strategic decision-making. Key elements for the forecast include but are not limited to moderate revenue growth within its six major sources of revenue such as Sales Tax, Property Tax, Business License Tax and Utility Users tax. Additionally, the forecast incorporates increases within both its retirement and health insurance costs and reflects a projected deficit in the upcoming fiscal years.

The forecast also reflects the use of one-time revenues in order to balance its General Fund budget. However, the forecast solidifies the City's commitment in funding its core functions, such as Public Safety, Recreation, Capital Improvements and Economic development initiatives. In order to minimize its use of one-time funds, the City Council recently passed measures which address the projected deficit specifically augmentation of Cannabis regulation, awarding of new Federal Contracts regarding the housing of inmates at the City's Jail, and the Santa Ana Neighborhood Safety, Homeless Prevention and Essential City Services Enhancement Measure. The latter established a local sales and use tax in the City of 1.5 cents for 10 years until March 31, 2029 at which point it will drop to 1 cent until March 31, 2039. Furthermore, the forecast also reflects its commitment in maintaining both an operating reserve and economic uncertainty account.

The City continues to leverage the positive economic climate via establishment of economic incentives for its Auto Mall and funding of Public/Private partnerships, which focus on short-term economic stabilization and long-term economic sustainability. Both the Santa Ana Auto and Main Place Malls continue to be a major economic engine for the City. Because of these partnerships, the following programs and related accomplishments have been achieved:

- City/Chamber Business Retention team
 - Over 700 business visited since 2015
- Warner Avenue Street Improvement
 - Over \$3.3 million will be invested in improving Warner Avenue from Main to Oak Street

Economic Condition and Outlook (continued)

Recently/to be completed major economic projects include the following:

City Financial Stability

- Refinancing the 2003A & B and 2011A Tax Allocation Bonds
 - Total City estimated debt service savings of \$3.5 million

Residential

- Tiny Tim Plaza Residential Development
 - 51 Affordable Housing Unit(s)
 - 51,300 sq. ft. of Rental space
 - Located at 2223 W. 5th Street
- Legacy Square
 - 93 unit Single Family Residential Development
 - 7,767 sq. ft. of mixed-use space and a 2,576 sq. ft. community center
 - Located at 609 North Spurgeon Street

Commercial

- Main Place Mall Transformation Project
 - 1,900 residential units
 - 400 Hotel Rooms
 - 1,400,000 total sq. ft. of commercial space
 - Located at 2800 North Main Street
- Russell Fischer Partnership
 - Approximately 7,500 sq. ft. of industrial space
 - A Gas Station and Convenience Store (2,800 sq. ft.)
 - Located at 301 North Tustin Avenue

In the upcoming fiscal year, the City will strive to continue momentum in spurring economic development via offering incentives to build four or five star rated hotels along with continuing to support the arrival of the Street Car, which is an exciting capital project expected to spur economic development, create jobs and generate additional revenue for the City. In addition, expansion of the City's cannabis program to include both adult and commercial/distribution uses reflect revenue enhancements addressing the current projected budgetary deficit. Furthermore, the City has completed various improvements to City Streets and bikeways. The capital investment has allowed City visitors and residents the opportunity to travel in a safe, efficient and timely manner on its roadways.

Long-term Financial Planning

Key elements in providing long-term stability include; partnering with the various bargaining units to share the burden on pension and medical costs, implementation of innovation and efficiency measures, refinancing of existing debt to save debt service costs, examining fees to ensure the City maximizes its cost recovery, and partnering with the Orange County Fire Authority for the delivery of Fire and Emergency Medical services.

Long-term financial planning (continued)

During the budget process for fiscal year 2012-13, the City committed to establishing a fundamental strategy of balancing its budget by adopting a formal budget and reserve policy, which provides guidelines for a balanced budget approach, use of one-time funds, and appropriate reserve levels as recommended by the Government Finance Officers Association (GFOA). At the end of fiscal year 2017-18, the City continued to maintain its operating reserves for its General Fund expenditures along with maintenance of its economic uncertainty account. The City also continues to evaluate its various funds to maintain adequate reserves levels to meet emergency repairs, capital needs and other unforeseen expenditures. Furthermore, as the City monitors local and national economic trends, it will continue to evaluate the amount required to maintain as a reserve for its General Fund. In addition, to the reserve levels maintained within its General Fund, the City has established an operating expense reserve for its various enterprise and internal services funds.

As a means to provide additional services to the community and reduce the burden on city finances, the City will continue to research and apply for both Federal and State grant opportunities, which are in alignment with City's Five-Year Strategic Plan. Through the efforts of City departments and the Citywide grants task force, the City secured grant funding for public safety, Active Transportation, park sites and improving community health.

Also through the efforts of the Santa Ana Police Department, the Department of Justice continues to award funding via the Community Oriented Policing Services (COPS) grant totaling approximately \$1.25 million for each funding year to subsidize the cost of public safety.

Relevant Financial Policies

On June 4, 2012, the City Council adopted the Fiscal and Budget Policy (Policy), a comprehensive set of financial policies and General Fund budget policy directives. A revision was made to the Policy during June 2017. The revisions to the policy define the appropriateness of when to utilize the reserve along with updated language regarding the amount to be maintained within the operating reserve. During fiscal year 2017-18, the City continues to maintain a reserve for the General Fund, which totals approximately \$42.4 million (greater than 16.67 operating surplus requirement per the adopted policy) along with an economic uncertainty account in the amount of \$3.8 million.

Major Initiatives

The City has embarked on many initiatives within the Five-Year Strategic Plan, which include embracing community involvement, increase transparency, support future development, promote innovation and efficiencies, and improve the overall environment of the City. The adoption of the Strategic Plan marked a major milestone for both the City and the community, which began in 2012 with the adoption of the Sunshine Ordinance. There are seven goals that will be achieved, including: 1) Community Safety, 2) Youth, Education, Recreation, 3) Economic Development, 4) City Financial Stability, 5) Community Health, Livability, Engagement & Sustainability, 6) Community Facilities & Infrastructure, and 7) Team Santa Ana. Under these goals are 33 objectives and 147 strategies that the City will undertake in order to accomplish the seven goals. Some of the objectives accomplished during fiscal year 2017-18 follow:

Major Initiatives (continued)

- The Successor Agency to the Santa Ana Redevelopment Agency was issued a “AA” rating related to its refinancing of existing Tax Allocation Bonds. The refinancing closed on November 8, 2018 and generated approximately \$3.5 million in debt service savings.
- The City Council approved Adult Use and Commercial Cannabis policies to regulate the Cannabis industry that will lead to an increase in the City’s tax revenue base.
- The Public Works Agency completed various projects including but not limited to the following: resurfacing of City arterial and residential streets; providing safety improvements for pedestrians and bicyclists such as various traffic light/synchronizations improvement; and the continued improvements of City roadways such at the Bristol widening project via the creation of an additional lane and a corresponding bikeway.
- The Santa Ana Police Department enhanced its Safe Routes to School (Crossing Guard) program for the City’s school-age youth.
- The Santa Ana Police Department augmented its existing US Marshal agreement to increase the number of inmates to increase the revenue for its Jail operations.
- The Parks, Recreation & Community Services Agency established the new community public space in the Pacific Electric Park.
- The Community Development Agency continues administering a \$30 million Affordable Housing Program along with developing more affordable housing options.
- The City facilitated development efforts that will enhance the General Fund’s economic tax base. These developments include:
 - Hampton Inn & Suites (hotel and mixed-use development)
 - 3rd and Broadway (mixed-use development)
 - OC Streetcar (light rail development)
 - Main Place Mall Transformation (mixed-use development)
- The Finance and Management Services Agency began implementing enhanced software to assist City Departments to develop the budget in a more timely and efficient manner.
- The Finance and Management Services Agency developed a work plan necessary to fund the pre-payment of its CalPERS unfunded liability (safety plan). This will result in \$500,000 in savings during Fiscal Year 2018-19.
- The Information Technology Agency oversaw the implementation of various efficiency items for its internal customers and enhancement of the City’s website.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. The City has received this prestigious award for forty consecutive years. In order to be awarded a Certificate of Achievement, the City 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 and Management Services Agency, 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 leadership and support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Raul Godinez II
City Manager



Kathryn Downs, CPA
Executive Director
Finance & Management Services Agency



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

GFOA Certificate of Achievement

Excellence in Financial Reporting for the Fiscal Year Ended June 30, 2017



Government Finance Officers Association

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, 2017

Christopher P. Morill

Executive Director/CEO

Directory of City Officials

June 30, 2018



**Mayor
Miguel Pulido**
mpulido@santa-ana.org



**Councilmember
Vicente Sarmiento**
vsarmiento@santa-ana.org

**Ward
1**



**Mayor Pro-Tem
Michele Martinez**
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**Ward
2**



**Councilmember
Jose Solorio**
jsolorio@santa-ana.org

**Ward
3**



**Councilmember
David Benavides**
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**Ward
4**



**Councilmember
Juan Villegas**
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**Ward
5**



**Councilmember
Sal Tinajero**
stinajero@santa-ana.org

**Ward
6**

Directory of City Officials

June 30, 2018



Raul Godinez II
CITY MANAGER

MARIA D. HUIZAR
CLERK OF THE COUNCIL

SONIA R. CARVALHO
CITY ATTORNEY

COMMUNITY DEVELOPMENT AGENCY

STEVEN A. MENDOZA
EXECUTIVE DIRECTOR

FINANCE & MANAGEMENT SERVICES AGENCY

KATHRYN DOWNS
EXECUTIVE DIRECTOR

HUMAN RESOURCES DEPARTMENT

STEVEN V. PHAM
EXECUTIVE DIRECTOR

INFORMATION TECHNOLOGY DEPARTMENT

JACK CIULLA
CHIEF TECHNOLOGY INNOVATIONS OFFICER

PARKS, RECREATION & COMMUNITY SERVICES AGENCY

LISA RUDLOFF
EXECUTIVE DIRECTOR

PLANNING & BUILDING AGENCY

MINH THAI
EXECUTIVE DIRECTOR

POLICE DEPARTMENT

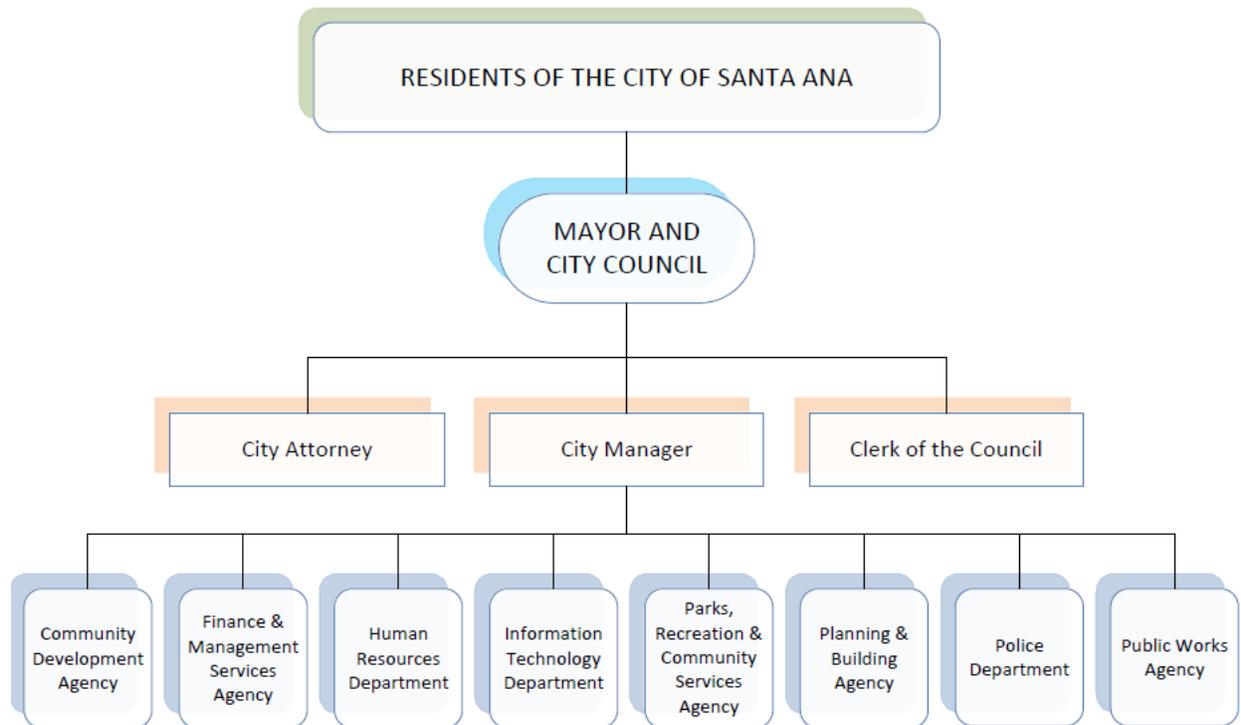
DAVID VALENTIN
CHIEF OF POLICE

PUBLIC WORKS AGENCY

FUAD S. SWEISS
EXECUTIVE DIRECTOR

Table of Organization

Fiscal Year 2017-2018



CITY OF SANTA ANA, CALIFORNIA

Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Ana, California (the City), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1E to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required retrospective application resulting in a reduction of previously reported net position. Our opinions are not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules - General and Major Special Revenue Funds, Notes to the Required Supplementary Information, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Plan Contributions for the Miscellaneous, Safety, and Supplementary Retirement Plans, and Schedule of Changes in the Total OPEB Liability and Related Ratios, identified as Required Supplementary Information (RSI) 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, 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* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 7, 2018

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 the fiscal year ended June 30, 2018. 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 1-8 of this report, and the City's basic financial statements in the financial section of this report. **All amounts, unless otherwise indicated, are expressed in millions of dollars.**

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$687.1 million (net position). The net position consists of the following amounts: \$977.1 million is net investment in capital assets, \$178.3 million is restricted for various programs and a deficit of \$(468.3) million is unrestricted. Like most every city in California, the City's unrestricted net position was negatively impacted with the implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which required the City to record its unfunded liabilities for pension plans and other postemployment benefits (OPEB) plan in which it participates. The City's total net pension liability and OPEB liability were \$632.8 million and \$54.4 million respectively at the close of the current fiscal year. More information on the City's pension and OPEB plans can be found in Note 4 on pages 111 to 128 of this report.
- The City's total capital assets increased \$25.6 million (2.4%). Capital assets in the governmental activities increased \$16.7 million (1.7%) and business-type activities capital assets increased \$8.9 (7.6%) million during the current fiscal year largely as a result of infrastructure segments related capital projects such as the Bristol Street widening and Warner Industrial Community pavement improvement.
- The City's total long-term liabilities increased \$105.0 million (13.4%) during the current fiscal year mainly attributable to; an increase in the City's net pension liability by \$61.3 million; an increase in the total OPEB liability by \$54.4 million; and a new financing for the City's streetlight acquisition and upgrade project in the amount of \$7.1 million. The net pension liability was significantly impacted by increases in the required employer contributions for pension being phased in by the California Public Employee's Requirement System (CalPERS) and a decrease in the discount rate. The total OPEB liability increased as a result of the implementation of GASB 75.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$214.1 million, a decrease of \$12.7 million (5.6%) as compared to the prior fiscal year. Of this amount, \$57.3 or approximately 26.8% of total fund balances are available for spending at the City's discretion (nonspendable, assigned and unassigned fund balance). The City's restricted net position of \$156.8 million (73.2%) represents amounts available for ongoing programs with external restrictions.
- As of June 30, 2018, the combined restricted and assigned fund balance for the General Fund was \$13.0 million (18.7%). The remaining amount of fund balance designated as unassigned was \$56.4 million (81.3%). However, included within the unassigned fund balance are the operating reserve of \$42.4 million and economic uncertainty reserve of \$3.8 million. The remaining \$10.2 million unassigned fund balance is classified as an unallocated amount.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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's finances, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 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 include the following Departments: 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 include the following Enterprise Activities: Water, Parking, Sewer, Sanitation, Refuse Collections, Transportation Center, and Federal Clean Water Protection.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also blended component units. Certain blended component units, although legally separate entities are, in substance, part of the primary government's operations for which there is a benefit/burden relationship and are included as part of the primary government. Accordingly, the Housing Authority and the Santa Ana Financing Authority (SAFA) are reported as part of the primary government. After the date of dissolution, the Successor Agency activities are reported in the Santa Ana Redevelopment Agency Private-Purpose Trust Fund, a fiduciary fund. Fiduciary funds are not presented in the government-wide financial statements, as the resources are not available to support the City programs. The government-wide financial statements can be found on pages 40-42 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City 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 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, Special Revenue Housing Authority, Special Revenue Gas Tax, Capital Projects Housing Successor Agency, Capital Projects Street Construction, and Debt Service Santa Ana Financing Authority, all of which are considered to be major funds. Data from the other 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 Information.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Housing Authority, Special Revenue Gas Tax and other nonmajor Special Revenue Funds, including Sewer Connection Fee, Civic Center Maintenance, Inmate Welfare and Air Quality Improvement. A budgetary comparison statement has been provided for such funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 47-53 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City's enterprise funds account for Water, Parking, Sewer, Sanitation, Refuse Collections, Transportation Center, and Federal Clean Water Protection. *Internal service funds* are utilized to accumulate and allocate costs internally among the City's various functions. The City's internal service funds account for, amongst others, its self-insurance, equipment maintenance & replacement, and information & communications services. 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, Parking, Sewer, and Sanitation operations which are considered to be major funds of the City. Remaining nonmajor enterprise funds and all internal service funds are aggregated in a single column in the proprietary fund financial statements, respectively. Individual fund data for the nonmajor enterprise and all internal service funds are provided in the form of *combining statements* in the Supplementary Schedules.

The basic proprietary fund financial statements can be found on pages 55-62 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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on page 63-64 and 187-191 of this report.

Notes to the basic 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 basic financial statements can be found on pages 68-130 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's budgetary information and compliance; Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Plan Contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios. Required supplementary information can be found on pages 134-145 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information captioned supplementary schedules. Combining and individual fund statements and schedules can be found on pages 148-191 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources of the City's government-wide activities exceeded liabilities and deferred inflows of resources by \$687.1 million at the close of fiscal year 2017-18 reflecting a positive net position.

The largest portion of the City's net position (\$977.1 million) represents its investment in capital assets (e.g., land, right of way, street trees, construction in progress, buildings, improvements, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City utilizes these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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, due to the fact capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion of the City's net position (\$178.3 million) represents resources that are subject to external restrictions on how they may be used. The remaining portion of the City's net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors, subject to federal and state laws and regulations. Significant liabilities recorded for both the pensions and OPEB with the implementation of GASB 68 and GASB 75 contributed to a negative unrestricted net position of \$ (468.3) million.

**City of Santa Ana
Statement of Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 361.5	\$ 387.7	\$ 88.2	\$ 87.7	\$ 449.7	\$ 475.4
Capital assets	971.4	954.7	125.4	116.5	1,096.8	1,071.2
Total assets	<u>1,332.9</u>	<u>1,342.4</u>	<u>213.6</u>	<u>204.2</u>	<u>1,546.5</u>	<u>1,546.6</u>
Deferred outflows of resources:						
Unamortized loss on bond defeasance	4.7	5.5	0.4	0.4	5.1	5.9
Deferred amounts on pension plans	118.0	103.9	6.7	5.7	124.7	109.6
Deferred amounts on OPEB plan	1.7	-	0.2		1.9	0.0
Total deferred outflows of resources	<u>124.4</u>	<u>109.4</u>	<u>7.3</u>	<u>6.1</u>	<u>131.7</u>	<u>115.5</u>
Liabilities:						
Long-term liabilities	831.8	735.1	57.5	49.2	889.3	784.3
Other liabilities	69.0	79.7	17.1	14.1	86.1	93.8
Total liabilities	<u>900.8</u>	<u>814.8</u>	<u>74.6</u>	<u>63.3</u>	<u>975.4</u>	<u>878.1</u>
Deferred inflows of resources:						
Deferred amounts on pension plans	12.2	5.3	0.7	0.6	12.9	5.9
Deferred amounts on OPEB plan	2.4	-	0.4	-	2.8	-
Total deferred inflows of resources	<u>14.6</u>	<u>5.3</u>	<u>1.1</u>	<u>0.6</u>	<u>15.7</u>	<u>5.9</u>
Net position:						
Net investment in capital assets	867.3	842.3	109.8	102.0	977.1	944.3
Restricted	176.0	176.4	2.3	2.9	178.3	179.3
Unrestricted	(501.4)	(387.0)	33.1	41.5	(468.3)	(345.5)
Total net position	<u>\$ 541.9</u>	<u>\$ 631.7</u>	<u>\$ 145.2</u>	<u>\$ 146.4</u>	<u>\$ 687.1</u>	<u>\$ 778.1</u>

Governmental activities. Governmental activities decreased the City's net position by \$52.2 million, thereby accounting for 110.4% of the total decline in net position.

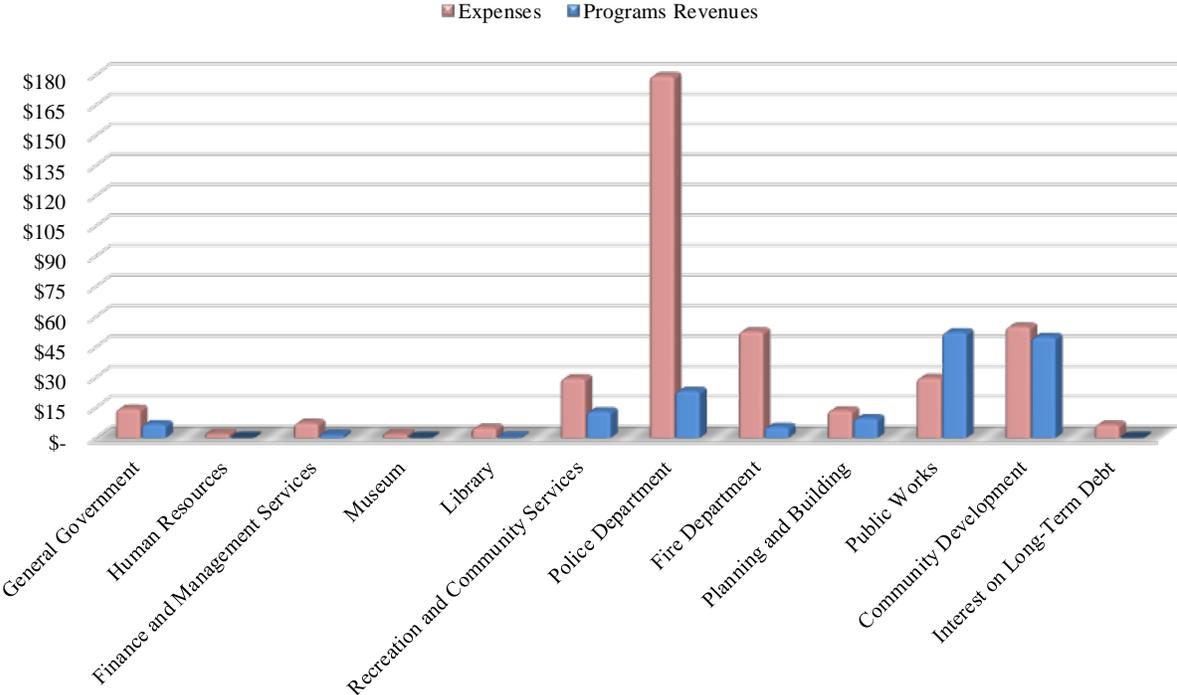
Governmental revenues decreased \$7.1 million (2.0%) during the current fiscal year. Key elements related to the decrease were reduction in capital grants advances and reimbursements for projects such as the Bristol Widening project, Santa Ana Delhi Channel Diversion project, bike lane and traffic signal improvement projects, along with a decrease in sales tax shared revenue. However, the City reported higher charges for services, operating grants and contributions, property taxes, business taxes, and franchise taxes as compared to fiscal year 2016-17.

Governmental expenses increased \$59.2 million (17.5%) during the current fiscal year compared to fiscal year 2016-17. Public safety (Police and Fire) expenses are the most significant (58.4%) of all governmental activities expenses, followed by Community Development (13.9%), Public Works (7.5%), Recreation and Community Services (7.4%), General Government (3.6%), Planning and Building (3.4%), interest on long-term debt (1.7%), and various other programs (4.1%). The increase is largely attributable to the increase in the City's total net pension liability and total OPEB liability, along with an increase in capital project costs and related adjustments.

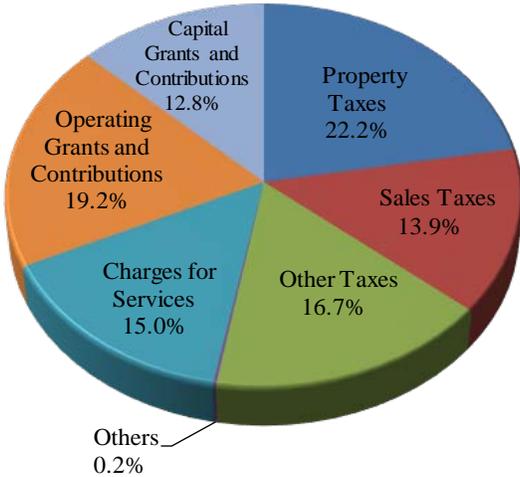
**City of Santa Ana
Changes in Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 51.8	\$ 50.8	\$ 93.8	\$ 90.4	\$ 145.6	\$ 141.2
Operating grants and contributions	66.4	62.8	0.4	-	66.8	62.8
Capital grants and contributions	44.3	58.3	1.0	-	45.3	58.3
General revenues:						
Property taxes	76.6	72.6	-	-	76.6	72.6
Hotels visitors taxes	9.2	9.8	-	-	9.2	9.8
Utility users taxes	23.9	24.4	-	-	23.9	24.4
Business taxes	14.9	13.8	-	-	14.9	13.8
Franchise taxes	8.3	7.9	-	-	8.3	7.9
Other taxes	1.3	1.4	-	-	1.3	1.4
Intergovernmental, unrestricted:						
Motor vehicle licenses	0.2	0.2	-	-	0.2	0.2
State mandated costs & reimbursements	0.3	0.4	-	-	0.3	0.4
Sales tax shared revenue	48.1	50.0	-	-	48.1	50.0
Investment income (loss)	0.3	0.3	0.1	0.2	0.4	0.5
Total revenues	345.6	352.7	95.3	90.6	440.9	443.3
Expenses:						
General government	14.5	14.4	-	-	14.5	14.4
Human resources	2.1	3.5	-	-	2.1	3.5
Finance and management services	7.4	5.0	-	-	7.4	5.0
Museum	2.0	2.4	-	-	2.0	2.4
Library	5.1	4.5	-	-	5.1	4.5
Recreation and community services	29.5	23.8	-	-	29.5	23.8
Police department	179.4	142.9	-	-	179.4	142.9
Fire department	52.8	43.0	-	-	52.8	43.0
Planning and building	13.6	10.8	-	-	13.6	10.8
Public works	29.7	34.0	-	-	29.7	34.0
Community development	55.1	47.4	-	-	55.1	47.4
Interest on long-term debt	6.6	6.9	-	-	6.6	6.9
Water	-	-	49.8	45.0	49.8	45.0
Parking	-	-	5.6	5.3	5.6	5.3
Sewer	-	-	5.6	4.9	5.6	4.9
Sanitation	-	-	7.1	6.7	7.1	6.7
Refuse collections	-	-	18.0	16.9	18.0	16.9
Transportation center	-	-	1.5	1.2	1.5	1.2
Federal clean water protection	-	-	2.8	2.4	2.8	2.4
Total expenses	397.8	338.6	90.4	82.4	488.2	421.0
Change in net position	(52.2)	14.1	4.9	8.2	(47.3)	22.3
Net position beginning, as restated	594.1	617.6	140.3	138.2	734.4	755.8
Net position ending	\$ 541.9	\$ 631.7	\$ 145.2	\$ 146.4	\$ 687.1	\$ 778.1

Expenses and Program Revenues – Governmental Activities



Revenue by Source – Governmental Activities

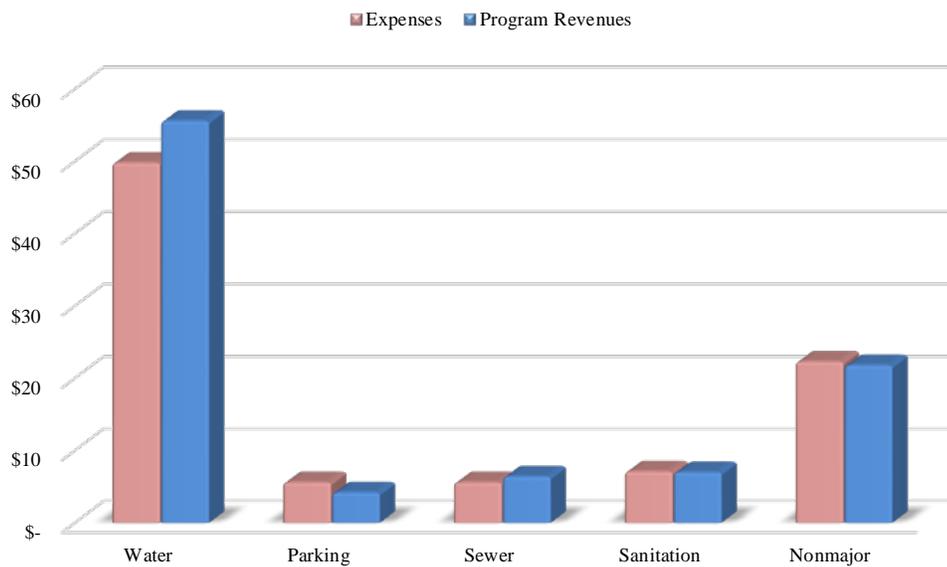


Business-type activities. Business-type activities increased the City’s net position by \$4.9 million in comparison to the previous fiscal year. The increase is as a result of charges for services continuing to outpace expenses, specifically the following:

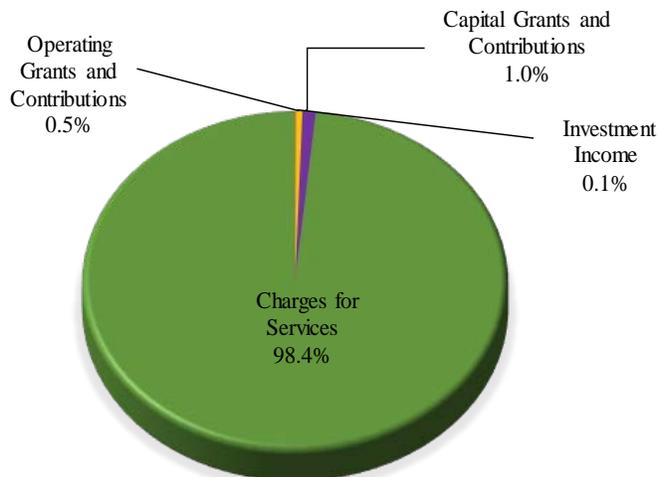
- The Water Fund net position increased \$4.4 million primarily due to an increase in water demand along with the fixed component of water charges as a result of the end of recent conservation efforts. The increase in water demand resulted in an increase of maintenance and service provision needs and an increase in wholesale water purchase and groundwater replenishment costs.

- The Parking Fund net position decreased \$1.4 million due to an increase in project funding for Clean & Safe program and Merchants Fund by \$0.3 million. The contractual services also increased due to installation of parking access revenue control systems, modification of public restrooms and a new parking office.
- The Sewer Fund net position increased \$0.5 million primarily due to a modest increase in the amount of water sold due to higher water demand and an increase in sewerage rates, which became effective in July 2017.
- The Sanitation Fund net position did not have any significant changes during the current fiscal year.
- Total expenses for business-type activities increased \$8.0 million as compared to the prior fiscal year. The increase was primarily due to an adjustment for the increase in the City’s net pension liability and implementation of GASB 75 for OPEB liability.

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 uses fund accounting to ensure a demonstrated compliance with finance-related legal requirements.

Governmental funds. The focus of the City'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's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or the City Manager who has been authorized to assign resources for use for particular purposes by the Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending total fund balances of \$214.1 million of which \$51.9 million constitutes the *unassigned fund balance*. The Special Revenue Grants Fund, the Civic Center Maintenance Fund, and the Capital Grants Fund reported negative unassigned fund balances due to timing of receipts which did not meet the revenue recognition criteria for governmental funds. The remainder of the total governmental fund balance is allocated as follows: 1) \$5.4 million assigned to both contractual obligations and continuing projects; and 2) \$156.8 million is restricted by law or contractual agreements with other agencies for specific spending.

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, the fund balance of the General Fund was \$69.4 million (\$7.6 million is restricted; \$5.4 million is assigned for various programs and services; and the unassigned amount of \$56.4 million which includes the City's Operating Reserve, Economic Uncertainty Reserve, and one-time funds).

The General Fund's total expenditures increased \$13.0 million as compared to fiscal year 2016-17 primarily due to an increase in the total pension and OPEB costs. During the current fiscal year, property taxes, business taxes, and franchise taxes increased by \$4.0 million, \$1.1 million, and \$0.4 million respectively as compared to the prior fiscal year. However, the City received less than projected sales tax shared revenue due to recent changes at the California Department of Tax and Fee Administration (formerly Board of Equalization) where the implementation of their new automated system in May 2018 has caused returns for the second quarter (April – June) of 2018 to remain unprocessed. The City expects that the correction of the sales tax shared revenue will be completed during the next fiscal year and subsequently increase the City's allocation for fiscal year 2018-19. The General Fund also reported \$7.1 million of proceeds from issuance of debt to finance the City's streetlight acquisition and upgrade project.

During the current fiscal year, the City's General Fund expenditures were less than budget. However, actual expenditures increased year over year as a result of the City providing its employees cost of living adjustment and the increase in the total CalPERS retirement contribution rates. The City also completed various projects including but not limited to the construction of Roosevelt/Walker Community Center, Pacific Electric Park, Depot at Santiago, Safe Routes to School Enhancement for various elementary schools, and installation of security lights at various parks.

As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. The Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures, roughly a 15% to 20% reserve level. The City's unassigned fund balance in the General Fund is approximately 22.9% (\$56.4 million) of total fiscal year 2017-18 General Fund expenditures and transfers out.

The Special Revenue Grants' ending fund balance increased \$1.1 million during the current fiscal year. The increase was primarily due to an increase in intergovernmental revenues for various community development programs such as the Santa Ana Arts Collective affordable housing project and Madison Park neighborhood improvement project.

The Special Revenue Housing Authority ending balance decreased \$0.4 million during the current fiscal year as a result of increased expenditures associated with growth of the Housing Choice Vouchers Program.

The Special Revenue Gas Tax fund ending fund balance increased \$1.5 million during the current fiscal year. The City received \$2.4 million of new funding allocated for the Road Maintenance & Rehab Account (RMRA) program and SB 1 loan payment from the State, which will be used for road repair and improvement projects.

The Capital Projects Housing Successor Agency fund balance decreased \$6.3 million largely as a result of a new loan issued for the First Street Apartment project.

The Capital Projects Street Construction fund balance decreased \$6.4 million during the current fiscal year. The decrease was mainly attributable to a decrease of intergovernmental revenues. Many of the capital projects are funded by reimbursement grants and a significant portion of the reimbursements was not received within the revenue availability period at year-end. The most notable capital improvement projects are discussed in the government-wide financial analysis of governmental activities.

The Debt Service Santa Ana Financing Authority fund balance increased \$0.04 million as compared to fiscal year 2016-17 mainly due to investment income earned during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The most significant factors of each fund's change in fund net position are discussed in the government-wide financial analysis of business-type activities.

Unrestricted net position related to business-type activities decreased \$8.4 million for a total amount of \$33.1 million. The decrease is largely as a result of the implementation of GASB 75, which reduced the beginning net position by \$6.1 million, along with an increase in the net pension liability.

General Fund Budgetary Highlights

During the year, there was an increase in the amount of \$15.8 million between the original and final amended budget appropriations. The increase was mainly due to additional appropriation of \$5.9 million for jail facility operations resulted from the approval of United States Marshals agreement during the year. The City also approved updated Memorandum of Understanding (MOUs) of all bargaining units which included salary increases.

Actual General Fund revenues were \$5.5 million less than budget or 2.3%. The shortfall was largely as a result of the City's sales tax shared revenue being \$4.2 million less than projection due to inconsistent reporting from the California Department of Tax and Fee Administration, which is discussed in the Financial Analysis of the Governmental Funds, and use of an optimistic projection as provided by the City's sales tax consultant. The City's total jail revenue was also under budget by approximately \$2.2 million when compared to the initial projection due to slower than anticipated execution of the US Marshals contract.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities was \$1,096.8 million (net of accumulated depreciation) as of June 30, 2018. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$970.1 million, net of accumulated depreciation. The investment in capital assets includes land, right of way, street trees, construction in progress, buildings, improvements, equipment, library materials, computer software and infrastructure.

**City of Santa Ana
Capital Assets**

(net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 17.5	\$ 14.3	\$ 9.3	\$ 8.0	\$ 26.8	\$ 22.3
Right of way	493.7	494.6	-	-	493.7	494.6
Street trees	8.1	8.0	-	-	8.1	8.0
Construction in progress	93.5	69.5	15.1	8.4	108.6	77.9
Buildings	53.0	58.3	1.5	1.7	54.5	60.0
Improvements	46.8	43.1	84.5	83.1	131.3	126.2
Equipment	11.3	10.7	5.9	5.7	17.2	16.4
Infrastructure	244.0	252.0	8.9	9.4	252.9	261.4
Library materials	0.9	0.9	-	-	0.9	0.9
Computer software	2.6	3.3	0.2	0.2	2.8	3.5
Total	\$ 971.4	\$ 954.7	\$ 125.4	\$ 116.5	\$ 1,096.8	\$ 1,071.2

At the end of the current fiscal year, the City's total capital assets increased by \$25.6 million (2.4%). The increase is primarily due to ongoing infrastructure projects, denoted as Construction in Progress, during the current fiscal year. Some of the major projects include the Santa Ana Arts Collective affordable housing project and the Civic Center Drive bike lane improvement project. Additional information on the City's capital assets can be found in Note 3B on pages 85-87 of this report.

Long-term debt. At the end of the current fiscal year, the City maintained total bonded debt and loans outstanding in the amount of \$138.7 million. Of this amount, \$86.6 million comprised of debt backed by the full faith and credit of the City, \$38.1 million represents bonds secured solely by specified revenue sources, and \$14.0 million in capital lease obligations and long-term loans.

City of Santa Ana
Long-term Bonded Debt and Loans

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Capital lease obligations	\$ 3.5	\$ 4.0	\$ -	\$ -	\$ 3.5	\$ 4.0
Certificates of participation	57.5	59.0	-	-	57.5	59.0
Lease revenue bonds	22.5	25.5	13.7	14.4	36.2	39.9
Private placement financing	29.8	33.8	-	-	29.8	33.8
Certificates of participation	-	-	-	-	-	-
Long-term loans & other payables	10.5	3.8	-	0.1	10.5	3.9
Less: Bond Discount	(0.7)	(0.7)	-	-	(0.7)	(0.7)
Add: Bond premium	-	-	1.9	2.1	1.9	2.1
Total	\$ 123.1	\$ 125.4	\$ 15.6	\$ 16.6	\$ 138.7	\$ 142.0

At the end of the current fiscal year, Governmental Activities long-term debt decreased by \$2.3 million primarily due to \$9.6 million principal repayment of existing debt and issuance of a new loan for the streetlight acquisition and upgrade project in the amount of \$7.1 million. The long-term debt associated with Business-type Activities decreased \$1.0 million also due to the principal repayment of existing debt and no issuance of additional debt. Additional information on the City's long-term debt may also be found in Note 3D on pages 91 through 103.

Economic Factors and Next Year's Budget and Rates

The national, regional, and local economy continues to show steady improvements, which has resulted in the modest growth in the City's total tax revenues. As part of its emphasis on future economic development efforts to strengthen the City's revenue base, the City has explored opportunities to add new hotels and augmented its Cannabis regulation allowing for the sale of adult use, manufacturing and distribution. On November 6, 2018, the Santa Ana residents approved Measure X: Santa Ana Neighborhood Safety, Homeless Prevention and Essential City Services Enhancement Measure. This measure will increase the City's sales tax by one and a half (1.5) cents until 2029 providing approximately \$60 million additional sales tax revenue annually, then reduced to one (1) cent providing approximately \$40 million additional revenue annually until 2039.

One of the main factors affecting the City's economic condition is the public pensions and their sustainability. CalPERS utilizes various assumptions to estimate the net pension liability and the required contributions in order to meet future pension obligations. One of those assumptions is the discount rate, which was adjusted from 7.5% to 7.0% over three years by CalPERS during the current fiscal year, resulting in a significant increase in the net pension liability. Additional information about the City's pension plans can be found in Note 4 E and F on pages 111 through 124.

The implementation of GASB 75 during the current fiscal year had a significant impact on the City's total net position. The City is currently evaluating various options to explore a long-term solution to the impact of the OPEB liability including but not limited to establishing an OPEB trust account to pre-fund the liability.

Additional factors affecting the City's upcoming budget are potential changes to the fee structure, addressing its deferred maintenance needs along with increases to City's liability claims and premiums and health insurance rates.

The City will continue to build upon its budget and financial policies to ensure future fiscal sustainability. The City's unassigned account balances as of June 30, 2018 are as follows:

<u>Account Name</u>	<u>Amount</u>
• Operating Reserve	\$ 42.4 million
• Economic Uncertainty Reserve	\$ 3.8 million
• One-Time Funding	\$ 10.2 million

The funding of the above-referenced accounts provides the Mayor and City Council a tools to navigate a potential downturn. Additionally, the City maintains an unassigned fund balance available for potential future appropriation and/or address projected budgetary deficits. The initiatives and funding of the reserve/stability funds are aligned with the City's annual completion of its long-term forecast which identifies potential factors that may risk revenue or expenditure variances and the use of one-time funds to balance projected budgetary deficits.

Requests for Information

This financial report is designed to provide a general overview of the City'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 Finance & Management Services Agency at City of Santa Ana, 20 Civic Center Plaza, Santa Ana, CA 92701.



CITY OF SANTA ANA, CALIFORNIA
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CITY OF SANTA ANA, CALIFORNIA

Basic Financial Statements



CITY OF SANTA ANA, CALIFORNIA

Government - wide Financial Statements



Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 183,708,813	\$ 73,710,949	\$ 257,419,762
Receivables:			
Taxes	3,334,666	32	3,334,698
Interest	785,816	262,688	1,048,504
Accounts, net of allowances	4,307,637	13,813,412	18,121,049
Intergovernmental	33,321,497	-	33,321,497
Loans and notes	87,119,710	-	87,119,710
Advance to Successor Agency to the Santa Ana Redevelopment Agency	532,601	-	532,601
Internal balances	838,785	(838,785)	-
Inventory of supplies	839,999	-	839,999
Restricted assets:			
Cash and investments	10,852,590	1,190,691	12,043,281
Cash and investments with fiscal agents	17,687,914	-	17,687,914
Pension stability fund	504,515	-	504,515
Land held for resale	17,658,530	-	17,658,530
Capital assets, not being depreciated	612,756,879	24,457,904	637,214,783
Capital assets, being depreciated, net of accumulated depreciation	358,599,750	100,980,990	459,580,740
Total assets	<u>1,332,849,702</u>	<u>213,577,881</u>	<u>1,546,427,583</u>
Deferred outflows of resources:			
Unamortized loss on bond defeasance	4,677,194	369,073	5,046,267
Deferred amounts on pension plans	118,041,062	6,724,136	124,765,198
Deferred amounts on OPEB plan	1,711,716	241,326	1,953,042
Total deferred outflows of resources	<u>124,429,972</u>	<u>7,334,535</u>	<u>131,764,507</u>
Liabilities:			
Accounts payable	9,672,254	13,568,094	23,240,348
Interest payable	192,890	220,942	413,832
Retention payable	317,482	498,812	816,294
Due to other governmental agencies	53,867,846	-	53,867,846
Deposits	561,401	1,538,848	2,100,249
Grant advances	-	180,253	180,253
Unearned revenue	4,403,602	1,096,845	5,500,447
Long-term liabilities- due within one year	24,475,303	1,198,685	25,673,988
Long-term liabilities- due in more than one year	807,294,956	56,318,820	863,613,776
Total liabilities	<u>900,785,734</u>	<u>74,621,299</u>	<u>975,407,033</u>
Deferred inflows of resources:			
Deferred amounts on pension plans	12,162,450	762,096	12,924,546
Deferred amounts on OPEB plan	2,389,632	372,454	2,762,086
Total deferred inflows of resources	<u>14,552,082</u>	<u>1,134,550</u>	<u>15,686,632</u>
Net Position:			
Net investment in capital assets	867,360,307	109,752,347	977,112,654
Restricted for:			
Debt service	119,276	-	119,276
Capital projects	34,903,296	261,540	35,164,836
National pollution discharge elimination system	-	2,070,137	2,070,137
Community Development	3,657,064	-	3,657,064
Recreation & Community Services	1,783,056	-	1,783,056
Public Safety	3,797,469	-	3,797,469
Public Works	91,557,236	-	91,557,236
Special revenue housing authority projects	39,663,425	-	39,663,425
Pension stability	504,515	-	504,515
Unrestricted	(501,403,786)	33,072,543	(468,331,243)
Total net position	<u>\$ 541,941,858</u>	<u>\$ 145,156,567</u>	<u>\$ 687,098,425</u>

See accompanying Notes to the Basic Financial Statements.

Statement of Activities
Year ended June 30, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 14,450,416	6,826,706	-	-
Human resources	2,052,871	-	-	-
Finance and management services	7,413,157	748,201	843,709	-
Museum	2,022,517	-	-	-
Library	5,140,381	58,322	199,341	-
Recreation and community services	29,502,921	3,041,469	3,606,865	6,456,046
Police department	179,372,887	17,158,953	6,176,296	-
Fire department	52,793,566	5,447,869	-	-
Planning and building	13,651,336	9,572,066	109,219	-
Public works	29,656,479	8,100,241	9,416,431	34,764,896
Community development	55,119,098	854,436	46,036,044	3,038,043
Interest on long-term debt	6,627,449	-	-	-
Total governmental activities	\$ 397,803,078	51,808,263	66,387,905	44,258,985
Business-type activities:				
Water	49,799,922	55,560,485	-	-
Parking	5,636,402	4,171,559	-	-
Sewer	5,587,618	6,381,133	-	-
Sanitation	7,082,003	7,020,313	-	-
Refuse collections	18,027,790	19,479,786	419,241	-
Transportation center	1,473,986	523,635	-	-
Federal clean water protection	2,816,050	657,085	-	980,668
Total business-type activities	90,423,771	93,793,996	419,241	980,668
Total	\$ 488,226,849	145,602,259	66,807,146	45,239,653
General revenues:				
Property taxes				
Hotels visitors taxes				
Utility users taxes				
Business taxes				
Franchise taxes				
Other taxes				
Intergovernmental, unrestricted:				
Motor vehicle licenses				
State mandated costs & reimbursements				
Sales tax shared revenue				
Investment income				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

See accompanying Notes to the Basic Financial Statements.

STATEMENT OF ACTIVITIES

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (7,623,710)	\$ -	\$ (7,623,710)
(2,052,871)	-	(2,052,871)
(5,821,247)	-	(5,821,247)
(2,022,517)	-	(2,022,517)
(4,882,718)	-	(4,882,718)
(16,398,541)	-	(16,398,541)
(156,037,638)	-	(156,037,638)
(47,345,697)	-	(47,345,697)
(3,970,051)	-	(3,970,051)
22,625,089	-	22,625,089
(5,190,575)	-	(5,190,575)
(6,627,449)	-	(6,627,449)
\$ (235,347,925)	\$ -	\$ (235,347,925)
-	5,760,563	5,760,563
-	(1,464,843)	(1,464,843)
-	793,515	793,515
-	(61,690)	(61,690)
-	1,871,237	1,871,237
-	(950,351)	(950,351)
-	(1,178,297)	(1,178,297)
-	4,770,134	4,770,134
\$ (235,347,925)	\$ 4,770,134	\$ (230,577,791)
76,616,413	-	76,616,413
9,245,942	-	9,245,942
23,942,639	-	23,942,639
14,902,987	-	14,902,987
8,338,529	-	8,338,529
1,263,270	-	1,263,270
179,677	-	179,677
334,243	-	334,243
48,057,756	-	48,057,756
344,459	101,741	446,200
183,225,915	101,741	183,327,656
(52,122,010)	4,871,875	(47,250,135)
594,063,868	140,284,692	734,348,560
\$ 541,941,858	\$ 145,156,567	\$ 687,098,425



CITY OF SANTA ANA, CALIFORNIA
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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 the Uniform Guidance, 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.

Gas Tax Fund accounts for the receipts and expenditures of money apportioned under Streets and Highway Code Sections 2103, 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:

Capital Project Housing Successor Agency accounts for the receipts and expenditures relating to the Housing Successor Agency in accordance with the California Health and Safety Code.

Street Construction Fund accounts 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 Fund has been classified as a major fund in the accompanying financial statements:

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 Bonds, 2014 Water Private Placement Financing, and the 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, deferred inflows of resources, revenues or expenditures for the governmental funds and the 5% test of total assets, liabilities, deferred inflows of resources, 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, 2018**

	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax
Assets				
Cash and investments	\$ 55,504,697	\$ 2,944,102	\$ 2,978,048	\$ 13,149,169
Receivables, net of allowances:				
Taxes	3,334,666	-	-	-
Interest	271,850	16,801	10,849	59,726
Accounts	3,935,227	162,767	23,230	-
Intergovernmental	8,132,029	3,238,970	10,288	1,248,705
Loans and notes	-	54,951,710	-	-
Due from other funds	-	-	-	-
Advance to Successor Agency to the Santa Ana Redevelopment Agency	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	155,696
Cash and investments with fiscal agents	7,114,989	166,229	491,102	4,254,993
Pension stability funds	504,515	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>78,797,973</u>	<u>61,480,579</u>	<u>3,513,517</u>	<u>18,868,289</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	3,930,805	1,199,590	17,939	80,495
Interest payable	26,364	-	-	-
Retention payable	-	5,054	-	-
Due to other funds	-	-	-	-
Due to other governmental agencies	-	53,837,108	23	-
Grant advances	-	13,681	-	-
Deposits	70,299	-	491,102	-
Advances payable to other funds	2,044,000	-	-	-
Unearned revenue	3,251,039	-	-	-
Total liabilities	<u>9,322,507</u>	<u>55,055,433</u>	<u>509,064</u>	<u>80,495</u>
Deferred inflows of resources:				
Unavailable revenues	<u>114,383</u>	<u>961,936</u>	<u>27,789</u>	<u>25,096</u>
Fund balances:				
Restricted	7,619,504	6,242,293	2,976,664	18,762,698
Assigned	5,377,690	-	-	-
Unassigned	56,363,889	(779,083)	-	-
Total fund balances	<u>69,361,083</u>	<u>5,463,210</u>	<u>2,976,664</u>	<u>18,762,698</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 78,797,973</u>	<u>\$ 61,480,579</u>	<u>\$ 3,513,517</u>	<u>\$ 18,868,289</u>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENTAL FUNDS

Capital Projects Housing Successor Agency	Capital Projects Street Construction	Debt Service SAFA	Nonmajor Governmental Funds	Total
\$ 5,835,294	\$ 16,503,411	\$ 114,578	\$ 35,400,778	\$ 132,430,077
-	-	-	-	3,334,666
20,297	67,793	6,074	120,627	574,017
-	21,529	-	17,514	4,160,267
-	15,453,797	-	5,237,708	33,321,497
27,393,000	-	-	4,775,000	87,119,710
-	-	-	41,732	41,732
532,601	-	-	-	532,601
-	7,941,011	-	2,523,711	10,620,418
122,899	5,536,525	1,177	-	17,687,914
-	-	-	-	504,515
2,855,050	14,803,480	-	-	17,658,530
<u>36,759,141</u>	<u>60,327,546</u>	<u>121,829</u>	<u>48,117,070</u>	<u>307,985,944</u>
87,081	2,786,585	-	552,584	8,655,079
-	-	-	-	26,364
-	233,616	-	63,092	301,762
-	41,732	-	4,647,805	4,689,537
-	-	-	-	53,837,131
-	1,137,032	-	-	1,150,713
-	-	-	-	561,401
-	-	-	-	2,044,000
-	1,850	-	-	3,252,889
<u>87,081</u>	<u>4,200,815</u>	<u>-</u>	<u>5,263,481</u>	<u>74,518,876</u>
<u>8,529</u>	<u>14,168,362</u>	<u>2,553</u>	<u>4,042,256</u>	<u>19,350,904</u>
36,663,531	41,958,369	119,276	42,524,270	156,866,605
-	-	-	-	5,377,690
-	-	-	(3,712,937)	51,871,869
<u>36,663,531</u>	<u>41,958,369</u>	<u>119,276</u>	<u>38,811,333</u>	<u>214,116,164</u>
<u>\$ 36,759,141</u>	<u>\$ 60,327,546</u>	<u>\$ 121,829</u>	<u>\$ 48,117,070</u>	<u>\$ 307,985,944</u>



CITY OF SANTA ANA, CALIFORNIA
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**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018**

Fund balances of governmental funds	\$	214,116,164	
Amounts reported for governmental activities in the Statement of Net Position 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 net capital assets of the internal service funds of \$6,904,862 which are reported below.			
Capital assets		1,411,358,320	
Accumulated depreciation		(446,906,553)	
Total capital assets used in governmental activities		<u>964,451,767</u>	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount does not include the long-term liabilities of the internal service funds which are reported below.			
Capital lease obligations		(3,400,393)	
Certificates of participation		(57,540,000)	
Lease revenue bonds		(22,505,000)	
Private placement financing		(29,820,000)	
Long-term loans & other payables		(10,519,142)	
Compensated absences payable		(21,186,271)	
Bond discount		714,963	
Unamortized loss on bond defeasance		4,677,194	
Total governmental activities long-term debt		<u>(139,578,649)</u>	
Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts affects only the government-wide statement for governmental activities.			
Deferred outflows of resources from pension		107,799,023	
Deferred inflows of resources from pension		(11,002,423)	
Net pension liability		<u>(451,332,598)</u>	
OPEB related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to postemployment benefits are only reported in the Statement of Net Position as the changes in these amounts affects only the government-wide statement for governmental activities.			
Deferred outflows of resources from OPEB		1,423,280	
Deferred inflows of resources from OPEB		(1,944,470)	
OPEB liability		<u>(39,030,515)</u>	
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.			(166,526)
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred on the modified accrual basis in governmental fund.			19,350,904
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.			<u>(25,868,689)</u>
Net position of governmental activities	\$		<u><u>541,941,858</u></u>

See accompanying Notes to the Basic Financial Statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2018

	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax
Revenues:				
Taxes	\$ 134,309,780	-	-	-
License and permits	7,977,170	-	-	-
Intergovernmental	49,037,555	19,945,900	33,020,639	9,159,380
Charges for services	13,452,166	23,149	-	-
Fines and forfeits	5,712,946	-	-	-
Investment income (loss)	148,306	277,888	41,687	16,153
Cost recoveries	11,390,682	-	473,835	7,271
Rental income	11,679,847	132,000	-	-
Miscellaneous	257,572	323,048	130,455	-
Total revenues	<u>233,966,024</u>	<u>20,701,985</u>	<u>33,666,616</u>	<u>9,182,804</u>
Expenditures:				
Current:				
General government	10,981,779	-	-	-
Human resources	1,473,061	-	-	-
Finance and management services	5,919,085	-	-	-
Museum	1,468,035	-	-	-
Library	4,009,491	178,527	-	-
Recreation and community services	17,048,700	634,483	-	-
Police department	122,483,430	4,597,749	-	-
Fire department	50,438,382	159,170	-	-
Planning and building	10,846,912	840,601	-	-
Public works	6,234,394	87,437	-	2,667,797
Community development	1,331,612	9,119,457	34,079,713	-
Pass-through payments to districts and other agencies	-	681,007	-	-
Capital Outlay	1,884,313	3,265,203	-	6,278
Debt Service:				
Principal	1,229,820	-	-	1,525,000
Interest and fiscal charges	347,640	-	-	2,649,556
Total expenditures	<u>235,696,654</u>	<u>19,563,634</u>	<u>34,079,713</u>	<u>6,848,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,730,630)</u>	<u>1,138,351</u>	<u>(413,097)</u>	<u>2,334,173</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(10,758,539)	-	-	(792,016)
Issuance of debt	7,296,906	-	-	-
Total other financing sources (uses)	<u>(3,461,633)</u>	<u>-</u>	<u>-</u>	<u>(792,016)</u>
Net change in fund balances	(5,192,263)	1,138,351	(413,097)	1,542,157
Fund balances - beginning	74,553,346	4,324,859	3,389,761	17,220,541
Fund balances - ending	<u>\$ 69,361,083</u>	<u>5,463,210</u>	<u>2,976,664</u>	<u>18,762,698</u>

See accompanying Notes to the Basic Financial Statements.

GOVERNMENTAL FUNDS

Capital Projects Housing Successor Agency	Capital Projects Street Construction	Debt Service SAFA	Nonmajor Governmental Funds	Total
-	367,563	-	134,910	\$ 134,812,253
-	16,361	-	-	7,993,531
-	24,673,268	-	9,683,500	145,520,242
-	442,594	-	1,480,856	15,398,765
-	-	-	-	5,712,946
539,710	376,113	24,140	177,234	1,601,231
-	55,915	-	2,425,511	14,353,214
-	68,361	-	-	11,880,208
1,250	2,201,008	-	2,713,304	5,626,637
<u>540,960</u>	<u>28,201,183</u>	<u>24,140</u>	<u>16,615,315</u>	<u>342,899,027</u>
-	-	-	-	10,981,779
-	-	-	103,249	1,576,310
-	-	-	-	5,919,085
-	-	-	-	1,468,035
-	-	-	-	4,188,018
-	-	-	7,026,869	24,710,052
-	-	-	1,916,134	128,997,313
-	-	-	-	50,597,552
-	-	-	188,128	11,875,641
-	3,628,850	-	381,191	12,999,669
6,814,276	-	-	727,920	52,072,978
-	-	-	-	681,007
-	31,750,249	-	4,511,705	41,417,748
-	-	7,032,500	-	9,787,320
-	-	2,744,094	-	5,741,290
<u>6,814,276</u>	<u>35,379,099</u>	<u>9,776,594</u>	<u>14,855,196</u>	<u>363,013,797</u>
<u>(6,273,316)</u>	<u>(7,177,916)</u>	<u>(9,752,454)</u>	<u>1,760,119</u>	<u>(20,114,770)</u>
-	792,016	9,791,140	1,179,404	11,762,560
-	-	-	-	(11,550,555)
-	-	-	-	7,296,906
<u>-</u>	<u>792,016</u>	<u>9,791,140</u>	<u>1,179,404</u>	<u>7,508,911</u>
(6,273,316)	(6,385,900)	38,686	2,939,523	(12,605,859)
42,936,847	48,344,269	80,590	35,871,810	226,722,023
<u>36,663,531</u>	<u>41,958,369</u>	<u>119,276</u>	<u>38,811,333</u>	<u>\$ 214,116,164</u>

**Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2018**

Net change in fund balances-total governmental funds \$ (12,605,859)

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. This does not include internal service fund activity of \$1,167,796 in additions, \$1,290,374 in deletions, and \$1,355,539 in depreciation expense.

Capital outlay	43,811,954	
Depreciation expense	(23,768,066)	
Loss on disposal of capital assets	<u>(3,227,408)</u>	16,816,480

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund. 2,388,068

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 premiums, discounts, 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.

Principal payments made:		
Certificates of participation	1,525,000	
Lease revenue bonds	3,017,500	
Private placement financing	4,015,000	
Long-term loans & other payables	<u>896,829</u>	
Total principal repayments		9,454,329
Proceeds from long-term loan		(7,296,906)
Amortization of bond discount		(32,498)
Amortization of deferred charges on refunding		(790,512)
Net change in compensated absences		<u>(1,026,143)</u>
		308,270

Accrued interest for long term liabilities including bonds payable. This is the net change in accrued interest for the current period. (46,870)

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. (47,657,927)

OPEB expense reported in the governmental funds includes the insurance premiums paid. In the Statement of Activities, OPEB expense includes the change in the OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources. (8,226)

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. (11,315,946)

Change in net position of governmental activities \$ (52,122,010)

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 the full accrual basis of 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.

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 and weed control.

CITY OF SANTA ANA

Statement of Net Position
Proprietary Funds
June 30, 2018

	Water	Parking	Sewer
Assets:			
Current assets:			
Cash and investments	\$ 39,610,588	5,380,469	8,039,984
Receivables:			
Taxes	-	-	-
Interest	142,469	20,044	28,648
Accounts, net of allowances	9,197,643	118,892	1,164,957
Due from other funds	-	-	-
Inventory of supplies	-	-	-
Total current assets	<u>48,950,700</u>	<u>5,519,405</u>	<u>9,233,589</u>
Noncurrent assets:			
Advances to other funds	-	-	-
Restricted cash and investments	929,151	261,540	-
Capital assets:			
Land	1,892,808	3,591,049	-
Buildings	223,583	-	-
Improvements other than buildings	134,494,956	-	41,076,307
Equipment	15,429,012	654,976	1,160,493
Parking structures	-	14,991,605	-
Construction in progress	9,322,808	1,831,584	175,545
Computer software	278,589	-	-
Less accumulated depreciation	(78,689,996)	(9,173,124)	(24,621,100)
Total noncurrent assets	<u>83,880,911</u>	<u>12,157,630</u>	<u>17,791,245</u>
Total assets	<u>132,831,611</u>	<u>17,677,035</u>	<u>27,024,834</u>
Deferred outflows of resources:			
Unamortized loss on bond defeasance	369,073	-	-
Deferred amounts on pension plans	2,722,659	485,543	1,134,495
Deferred amounts on OPEB plan	97,488	13,971	36,822
Total deferred outflow of resources	<u>3,189,220</u>	<u>499,514</u>	<u>1,171,317</u>
Liabilities:			
Current liabilities:			
Accounts payable	9,768,788	1,614,846	330,903
Retention payable	308,280	72,056	-
Due to other funds	-	-	-
Due to other governmental agencies	-	-	-
Compensated absences payable	219,098	73,990	57,799
Interest payable	220,942	-	-
Grant advances	-	-	-
Deposits payable	1,522,848	-	-
Unearned revenue	-	-	-
Claims payable	-	-	-
Capital lease payable	-	-	-
Revenue bonds payable	710,000	-	-
Total current liabilities	<u>12,749,956</u>	<u>1,760,892</u>	<u>388,702</u>
Noncurrent liabilities:			
Compensated absences payable	657,293	221,969	173,398
Claims payable	-	-	-
Net pension liability	13,226,502	2,358,761	5,511,266
Total OPEB liability	2,922,851	418,865	1,103,987
Revenue bonds payable	14,952,024	-	-
Total noncurrent liabilities	<u>31,758,670</u>	<u>2,999,595</u>	<u>6,788,651</u>
Total liabilities	<u>44,508,626</u>	<u>4,760,487</u>	<u>7,177,353</u>
Deferred inflows of resources:			
Deferred amounts on pension plans	308,580	55,031	128,580
Deferred amounts on OPEB plan	150,459	21,562	56,830
Total deferred inflows of resources	<u>459,039</u>	<u>76,593</u>	<u>185,410</u>
Net position:			
Net investment in capital assets	67,455,745	11,824,034	17,791,245
Restricted for :			
Capital projects	-	261,540	-
National pollution discharge elimination system	-	-	-
Unrestricted	23,597,421	1,253,895	3,042,143
Total net position	<u>\$ 91,053,166</u>	<u>13,339,469</u>	<u>20,833,388</u>

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

		Business-Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
Sanitation	Nonmajor	Total			
4,974,134	15,705,774	\$	73,710,949	\$	51,278,736
32	-		32		-
17,835	53,692		262,688		211,799
1,061,586	2,270,334		13,813,412		147,370
-	-		-		5,607,417
-	-		-		839,999
<u>6,053,587</u>	<u>18,029,800</u>		<u>87,787,081</u>		<u>58,085,321</u>
-	-		-		2,044,000
-	-		1,190,691		232,172
-	3,792,491		9,276,348		-
-	8,607,909		8,831,492		-
-	4,196,564		179,767,827		859,017
19,592	32,137		17,296,210		20,907,284
-	4,817,296		19,808,901		-
-	3,851,619		15,181,556		885,576
-	-		278,589		6,493,843
(19,592)	(12,498,217)		(125,002,029)		(22,240,858)
-	12,799,799		126,629,585		9,181,034
<u>6,053,587</u>	<u>30,829,599</u>		<u>214,416,666</u>		<u>67,266,355</u>
-	-		369,073		-
1,723,333	658,106		6,724,136		10,242,039
64,131	28,914		241,326		288,436
<u>1,787,464</u>	<u>687,020</u>		<u>7,334,535</u>		<u>10,530,475</u>
248,823	1,604,734		13,568,094		1,017,175
-	118,476		498,812		15,720
-	838,785		838,785		120,827
-	-		-		30,715
89,455	48,343		488,685		611,431
-	-		220,942		-
-	180,253		180,253		-
-	16,000		1,538,848		-
-	1,096,845		1,096,845		-
-	-		-		8,650,000
-	-		-		55,597
-	-		710,000		-
<u>338,278</u>	<u>3,903,436</u>		<u>19,141,264</u>		<u>10,501,465</u>
268,366	145,029		1,466,055		1,834,290
-	-		-		29,108,841
8,371,818	3,197,024		32,665,371		51,967,888
1,922,750	866,917		7,235,370		8,647,846
-	-		14,952,024		-
<u>10,562,934</u>	<u>4,208,970</u>		<u>56,318,820</u>		<u>91,558,865</u>
<u>10,901,212</u>	<u>8,112,406</u>		<u>75,460,084</u>		<u>102,060,330</u>
195,317	74,588		762,096		1,160,027
98,977	44,626		372,454		445,162
<u>294,294</u>	<u>119,214</u>		<u>1,134,550</u>		<u>1,605,189</u>
-	12,681,323		109,752,347		6,849,265
-	-		261,540		-
-	2,070,137		2,070,137		-
(3,354,455)	8,533,539		33,072,543		(32,717,954)
<u>(3,354,455)</u>	<u>23,284,999</u>	\$	<u>145,156,567</u>	\$	<u>(25,868,689)</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2018

	Water	Parking	Sewer
Operating revenues:			
Charges for services	\$ 55,129,350	3,674,373	6,381,133
Miscellaneous	431,135	497,186	-
Total operating revenues	<u>55,560,485</u>	<u>4,171,559</u>	<u>6,381,133</u>
Operating expenses:			
Personnel services	6,299,991	2,328,817	2,174,099
Contractual services	17,532,346	2,676,351	1,796,900
Materials and supplies	11,252,096	26,765	208,744
Administrative charges	11,673,726	258,409	776,447
Insurance	-	-	-
Provision for self-insured losses	-	-	-
Depreciation	2,483,315	346,060	631,428
Total operating expenses	<u>49,241,474</u>	<u>5,636,402</u>	<u>5,587,618</u>
Operating income (loss)	<u>6,319,011</u>	<u>(1,464,843)</u>	<u>793,515</u>
Nonoperating revenues (expenses):			
Intergovernmental	-	-	-
Net decrease in the fair value of investment	(506,016)	-	(155,245)
Investment earnings	541,352	79,792	106,376
Interest expense	(558,448)	-	-
Loss on disposal of capital assets	-	-	-
Total nonoperating revenues (expenses)	<u>(523,112)</u>	<u>79,792</u>	<u>(48,869)</u>
Income (loss) before transfers	<u>5,795,899</u>	<u>(1,385,051)</u>	<u>744,646</u>
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	(1,347,355)	-	(262,427)
Change in net position	<u>4,448,544</u>	<u>(1,385,051)</u>	<u>482,219</u>
Net position (deficit) - beginning	<u>89,078,314</u>	<u>15,083,509</u>	<u>21,281,642</u>
Reduction in net position to record beginning total OPEB liability	<u>(2,473,692)</u>	<u>(358,989)</u>	<u>(930,473)</u>
Net position (deficit) - beginning, as restated	<u>86,604,622</u>	<u>14,724,520</u>	<u>20,351,169</u>
Net position (deficit) - ending	<u>\$ 91,053,166</u>	<u>13,339,469</u>	<u>20,833,388</u>

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUNDS

		Business-Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
Sanitation	Nonmajor	Total			
7,010,857	20,658,426	\$	92,854,139	\$	68,138,907
9,456	2,080		939,857		805,924
<u>7,020,313</u>	<u>20,660,506</u>		<u>93,793,996</u>		<u>68,944,831</u>
3,000,607	2,156,246		15,959,760		18,126,254
1,859,781	11,515,719		35,381,097		8,397,086
160,936	22,323		11,670,864		2,567,928
2,060,679	8,162,711		22,931,972		12,553,448
-	-		-		26,642,272
-	-		-		10,385,440
-	460,827		3,921,630		1,355,539
<u>7,082,003</u>	<u>22,317,826</u>		<u>89,865,323</u>		<u>80,027,967</u>
<u>(61,690)</u>	<u>(1,657,320)</u>		<u>3,928,673</u>		<u>(11,083,136)</u>
	419,241		419,241		-
-	(234,869)		(896,130)		(663,769)
66,371	203,980		997,871		815,448
-	-		(558,448)		(7,741)
-	-		-		(164,743)
<u>66,371</u>	<u>388,352</u>		<u>(37,466)</u>		<u>(20,805)</u>
4,681	(1,268,968)		3,891,207		(11,103,941)
-	980,668		980,668		-
-	2,553,467		2,553,467		-
-	(943,685)		(2,553,467)		(212,005)
<u>4,681</u>	<u>1,321,482</u>		<u>4,871,875</u>		<u>(11,315,946)</u>
<u>(1,728,421)</u>	<u>22,712,268</u>		<u>146,427,312</u>		<u>(7,791,517)</u>
<u>(1,630,715)</u>	<u>(748,751)</u>		<u>(6,142,620)</u>		<u>(6,761,226)</u>
<u>(3,359,136)</u>	<u>21,963,517</u>		<u>140,284,692</u>		<u>(14,552,743)</u>
<u>(3,354,455)</u>	<u>23,284,999</u>	\$	<u>145,156,567</u>	\$	<u>(25,868,689)</u>

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2018

	Water	Parking
Cash flows from operating activities:		
Receipts from customers	\$ 54,881,509	3,640,048
Receipts from interfund services provided	-	-
Receipts from other operating sources	431,135	497,186
Payments to suppliers for goods and services	(38,736,159)	(1,438,655)
Payments from interfund services used	-	-
Payments to employees	(5,282,522)	(2,159,680)
	<u>11,293,963</u>	<u>538,899</u>
Cash flows from noncapital financing activities:		
Intergovernment contribution	-	-
Transfer in	-	-
Transfer out	(1,347,355)	-
Repayment of advances from other funds	-	-
	<u>(1,347,355)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Capital contribution	-	-
Acquisition of capital assets	(9,098,458)	(1,648,160)
Capital assets donated to other funds	-	-
Proceeds from sale of capital assets	-	-
Retirement of long-term liabilities	(783,216)	-
Interest paid	(655,204)	-
Payments on capital leases	-	-
	<u>(10,536,878)</u>	<u>(1,648,160)</u>
Cash flows from investing activities:		
Interest received	505,241	77,349
Net decrease in the fair value of investment	(506,016)	-
	<u>(775)</u>	<u>77,349</u>
Net cash provided (used) by investing activities	<u>(775)</u>	<u>77,349</u>
Net increase (decrease) in cash and cash equivalents	(591,045)	(1,031,912)
Cash and cash equivalents - beginning	<u>41,130,784</u>	<u>6,673,921</u>
Cash and cash equivalents - ending (Includes restricted assets)	<u>\$ 40,539,739</u>	<u>5,642,009</u>

See accompanying Notes to the Basic Financial Statements.

			Business -Type Activities- Enterprise Funds	Governmental Activities- Internal Service Funds
Sewer	Sanitation	Nonmajor	Totals	
6,250,271	6,995,286	20,156,808	\$ 91,923,922	\$ -
-	-	-	-	68,015,440
-	9,456	(456,699)	481,078	807,986
(2,647,166)	(4,088,469)	(19,123,224)	(66,033,673)	(51,112,676)
-	-	-	-	(2,404,303)
<u>(1,846,594)</u>	<u>(2,471,641)</u>	<u>(1,772,523)</u>	<u>(13,532,960)</u>	<u>(21,780,051)</u>
1,756,511	444,632	(1,195,638)	12,838,367	(6,473,604)
-	-	419,241	419,241	-
-	-	2,553,467	2,553,467	-
(262,427)	-	(943,685)	(2,553,467)	(212,005)
-	-	-	-	292,000
<u>(262,427)</u>	<u>-</u>	<u>2,029,023</u>	<u>419,241</u>	<u>79,995</u>
-	-	980,668	980,668	-
(368,368)	-	(1,793,084)	(12,908,070)	(1,156,542)
-	-	-	-	(201,023)
-	-	-	-	36,280
-	-	-	(783,216)	-
-	-	-	(655,204)	(7,741)
-	-	-	-	(174,742)
<u>(368,368)</u>	<u>-</u>	<u>(812,416)</u>	<u>(13,365,822)</u>	<u>(1,503,768)</u>
96,737	61,501	191,080	931,908	773,707
(155,245)	-	(234,869)	(896,130)	(663,769)
<u>(58,508)</u>	<u>61,501</u>	<u>(43,789)</u>	<u>35,778</u>	<u>109,938</u>
1,067,208	506,133	(22,820)	(72,436)	(7,787,439)
6,972,776	4,468,001	15,728,594	74,974,076	59,298,347
<u>8,039,984</u>	<u>4,974,134</u>	<u>15,705,774</u>	<u>\$ 74,901,640</u>	<u>\$ 51,510,908</u>

Continued

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2018

	Water	Parking
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 6,319,011	(1,464,843)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	2,483,315	346,060
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(244,743)	(34,325)
Decrease (increase) in inventory of supplies	-	-
Decrease (increase) in deferred outflows from pension	(422,338)	(75,311)
Decrease (increase) in deferred outflows from OPEB	(97,488)	(13,971)
Increase (decrease) in accounts payable	1,723,652	1,450,814
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in due to other governmental agencies	-	-
Increase (decrease) in compensated absences payable	93,931	5,610
Increase (decrease) in deposits payable	(3,098)	-
Increase (decrease) in retention payable	(1,643)	72,056
Increase (decrease) in claims payable	-	-
Increase (decrease) in grant advances	-	-
Increase (decrease) in postemployment benefits obligation	(468,541)	(62,654)
Increase (decrease) in net pension liability	1,244,374	221,916
Increase (decrease) in total OPEB liability	449,159	59,876
Increase (decrease) in deferred inflows from pension	67,913	12,109
Increase (decrease) in deferred inflows from OPEB	150,459	21,562
Net cash provided (used) by operating activities	<u>\$ 11,293,963</u>	<u>538,899</u>
Noncash investing, capital, and financing activities:		
Decrease in fair value of investments	(506,016)	-
Amortization of premium & unamortized loss on bond defeasance	<u>(86,620)</u>	<u>-</u>

See accompanying Notes to the Basic Financial Statements.

Sewer	Sanitation	Nonmajor	Business -Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
			Total		
793,515	(61,690)	(1,657,320)	\$	3,928,673	\$ (11,083,136)
631,428	-	460,827		3,921,630	1,355,539
(130,862)	(15,571)	(506,618)		(932,119)	(2,466,718)
-	-	-		-	(137,078)
(175,981)	(267,322)	(102,086)		(1,043,038)	(1,587,954)
(36,822)	(64,131)	(28,914)		(241,326)	(169,732)
134,925	(7,073)	1,345,725		4,648,043	(93,142)
-	-	(980,668)		(980,668)	-
-	-	-		-	(140,973)
(56,007)	(56,428)	155,435		142,541	143,860
-	-	5,000		1,902	-
-	-	-		70,413	15,720
-	-	-		-	2,595,334
-	-	(243,093)		(243,093)	-
(180,835)	(304,785)	(123,915)		(1,140,730)	(1,943,963)
518,509	787,635	300,781		3,073,215	4,570,264
173,514	292,035	118,166		1,092,750	1,886,619
28,297	42,985	16,416		167,720	255,298
56,830	98,977	44,626		372,454	326,458
<u>1,756,511</u>	<u>444,632</u>	<u>(1,195,638)</u>	\$	<u>12,838,367</u>	\$ <u>(6,473,604)</u>
(155,245)	-	(234,869)		(896,130)	(663,769)
-	-	-	\$	(86,620)	\$ -

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Successor Agency to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 9,077,731	\$ 23,472,083
Restricted assets:		
Cash and investments, bond proceeds	5,831,789	-
Cash and investments with fiscal agents	6,743,229	105,961
Receivables, net of allowances:		
Accounts	17,344	-
Interest	32,242	35,317
Taxes	-	3,552
Land held for redevelopment	276,200	-
Total assets	<u>21,978,535</u>	<u>\$ 23,616,913</u>
Deferred outflows of resources:		
Unamortized loss on bond defeasance	196,755	
Deferred amounts on pension plans	167,406	
Deferred amounts on OPEB plan	6,070	
Total deferred outflows of resources	<u>370,231</u>	
Liabilities		
Accounts payable	23,680	\$ 18,615
Interest payable	1,676,585	-
Deposits payable	-	26,194
Due to City employees	-	5,363,418
Due to governmental agencies	-	17,956,628
Due to bondholders	-	252,058
Advance from the City	532,601	-
Long-term liabilities:		
Due within one year	4,548,313	-
Due in more than one year	80,354,214	-
Net pension liability	813,243	-
Total OPEB liability	181,988	-
Total liabilities	<u>88,130,624</u>	<u>\$ 23,616,913</u>
Deferred inflows of resources:		
Deferred amounts on pension plans	18,974	
Deferred amounts on OPEB plan	9,368	
	<u>28,342</u>	
Net position (deficit)		
Held in trust for other purposes	<u>\$ (65,810,200)</u>	

See accompanying Notes to the Basic Financial Statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2018

		Successor Agency to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund
Additions:		
Property taxes	\$	10,086,063
Investment earnings		114,091
Other		366,724
		10,566,878
Deductions:		
Program expenses		592,633
Administrative expenses		405,317
Interest and fiscal agency expenses		5,105,932
		6,103,882
Change in net position		4,462,996
Net position (deficit) - beginning		(70,411,237)
Reduction in net position to record beginning total OPEB liability		138,041
Net position (deficit) - beginning, as restated		(70,273,196)
Net position (deficit) - ending	\$	(65,810,200)



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

CITY OF SANTA ANA, CALIFORNIA

Notes to the Basic Financial Statements



CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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 for which there is a benefit/burden relationship and the financial 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

Housing Authority of the City of Santa Ana

The Housing Authority (the “Authority”) was established in 1972 pursuant to Housing Authority Laws of California to provide rental assistance programs to low-income families and senior citizens, and to operate a Housing Rehabilitation Loan Program. The Authority is governed by a commission of seven members comprised of the City Council, which designates management and has full accountability for the Authority’s fiscal affairs. The Authority’s financial data and transactions are included within the Special Revenue Housing Authority Fund. As indicated above, on January 9, 2012, the City adopted a resolution designating the Housing Authority of the City to serve as the Housing Successor Agency. The Housing Successor Agency’s financial data and transactions are included within the Capital Projects Housing Successor Agency 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 Community Redevelopment Agency (RDA) and certain public programs and projects of the City. The City is legally obligated to provide resources in case there are deficiencies in debt service payment and resources are not available from any other remedies. 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 within 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its blended component units. As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments in lieu of taxes where the amount are reasonably equivalent in value to the interfund services provided and other charges between the government’s water 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.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-wide and Fund Financial Statements (Continued)

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 including special assessments. 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 City 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.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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, all other grant requirements have been met, and the susceptible to accrual criteria have been met. Grant funds received before the revenue recognition criteria have been met are reported as unearned revenue.

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.

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 Housing Successor Agency. This fund accounts for the receipts and expenditures relating to the Housing Successor Agency 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.

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 Bonds and the Private Placement Financing.

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.

Sewer Fund. This fund is used to account for the provision of the cost of cleaning, rehabilitating, repairing of sanitary sewer facilities and removing of sewer main blockages.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Sanitation Fund. This fund is used to account for the provision of motorized sweeping of all improved streets in the City and weed control.

Additionally, the City reports the following fund types:

Internal Service Funds. These funds account for fleet services, facilities management, equipment maintenance and replacement, stores and property control, 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, and others under the terms of agreements for which the deposits were made.

Successor Agency to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund. This fund accounts for the receipt of property tax revenues pursuant to the Dissolution Act and the value of assets transferred from the former RDA. The fund accounts for the expenses incurred during the reporting year pursuant to the Recognized Obligation Payment Schedules (ROPS) approved by the State Department of Finance under the Dissolution Act (AB 26 –Section 34177).

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.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances

Cash and Investments. For purposes of the statement of cash flows, the City considers 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. As amounts are available to these funds on demand without prior notice or penalty, 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, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during the fiscal year are recognized as revenue from investment income (governmental funds) and net change in the fair value of investment (proprietary funds). These revenues include interest earnings, changes in fair value, leases and any gains or losses realized upon liquidation, maturity, or sale of investments.

Cash and investments are pooled to maximize investment yields. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs. The 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 and loan proceeds, amounts set aside for payment of debt service, and state condemnation funds held with the State.

Interagency Receivables, Payables, Transfers and Advances. During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amount as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that the net amount is included as transfers in the business-type activities column.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (Continued)

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, respectively. 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 and prepaid items. 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. Certain payments to vendors reflect costs applicable to future accounting period and recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Land Held for Resale. The properties held for resale are for the primary purpose of developing low and moderate income housing and completing street improvement projects and 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. The City's pension stability funds balance is also included in the restricted assets.

Capital Assets. Capital assets, which include property, plant, equipment, library materials, intangible items, and infrastructure assets, 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 \$5,000 (amount not rounded) and an estimated useful life of two years or more. Bulk purchases of library materials with unit costs of less than \$5,000 are capitalized as a group. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time 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 City included \$23,040 out of a total of \$667,392 of interest expense as part of the cost of capital assets under construction.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (Continued)

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

<u>Assets</u>	<u>Life</u>
Buildings and building improvements	30-50
Improvements other than buildings	20-50
Computers and computer related items	3-5
Equipment	3-15
Infrastructure	20-75
Library materials	6
Computer software	5-20

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding reported in the government-wide statement of net position, proprietary statement of net position, and statement of fiduciary net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions subsequent to measurement date, differences between actual and expected experience, changes of assumptions, and net differences between projected and actual earnings on pension plan investments related to the net pension liability in the government-wide statement of net position, proprietary statement of net position, and the fiduciary statement of net position are reported as deferred outflows of resources. All of these items are amortized over the average expected remaining service lives of employees in the plan with the exception of pension contributions subsequent to measurement date which are recognized as a reduction of the net pension liability and the net differences between projected and actual earnings, which is amortized over five years.
- Other Post-Employment Benefit (OPEB) contributions subsequent to measurement date related to the total OPEB liability in the government-wide statement of net position, proprietary statement of net position, and the fiduciary statement of net position are reported as a deferred outflow of resources until the next measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue/contra expense) until that time. The City has the following items that qualify for reporting in this category:

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (Continued)

- Unavailable revenues reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues that are not collected during the “availability period”. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Major sources of unavailable revenues are intergovernmental revenues for grants and cost recoveries.
- Differences between expected and actual experience related to the net pension liability in the government-wide statement of net position, proprietary statement of net position, and statement of fiduciary net position. These amounts are deferred and amortized as a component of pension expense in future periods over the average expected remaining service lives of employees in the plan.
- Changes of assumptions related to the total OPEB liability in the government-wide statement of net position, proprietary statement of net position, and statement of fiduciary net position. These amounts are deferred and amortized as a component of pension expense in future periods over the average expected remaining service lives of employees in the plan.

Arbitrage Liability. Any liability for arbitrated interest is recorded in the fund incurring the liability and interest income is reduced by the amount of liability incurred during the year. The City had no arbitrage liability as of June 30, 2018.

Compensated Absences. It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Depending on the bargaining group and years of service, a liability for unpaid accumulated sick leave is accrued for employees who have attained ten (10) years or more of continuous service, up to two-thirds (2/3) of the total accumulated sick leave benefit credited to the employee, to a maximum of 1,066 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, proprietary funds, and the private-purpose trust fund. Bond premiums and discounts 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.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized in the period the debt is issued. 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.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (Continued)

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

Fund Balances. Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for government funds are made up of the following:

- *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. The City Council adopts a motion to this effect by the affirmative votes of at least two-thirds (2/3) of the members of the city council to commit fund balance by an ordinance prior to the end of the fiscal year. 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. The City Council has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance through the annual adopted budget and as amended per the approved budget policy. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned Fund Balance* – is the residual classification for the General Fund 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.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (Continued)

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

E. New Accounting Pronouncements

Current Year Standards

In fiscal year 2017-2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased the net position at July 1, 2017 as follows:

Governmental Activities:

	Governmental Activities
Net position, June 30, 2017	\$ 631,677,804
Reduction in net position to record beginning total OPEB liability	(37,613,936)
Net position, July 1, 2017 as restated	\$ <u>594,063,868</u>

Business-Type Activities:

	Water	Parking	Sewer	Sanitation	Nonmajor Enterprise	Total
Net position, June 30, 2017	\$ 89,078,314	\$ 15,083,509	\$ 21,281,642	\$ (1,728,421)	\$ 22,712,268	\$ 146,427,312
Reduction in net position to record beginning total OPEB liability	(2,473,692)	(358,989)	(930,473)	(1,630,715)	(748,751)	(6,142,620)
Net position, July 1, 2017 as restated	\$ <u>86,604,622</u>	\$ <u>14,724,520</u>	\$ <u>20,351,169</u>	\$ <u>(3,359,136)</u>	\$ <u>21,963,517</u>	\$ <u>140,284,692</u>

Private-Purpose Trust Fund:

	Private-Purpose Trust Fund
Net position, June 30, 2017	\$ (70,411,237)
Reduction in net position to record beginning total OPEB liability	138,041
Net position, July 1, 2017 as restated	\$ <u>(70,273,196)</u>

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. New Accounting Pronouncements (Continued)

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

NOTE 2. FUND DEFICITS

At June 30, 2018, the deficits of \$0.01 million in the Non-major Civic Center Maintenance Special Revenue Fund and \$3.7 million in the Non-major Capital Grants Capital Projects Fund are primarily due to the timing of receipt which did not meet the revenue recognition criteria for governmental funds. Subsequent collection of the receivable will reduce the deficits.

The deficits of \$3.4 million in the Major Enterprise Sanitation Fund, \$0.4 million in the Internal Service Central Services Fund, \$2.5 million in the Internal Service Building Maintenance Fund, \$0.3 million in the Internal Service Equipment Maintenance and Replacement Fund, \$0.1 million in the Internal Service Stores & Property Control Fund, \$11.5 million in the Internal Service Self Insurance Fund, and \$16.5 million in the Internal Service Engineering and Administrative Services Fund are primarily due to an increase in the net pension liability and the implementation of GASB Statements No.75. In order to address pension obligations and future benefit contributions, the City established the pension stability fund shown as a restricted asset within the General Fund in the Governmental Funds Balance Sheet.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2018 were classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 257,419,762
Restricted assets:	
Cash and investments	12,043,281
Cash and investments with fiscal agents	17,687,914
Pension stability funds	504,515
Statement of fiduciary net position:	
Cash and investments	32,549,814
Restricted assets:	
Cash and investments	5,831,789
Cash and investments with fiscal agents	6,849,190
Total cash and investments	\$ 332,886,265

Cash and investments as of June 30, 2018 consisted of the following:

Cash on hand	\$ 480,920
Deposits with financial institutions	30,729,132
Investments	301,676,213
Total cash and investments	\$ 332,886,265

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

The table below identifies the investment types that are authorized for the 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 prohibited by the City's investment policy are Asset-backed Securities, Derivatives, Investment Agreements, Mortgage-backed Securities, Repurchase and Reverse Repurchase Agreements, and Securities Lending Agreements. 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, or assets held in the Public Agencies Retirement Trust that are governed by provisions of the Plan documents of the City, rather than the general provisions of the California Government Code or the City's investment policy.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Cash and Investments (Continued)

<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	40%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds investing in eligible securities	Yes	None	20%	10%
Money Market Mutual Funds	Yes	None	20%	10%
Local Agency Investment Fund (LAIF)	Yes	None	65 Million	None
Supranational Obligations	Yes	5 Years	30%	None

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

Investments Authorized by Debt Agreements

Investments 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.

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

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Cash and Investments (Continued)

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 change in market interest rates. In accordance with the City's investment policy that was established by a resolution on July 5, 2017, interest rate risk may be mitigated by structuring the fund so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. The cash flow is updated on a daily basis and will be considered prior to the investment of securities, which will reduce the necessity to sell investments for liquidity purposes.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided in the following table reflecting 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
Federal Agency Securities	\$ 220,812,455	\$ 61,815,484	\$ 21,162,955	\$ 137,834,016
Negotiable Certificates of Deposit	3,906,580	987,294	1,226,909	1,692,377
Local Agency Investment Fund	64,595,467	64,595,467	-	-
Held by Fiscal Agent:				
Money Market Funds	5,618,874	5,618,874	-	-
Federal Agency Securities	6,742,837	6,742,837	-	-
	<u>\$ 301,676,213</u>	<u>\$ 139,759,956</u>	<u>\$ 22,389,864</u>	<u>\$ 139,526,393</u>

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

Highly Sensitive Investments	Fair Value at Year End
Callable agency securities with interest rates that increase in ranges from 2 percent to 7 percent	\$ 76,618,457

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 by Moody's as of year-end for each investment type.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Cash and Investments (Continued)

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			Aaa	Not Rated
Federal Agency Securities	\$ 220,812,455	N/A	\$ 220,812,455	\$ -
Negotiable Certificates of Deposit	3,906,580	N/A	-	3,906,580
Local Agency Investment Fund	64,595,467	N/A	-	64,595,467
Held by Fiscal Agent:				
Money Market Funds	5,674,668	A	5,674,668	-
Federal Agency Securities	6,687,043	N/A	6,687,043	-
	<u>\$ 301,676,213</u>		<u>\$ 233,174,166</u>	<u>\$ 68,502,047</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 Farm Credit Bank	Federal agency securities	\$ 45,458,864
Federal Home Loan Bank	Federal agency securities	64,961,095
Federal Home Loan Mortgage Corp.	Federal agency securities	44,376,332
Federal National Mortgage Association	Federal agency securities	66,016,164

Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, major fund, nonmajor fund in the aggregate, etc.) are \$4.3 million and \$6.7 million that were held by the bonds trustee of cash and investments pool. The amount of \$4.3 million reported in the Special Revenue Gas Tax Fund (a major fund of the City) is held in the form of Money Market fund and \$6.7 million reported in the Successor Agency to the Santa Ana Redevelopment Private-Purpose Trust fund is held in the form of Federated Treasury Obligation fund.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Cash and Investments (Continued)

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, 2018, 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.

Investments 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. The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investments in Public Agencies Retirement Trust

The General Fund includes \$504,515 of pension stability funds that represent assets restricted to the defined benefit pension plan. The Plan assets are subject to the investment selections stipulated in the Plan document rather than the general provisions of the California Government Code or the City's investment policy. The City has authorized investments in the United States Treasury funds only. Cash and investments of the Plan are included in the basic financial statements as of June 30, 2018 within the General Fund Balance Sheet.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Cash and Investments (Continued)

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level of inputs are as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets at the measurement date

Level 2 - Inputs other than quoted prices included in Level 1, that are observable for the assets and liabilities through corroboration with market data at the measurement date

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date

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

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 220,812,455	\$ -	\$ 220,812,455
Negotiable Certificates of Deposit	-	3,906,580	-	3,906,580
Held by Fiscal Agent:				
Federal Agency Securities	-	6,687,043	-	6,687,043
Total Leveled Investments	\$ -	\$ 231,406,078	\$ -	231,406,078
Local Agency Investment Fund *				64,595,467
Money Market Funds *				5,674,668
				\$ <u>301,676,213</u>

* Not subject to fair value measurements.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Capital Assets

A summary of changes in the Governmental Activities capital assets at June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,288,791	\$ 3,205,181	\$ -	\$ 17,493,972
Right of Way	494,575,634	-	(877,515)	493,698,119
Street Trees	8,014,822	14,302	(383)	8,028,741
Construction in progress	<u>69,556,342</u>	<u>42,126,644</u>	<u>(18,146,939)</u>	<u>93,536,047</u>
Total capital assets, not being depreciated	<u>586,435,589</u>	<u>45,346,127</u>	<u>(19,024,837)</u>	<u>612,756,879</u>
Capital assets being depreciated:				
Buildings and building improvements	200,136,289	518,354	-	200,654,643
Improvements other than buildings	98,139,240	7,883,808	(1,286,314)	104,736,734
Equipment	49,174,361	2,708,668	(3,994,476)	47,888,553
Infrastructure	482,332,763	6,460,780	(27,944,835)	460,848,708
Library materials	7,151,593	208,952	(235,864)	7,124,681
Computer software	<u>6,493,843</u>	<u>-</u>	<u>-</u>	<u>6,493,843</u>
Total capital assets being depreciated	<u>843,428,089</u>	<u>17,780,562</u>	<u>(33,461,489)</u>	<u>827,747,162</u>
Less: Accumulated depreciation for:				
Buildings and building improvements	(141,844,606)	(5,827,440)	-	(147,672,046)
Improvements other than buildings	(55,036,785)	(3,666,519)	803,904	(57,899,400)
Equipment	(38,493,535)	(2,117,611)	3,983,221	(36,627,925)
Infrastructure	(230,314,138)	(12,610,669)	26,077,898	(216,846,909)
Library materials	(6,202,021)	(264,463)	235,702	(6,230,782)
Computer software	<u>(3,233,447)</u>	<u>(636,903)</u>	<u>-</u>	<u>(3,870,350)</u>
Total Accumulated depreciation	<u>(475,124,532)</u>	<u>(25,123,605)</u>	<u>31,100,725</u>	<u>(469,147,412)</u>
Capital assets being depreciated, net	<u>368,303,557</u>	<u>(7,343,043)</u>	<u>(2,360,764)</u>	<u>358,599,750</u>
Governmental activities capital assets, net	<u>\$ 954,739,146</u>	<u>\$ 38,003,084</u>	<u>\$ (21,385,601)</u>	<u>\$ 971,356,629</u>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Capital Assets (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,987,085	\$ 1,289,263	\$ -	\$ 9,276,348
Construction in progress	<u>8,456,877</u>	<u>10,889,943</u>	<u>(4,165,264)</u>	<u>15,181,556</u>
Total capital assets not being depreciated	<u>16,443,962</u>	<u>12,179,206</u>	<u>(4,165,264)</u>	<u>24,457,904</u>
Capital assets being depreciated:				
Buildings and building improvements	8,831,492	-	-	8,831,492
Improvements other than buildings	175,789,256	4,165,264	(186,693)	179,767,827
Equipment	16,635,282	728,864	(67,936)	17,296,210
Parking structures	19,808,901	-	-	19,808,901
Computer software	<u>278,589</u>	<u>-</u>	<u>-</u>	<u>278,589</u>
Total capital assets being depreciated	<u>221,343,520</u>	<u>4,894,128</u>	<u>(254,629)</u>	<u>225,983,019</u>
Less: Accumulated depreciation for:				
Buildings and building improvements	(7,145,958)	(218,482)	-	(7,364,440)
Improvements other than buildings	(92,662,101)	(2,822,190)	186,693	(95,297,598)
Equipment	(10,978,154)	(440,992)	67,936	(11,351,210)
Parking structures	(10,451,311)	(426,037)	-	(10,877,348)
Computer software	<u>(97,504)</u>	<u>(13,929)</u>	<u>-</u>	<u>(111,433)</u>
Total Accumulated depreciation	<u>(121,335,028)</u>	<u>(3,921,630)</u>	<u>254,629</u>	<u>(125,002,029)</u>
Capital assets being depreciated, net	<u>100,008,492</u>	<u>972,498</u>	<u>-</u>	<u>100,980,990</u>
Business-type activities capital assets, net	<u>\$ 116,452,454</u>	<u>\$ 13,151,704</u>	<u>\$ (4,165,264)</u>	<u>\$ 125,438,894</u>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Capital Assets (Continued)

		<u>June 30, 2018</u>
Governmental activities:		
General government	\$	1,380,999
Finance and management services		282,719
Museum		501,204
Library		321,466
Recreation and community services		2,450,732
Police		4,437,878
Fire		359,719
Public works		13,744,332
Community development		289,017
Internal service funds		<u>1,355,539</u>
Total depreciation expense-governmental activities	\$	<u>25,123,605</u>
Business-type activities:		
		<u>June 30, 2018</u>
Water	\$	2,483,315
Parking		346,060
Sewer		631,428
Refuse Collections		3,214
Transportation Center		430,262
Federal Clean Water Protection		<u>27,351</u>
Total depreciation expense - business-type activities	\$	<u>3,921,630</u>

Construction Commitments

The City has active construction projects as of June 30, 2018. 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	\$ 126,280,538	\$	65,335,959	\$ 191,616,497
Park improvements	6,370,619		18,790,913	25,161,532
Water system improvements	10,687,104		9,395,257	20,082,361
Sewer improvements	2,601,049		8,468,432	11,069,481
Other improvements	14,258,973		8,498,036	22,757,009

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Interfund Receivables, Payables, Transfers and Advances

The composition of interfund balances as of and for the year ended June 30, 2018 is as follows:

Due To/From Other Funds:

<u>Due To Other Funds (Payable)</u>	<u>Due From Other Funds (Receivable)</u>		
	Internal Service Self Insurance Fund	Non-major Capital Projects Capital Grants Fund	Total
Non-major Special Revenue Funds:			
Civic Center & Maintenance Fund	\$ 167,987	\$ -	\$ 167,987
Non-major Capital Projects Funds:			
Capital Grants Fund	4,479,818	-	4,479,818
Non-major Enterprise Funds:			
Transportation Center Fund	838,785	-	838,785
Internal Service Funds:			
Stores Fund	120,827	-	120,827
Major Capital Projects Fund:			
Street Construction Fund	-	41,732	41,732
Total	<u>\$ 5,607,417</u>	<u>\$ 41,732</u>	<u>\$ 5,649,149</u>

The Non-major Special Revenue Civic Center Maintenance Fund received a temporary advance from the Self Insurance Internal Service Fund to cover a cash shortfall. Subsequent collection of receivables will repay the advance.

The Non-major Capital Projects Capital Grants Funds received a temporary advance from the Self Insurance Internal Service Fund to cover a cash shortfall. Subsequent collection of receivables from the granting agencies will repay the advance.

The Non-major Enterprise Transportation Center Fund received a temporary advance from the Self Insurance Internal Service Fund to cover a cash shortfall. The advance is expected to be repaid with future reductions in expenditures along with corresponding increase in revenues.

The Internal Service Stores Fund received a temporary advance from the Self Insurance Internal Service Fund, to cover a cash shortfall. The City is evaluating various revenue generating options to enhance its financial condition along with cost-saving measures.

The Non-major Capital Projects Capital Grants Fund incurred expenditures for a construction project for the Major Capital Projects Street Construction Fund, which will be reimbursed during fiscal year 2018-19.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Interfund Receivables, Payables, Transfers and Advances (Continued)

Interfund Transfers:

	Transfers In				Total
	Capital Projects Street Construction Fund	Debt Service SAFA Fund	Non-Major Special Revenue Fund	Non-Major Enterprise Fund	
Transfers Out					
General Fund	\$ -	\$ 9,579,135	\$ 1,179,404	\$ -	\$ 10,758,539
Special Revenue Gas Tax Fund	792,016	-	-	-	792,016
Water-major Enterprise Fund	-	-	-	1,347,355	1,347,355
Sewer-Major Enterprise Fund	-	-	-	262,427	262,427
Non-Major Enterprise Fund	-	-	-	943,685	943,685
Internal Service Funds	-	212,005	-	-	212,005
Total	\$ <u>792,016</u>	\$ <u>9,791,140</u>	\$ <u>1,179,404</u>	\$ <u>2,553,467</u>	\$ <u>14,316,027</u>

The Street Construction Capital Projects Fund received \$792,016 from Special Gas Tax Fund to reimburse the Street Construction Fund for eligible street related construction and maintenance costs.

The Debt Service Santa Ana Financing Authority Fund received transfers of \$9,791,140 for debt service payments of the 1994 Series Police Lease Revenue bonds and the 2014 Private Placement Financing. The transfers consisted of \$9,579,135 from the General Fund and \$212,005 from the Engineering and Administrative Services Internal Service Fund.

The Civic Center & Maintenance Non-Major Special Revenue Funds received transfers of \$1,179,404 from the General Fund to pay for the City's annual share of Civic Center maintenance obligations payable to the County of Orange.

The Federal Clean Water Protection Non-Major Enterprise Fund received \$1,347,355 from Water Major Enterprise Fund, \$262,427 from Sewer-Major Enterprise Fund, and \$943,685 from Refuse Collection Non-Major Enterprise Fund for surcharges that fund the various activities of the storm water management program.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Interfund Receivables, Payables, Transfers and Advances (Continued)

Advances To/From Other Funds:

Receivable fund	Payable fund	Amount
Internal Service Funds	General Fund	\$ 2,044,000
Capital Projects Housing Successor Agency	Santa Ana Redevelopment Agency Private-Purpose Trust Fund	532,601
		\$ 2,576,601

The \$2,044,000 represents the outstanding balance of \$2.9 million advance made by the Self Insurance Fund to the General Fund for the construction of Fire Station #1. The annual repayment of \$292,000 will be made through July, 2024.

The advances made from the Capital Project Housing Successor Agency Fund to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund of \$4.8 million were used for ERAF and SERAF payments as mandated by the State to balance the State of California 2005-06 and 2009-10 budgets. The \$532,601 represents the outstanding balance as of June 30, 2018.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease obligations	\$ 3,999,230	\$ -	\$ 543,240	\$ 3,455,990	\$ 435,760
Certificates of participation	59,065,000	-	1,525,000	57,540,000	1,600,000
Lease revenue bonds	25,522,500	-	3,017,500	22,505,000	3,205,000
Private placement financing	33,835,000	-	4,015,000	29,820,000	4,145,000
Long-term loans & other payables	3,750,566	7,296,906	528,330	10,519,142	531,546
Less: Bond discount	<u>(747,461)</u>	<u>-</u>	<u>(32,498)</u>	<u>(714,963)</u>	<u>-</u>
Total bonds payable, long-term loans and capital lease obligations	<u>125,424,835</u>	<u>7,296,906</u>	<u>9,596,572</u>	<u>123,125,169</u>	<u>9,917,306</u>
Compensated absences payable	22,461,989	9,464,040	8,294,037	23,631,992	5,907,997
Postemployment benefits obligation	10,113,542	-	10,113,542	-	-
Net pension liability	541,901,468	94,858,525	36,662,907	600,097,086	-
Total OPEB liability	-	49,127,537	1,970,366	47,157,171	-
Claims payable - worker's compensation	23,877,950	8,031,152	7,139,973	24,769,129	5,500,000
Claims payable - liability insurance	<u>11,406,384</u>	<u>4,828,795</u>	<u>3,245,467</u>	<u>12,989,712</u>	<u>3,150,000</u>
Governmental activities					
Long-term liabilities	<u>\$ 735,186,168</u>	<u>\$ 173,606,955</u>	<u>\$ 77,022,864</u>	<u>\$ 831,770,259</u>	<u>\$ 24,475,303</u>
Business-type activities:					
Revenue bonds payable	\$ 14,420,000	\$ -	\$ 685,000	\$ 13,735,000	\$ 710,000
Notes payable	98,216	-	98,216	-	-
Add: Bond premium	<u>2,074,313</u>	<u>-</u>	<u>147,289</u>	<u>1,927,024</u>	<u>-</u>
Total bonds payable and long-term notes payable	<u>16,592,529</u>	<u>-</u>	<u>930,505</u>	<u>15,662,024</u>	<u>710,000</u>
Compensated absences payable	1,812,199	834,067	691,526	1,954,740	488,685
Postemployment benefits obligation	1,140,730	-	1,140,730	-	-
Net pension liability	29,592,156	5,231,733	2,158,518	32,665,371	-
Total OPEB liability	-	<u>7,481,774</u>	<u>246,404</u>	<u>7,235,370</u>	<u>-</u>
Business-type activities					
Long-term liabilities	<u>\$ 49,137,614</u>	<u>\$ 13,547,574</u>	<u>\$ 5,167,683</u>	<u>\$ 57,517,505</u>	<u>\$ 1,198,685</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the total for the internal service funds claims payable is included as part of the \$37.8 million of claims payable for governmental activities.

At year-end, \$2.4 million of internal service funds compensated absences are included in the above amounts. The general fund and internal services funds are generally used to liquidate the claims and judgments, the compensated absences, the net pension liability, and the total OPEB liability.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

The following is a summary of changes in long-term liabilities of the Private-Purpose Trust Fund for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Private-purpose trust activities:					
2003A Tax allocation bonds	\$ 13,920,000	\$ -	\$ 675,000	\$ 13,245,000	\$ 700,000
2003B Tax allocation refunding bonds	8,055,000	-	2,550,000	5,505,000	2,685,000
2011A Tax allocation bonds	66,790,000	-	805,000	65,985,000	1,145,000
Long-term loans	81,410	-	81,410	-	-
Less: Bond discount	(133,962)	-	(37,384)	(96,578)	-
Add: Bond premium	381,702	-	190,849	190,853	-
Total bonds payable, long-term	<u>89,094,150</u>	<u>-</u>	<u>4,264,875</u>	<u>84,829,275</u>	<u>4,530,000</u>
Compensated absences payable	57,387	32,031	16,166	73,252	18,313
Postemployment benefits obligation	321,236	-	321,236	-	-
Net pension liability	736,732	130,250	53,739	813,243	-
Total OPEB liability	<u>-</u>	<u>188,186</u>	<u>6,198</u>	<u>181,988</u>	<u>-</u>
Private-purpose trust					
Long-term liabilities	<u>\$ 90,209,505</u>	<u>\$ 350,467</u>	<u>\$ 4,662,214</u>	<u>\$ 85,897,758</u>	<u>\$ 4,548,313</u>

A description of each long-term debt obligation follows:

CAPITAL LEASE OBLIGATIONS

800 MHz Radio System. On November 23, 2004, the City and thirty seven other cities in the Orange County executed a Joint Agreement for the Operation Maintenance and Financial Management of the Orange County 800 Megahertz Countywide Coordinated Communications System, which provides for the management and governance of the 800MHz Countywide Coordinated Communication System (800 MHz CCCS).

On May 5, 2015, the City entered into an agreement amendment with the County of Orange for the operation, maintenance and financial management of the 800 MHz CCCS, which consisted of the replacement of the backbone infrastructure equipment, along with agency owned equipment and dispatch consoles with the radio equipment.

The City financed the purchase of equipment necessary to implement the 800 MHz system upgrade by entering into an equipment lease-purchase agreement with Motorola Credit Corporation and Motorola Solutions, Inc. The minimum lease payments required during the ten year term of the agreement are \$4.9 million. The lease payment discounted at an estimated interest rate of 3.12 percent provides a present value of \$4.3 million, which is capitalized as equipment in the City's capital assets with a cost of \$3.9 million and accumulated depreciation of \$0.9 million as of June 30, 2018.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Period Ending June 30	Payment	Interest
2019	\$ 380,162	\$ 106,603
2020	392,196	94,571
2021	404,608	82,158
2022	417,413	69,353
2023	430,625	56,141
2024-2025	1,375,388	84,908
Total	<u>\$ 3,400,392</u>	<u>\$ 493,734</u>

Copier Lease. On November 23, 2015, the City entered into an agreement with C3 Office Solutions, LLC to lease copiers stationed at various City locations. On November 23, 2015, C3 Office Solutions, LLC sold and assigned to GE Capital Information Technology Solutions, LLC all of its right, title, and interest in and to the lease transaction, including the equipment and all payments and other amounts due under the agreement.

The minimum lease payments required during the three year term of the agreement are \$0.6 million. The lease payment discounted at an estimated interest rate of 4.75 percent provides a present value of \$0.5 million, which is capitalized as equipment in the City's capital assets with a cost of \$0.5 million and accumulated depreciation of \$0.4 million as of June 30, 2018.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Period Ending June 30	Principal	Interest
2019	\$ 55,598	\$ 551
Total	<u>\$ 55,598</u>	<u>\$ 551</u>

CERTIFICATE OF PARTICIPATION

Gas Tax Revenue Certificates of Participation (2007 Local Street Improvement Project). On December 1, 2007, Certificates of Participation amounting to \$68.0 million were issued by the Santa Ana Financing Authority to finance the Street Improvement Project. Certificates totaling \$32.4 million mature serially on January 1, beginning 2011 through 2029 in amounts ranging from \$0.4 million to \$2.3 million and pay interest at rates varying from 4% to 5%. \$11.0 million term certificates are due on January 1, 2033; \$13.1 million term certificates are due on January 1, 2037; \$7.5 million term certificates are due on January 1, 2039; and the balance of \$4.0 million term certificates are due on January 1, 2040.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

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 certificates.

These revenues have been pledged until fiscal year 2040. Total debt service amount for the certificates of participation is \$132.5 million. Pledged gas tax revenues recognized during the fiscal year ended June 30, 2018 was \$9.1 million as against the total debt service payment of \$4.2 million. At June 30, 2018, the reserve balance was \$4.2 million. The unpaid balance as of June 30, 2018 was \$57.5 million. Gas Tax Revenue COP debt service requirements to maturity are as follows:

Period Ending	Principal	Interest
June 30		
2019	\$ 1,600,000	\$ 2,574,431
2020	1,675,000	2,503,931
2021	1,740,000	2,435,631
2022	1,810,000	2,362,821
2023	1,885,000	2,284,284
2024-2028	10,740,000	10,072,650
2029-2033	13,415,000	7,323,513
2034-2038	16,820,000	3,843,484
2039-2040	7,855,000	381,844
Total	\$ <u>57,540,000</u>	\$ <u>33,782,589</u>

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: \$1.5 million Capital Appreciation Bonds with accreted values of \$0.3 million due July 1, 2001, \$0.8 million due July 1, 2002 and \$1.3 million due July 1, 2003; \$17.6 million of Current Interest Serial Bonds are due in amounts ranging from \$1.8 million starting July 1, 2004 to \$3.6 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 \$5.0 million starting July 1, 2015 to \$6.4 million ending July 1, 2019 and \$38.6 million of noncallable Premium Term Bonds due in amounts ranging from \$6.8 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 partially refund \$17.6 million 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 \$21.2 million of AIRS Term Bonds maturing July 1, 2010 through July 1, 2014. The face value of the Lease Revenue Refunding Bonds, Series 2004A was \$38.8 million. The refunding was issued with interest rates ranging from 2.5% to 5%.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

On June 18, 2014, the Lease Revenue Refunding Bonds, Series 2004A was defeased. At the same time, the SAFA executed the 2014 Private Placement Financing with TPB Investment, Inc., Compass Mortgage Corporation and Capital One Public Funding, LLC, to advance refund 50% of the 1994A Police Administration and Holding Facility Lease Revenue Bonds.

The bonds are payable from revenues of the Financing Authority, consisting principally of base rental payments by the City pursuant to a lease agreement between the City and the Authority. The City agreed to make all base rental payments sufficient to permit the Authority to pay principal and interest on all the bonds described in the preceding paragraph. These revenues are pledged until fiscal year 2024. Payment of principal and interest on the bonds is covered by a municipal bond insurance policy issued by Municipal Bond Investors Assurance Company (MBIA). The unpaid balance as of June 30, 2018 was \$22.5 million.

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

Period Ending		Principal		Interest
June 30		Principal		Interest
2019	\$	3,205,000	\$	1,406,563
2020		3,407,500		1,206,250
2021		3,620,000		993,282
2022		3,845,000		767,032
2023		4,085,000		526,719
2024		4,342,500		271,406
Total	\$	<u>22,505,000</u>	\$	<u>5,171,252</u>

PRIVATE PLACEMENT FINANCING

On June 18, 2014, the Santa Ana Financing Authority executed the 2014 Private Lease Financing in the amount of \$45.1 million with three private placement providers: TPB Investment, Inc. (\$22.0 million), Compass Mortgage Corporation (\$10.0 million), and Capital One Public Funding, LLC (\$13.1 million). Of the proceeds received, the City used \$8.0 million to refinance the outstanding 1998 Certificate of Participation (City Hall Expansion Project). These issues will mature serially on January 1, beginning 2017 through 2028, in amounts ranging from \$0.4 to \$0.7 million and bear interest at 3.75%. The remaining \$37.0 million of the proceeds was used to partially advance refund the 1994 Police Administration and Holding Facility Lease Revenue Bonds. These issues will mature serially on July 1, beginning 2015 through 2024, in amounts ranging from \$3.1 million to \$4.3 million and bear interest at 3.32%. The unpaid balance as of June 30, 2018 was \$29.8 million.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

The annual debt service payment requirements to maturity are as follows:

Period Ending June 30	TPB Investment, Inc.		Compass Mortgage Corporation		Capital One Public Funding, LLC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,155,000	\$ 467,124	\$ 980,000	\$ 212,148	\$ 1,010,000	\$ 327,476	\$ 4,145,000	\$ 1,006,748
2020	2,230,000	395,578	1,015,000	179,612	1,045,000	291,355	4,290,000	866,545
2021	2,305,000	321,542	1,045,000	145,914	1,090,000	253,892	4,440,000	721,348
2022	2,380,000	245,016	1,080,000	111,220	1,125,000	214,921	4,585,000	571,157
2023	2,460,000	166,000	1,115,000	75,364	1,165,000	174,701	4,740,000	416,065
2024-2028	2,540,000	84,328	1,155,000	38,346	3,925,000	342,225	7,620,000	464,899
Total	\$ 14,070,000	\$ 1,679,588	\$ 6,390,000	\$ 762,604	\$ 9,360,000	\$ 1,604,570	\$ 29,820,000	\$ 4,046,762

LONG-TERM LOANS AND OTHER PAYABLES

Southern California Edison On-Bill Financing Program. On August 2011, the Council approved the installation of energy-efficient LED street lights on Main Street and Edinger Avenue. The project was funded through Southern California Edison's On-Bill Financing Program. Through this program, the City received zero percent financing for approved energy reduction projects for \$2.1 million. Since inception of this program, the Council has approved the installation of street lights at various other city locations. The costs are repaid from energy savings over a period of up to ten years. The unpaid balance as of June 30, 2018 was \$1.4 million. The annual debt service requirements are as follows:

Period Ending June 30	Principal
2019	\$ 260,746
2020	250,701
2021	217,141
2022	196,889
2023	176,606
2024-2028	283,266
Total	\$ 1,385,349

800 MHz Radio System. On May 22, 2015, the City entered into a financing agreement with Holman Capital Corporation to fund the City's partnership cost for participating in the Next Generation Systems for 800 MHz CCCS, which requires the replacement of the backbone radio infrastructure equipment. On June 5, 2015, Homan Capital Corporation assigned its right, title, and interest in and to the agreement to Community Business Bank. The City's partnership costs totaling \$2.3 million were payable over three fiscal years. Community Business Bank provided the funding necessary to fulfill the City's commitment for the first two years in the amount of \$1.0 million at interest rate of 3% per annum. The unpaid balance as of June 30, 2018 was \$0.8 million.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

The annual debt service requirements are as follows:

Period Ending		Principal		Interest
June 30		Principal		Interest
2019	\$	102,497	\$	22,440
2020		105,607		19,330
2021		108,811		16,126
2022		112,112		12,825
2023		115,514		9,423
2024-2025		241,647		8,227
Total	\$	786,188	\$	88,371

On June 15, 2017, the City entered into a financing agreement with Holman Capital Corporation to fund the City's commitment to fulfill the third and final year (fiscal year 2017-18) partnership cost for this project. The total amount financed was \$1.5 million at interest rate of 3.1% per annum. On June 15, 2017, Homan Capital Corporation assigned its right, title, and interest in and to the agreement to Santa Cruz County Bank. The unpaid balance as of June 30, 2018 was \$1.3 million.

The annual debt service requirements are as follows:

Period Ending		Principal		Interest
June 30		Principal		Interest
2019	\$	168,303	\$	38,199
2020		173,581		32,921
2021		179,025		27,477
2022		184,640		21,863
2023		190,430		16,072
2024-2025		398,964		14,039
Total	\$	1,294,943	\$	150,571

Streetlights Acquisition and Upgrade Project Financing. On April 4, 2017, City Council approved a Purchase and Sale agreement with SCE to acquire streetlights in Santa Ana. On April 6, 2018, the City executed an agreement with Siemens Industry, Inc., to purchase and install Light Emitting Diode fixtures for citywide streetlight upgrades; the City also execute an agreement with Magellan Advisors to provide citywide fiber-optic and wireless broadband network consulting services. The City financed the project by entering into an equipment lease- purchase agreement with Holman Capital Corporation (Holman) and an escrow deposit agreement with Signature Bank on April 6, 2018. The total amount financed was \$7.1 million at interest rate of 3.3% per annum.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

The annual debt service requirements are as follows:

Period Ending June 30	Principal	Interest
2019	\$ -	\$ -
2020	488,376	294,174
2021	563,960	218,591
2022	582,739	199,811
2023	602,145	180,406
2024-2028	3,325,186	587,565
2029-2030	1,490,256	74,844
Total	\$ <u>7,052,662</u>	\$ <u>1,555,391</u>

COMPENSATED ABSENCES PAYABLE

The City's policies relating to compensated absences are described in Note 1D. The outstanding balance at June 30, 2018 was \$23.6 million, \$1.9 million, and \$0.7 million for the Governmental Activities, Business-type Activities, and Private-Purpose Trust Activities respectively. The liability for Governmental Activities is primarily liquidated from the General Fund while the liability for Business-type activities is liquidated from the Enterprise Funds.

REVENUE BONDS PAYABLE

Water Revenue Refunding Bonds, Series 2014. On August 7, 2014, the City, through the Santa Ana Financing Authority (SAFA), issued Water Revenue Refunding Bonds, Series 2014 for \$15.7 million. The proceeds of the bonds were used to (a) provide funds to refund in full the Authority's Water Revenue Refunding Bonds, Series, 2004, b) to finance a portion of the acquisition and construction of certain improvements to the City's Water System, and lastly c) to pay certain costs of issuance of the Bonds. The principal of the bonds is payable commencing March 1, 2017, through 2032 and interest rate ranges from 2.0% to 5.0%.

The 2014 Bonds are payable solely from installment payment 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 \$23.4 million. Pledged revenue recognized during the fiscal year ended June 30, 2018 was \$8.8 million as against total debt payment of \$1.6 million. There is no requirement for establishing a reserve fund as security for the Bonds. The unpaid balance as of June 30, 2018 was \$13.7 million.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

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

Period Ending		Principal		Interest
June 30				
2019	\$	710,000	\$	645,075
2020		745,000		608,700
2021		785,000		570,450
2022		820,000		530,325
2023		865,000		488,200
2024-2028		4,940,000		1,813,738
2029-2032		4,870,000		502,000
Total	\$	<u>13,735,000</u>	\$	<u>5,158,488</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). The City has complied with such covenant as noted in the following analysis:

	<u>June 30, 2018</u>
Operating revenue	\$ 55,560,485
Operating expenses (net of depreciation expense of \$ 2,483,315)	<u>46,758,159</u>
Net revenue	8,802,326
Amount required for payment of principal and interest payable for the year ended June 30, 2019 (\$1,355,075 x 1.20)	<u>1,626,090</u>
Excess of net revenue over amount required	\$ <u>7,176,236</u>

NOTES PAYABLE

In order to increase the pumping capacity, optimize participation in the Metropolitan Water District Seasonal Storage Program and sustain adequate water deliveries during drought and emergency conditions, the City and the Orange County Water District (OCWD) 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 on June 19, 1991 and amended on May 11, 1995. After the project was completed, the City executed a promissory note in favor of OCWD for \$2.9 million at an interest rate of 3.5%, payable semi-annually in the amount of \$0.1 million beginning March 15, 1998 and ending September 15, 2017. The note was fully paid off during the current fiscal year.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

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 \$20.9 million on May 14, 2003 to fund redevelopment activities of benefit to the Santa Ana South Main Street Redevelopment Project. Bonds totaling \$13.3 million mature serially on September 1 beginning 2004 through 2024 in amounts ranging from \$0.5 million to \$0.9 million and pay interest at rates varying from 1.1% to 4.5%. \$4.1 million, 4.5% term bonds mature on September 1, 2028 while \$3.6 million, 4.5% bonds mature on September 1, 2031.

As of February 1, 2012, the principal balance of \$16.9 million and the interest of \$8.5 million for bonds debt service requirements to maturity were transferred to the Community Development Agency (Successor Agency) and are recorded in the Successor Agency to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund. The balance outstanding as of June 30, 2018 was \$13.2 million.

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

Period Ending	Principal	Interest
June 30		
2019	\$ 700,000	\$ 570,905
2020	730,000	541,940
2021	760,000	511,015
2022	795,000	477,963
2023	830,000	442,610
2024-2028	4,765,000	1,604,813
2029-2032	4,665,000	431,438
Total	\$ <u>13,245,000</u>	\$ <u>4,580,684</u>

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 \$34.1 million 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 \$1.8 million to \$2.8 million and pay interest at rates varying from 2% to 5%.

As of February 1, 2012, the principal balance of \$19.1 million and the interest of \$4.1 million for bonds debt service requirements to maturity were transferred to the Successor Agency and are recorded in the Successor Agency to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund. The balance outstanding as of June 30, 2018 was \$5.5 million.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

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

Period Ending June 30	Principal	Interest
2019	\$ 2,685,000	\$ 208,125
2020	2,820,000	70,500
Total	<u>\$ 5,505,000</u>	<u>\$ 278,625</u>

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.

2011A Tax Allocation Bonds (Merged Project Area).

The 2011A Tax Allocation Refunding Bonds were issued in the amount of \$66.8 million 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 2011A bonds mature serially starting on September 1, 2017 through 2028, in amounts ranging from \$0.8 million to \$10.8 million, and pay interest at rates varying from 5% to 6.75%.

The 2011A bonds are an obligation of the Agency and are secured by a first pledge of and lien on tax revenues, 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 2011A 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.

As of February 1, 2012, the principal balance of \$66.8 million and the interest of \$51.5 million for bonds debt service requirements to maturity were transferred to the Successor Agency and are recorded in the Santa Ana Redevelopment Agency Private-Purpose Trust Fund. The balance outstanding as of June 30, 2018 was \$66.0 million.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

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

Period Ending June 30	Principal	Interest
2019	\$ 1,145,000	\$ 4,140,975
2020	2,735,000	4,040,556
2021	5,475,000	3,809,825
2022	6,105,000	3,467,738
2023	6,810,000	3,080,288
2024-2028	40,010,000	7,620,312
2029	3,705,000	125,044
Total	\$ 65,985,000	\$ 26,284,738

The 2003 Bonds Series A, 2011A Bonds and 2003 Refunding Bonds Series B are not a debt of the City, 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 Successor Agency as set forth in the bond indenture.

ABx1 26 (the "Dissolution Act") was enacted in late June 2011 as part of the fiscal year 2011-12 state budget package and was held by the California Supreme Court to be largely constitutional on December 29, 2011. Under the Dissolution Act, each of California's redevelopment agencies was dissolved as of February 1, 2012. On January 9, 2012, the City adopted a resolution declaring its intent to serve as the Successor Agency and designating the Housing Authority of the City to serve as the Successor Housing Agency. Pursuant to ABx1 26, prior to the dissolution, on August 24, 2011, the Dissolved Redevelopment Agency prepared the initial Enforceable Obligation Payment Schedule (the "EOPS") and subject to update by the Successor Agency. Subsequent legislation further amended the Dissolution Act and the Successor Agency is currently required to submit an annual Oversight Board approved Recognized Obligation Payment Schedule (ROPS) to the County Auditor Controller (CAC) and the Department of Finance (DOF) by February 1st of each year (Section 34177(o)). Distributions from the Redevelopment Property Tax Trust Fund (RPTTF) are made semi-annually on June 1 and January 2. The distribution revenues have been pledged until the year 2031 for the 2003 Series A bonds, 2019 for the 2003 Series B bonds and 2028 for 2011A Bonds in accordance with EOPS and ROPS. The Successor Agency subsequently refunded the 2003A and 2011 Tax Allocation Bonds and the 2003B Tax Allocation Refunding Bonds on November 8, 2018. See page 130 (Subsequent Events) for additional information.

The information of EOPS and ROPS are found on the City's website at:

<http://santa-ana.org/cda/oversight.asp>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. Long Term Liabilities (Continued)

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% 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 year 1984. As of February 1, 2012, the principal balance of \$6.2 million was transferred to the Successor Agency and is recorded in the Successor Agency to the Santa Ana Redevelopment Agency Private-Purpose Trust Fund. The loan was fully paid off during the current fiscal year.

E. Special Assessment Debt with No City Commitment

On July 27, 2016, the City issued Assessment District No. 2015-01 (Warner Industrial Community) Limited Obligation Improvement Bonds for \$1.6 million on behalf of the property owners, pursuant to provisions of the Improvement Bond Act of 1915. The proceeds of the bonds is used to finance certain infrastructure improvements within the assessment district, pay the costs of issuing the bonds and certain administrative expenses, and fund a reserve fund for the bonds. The bonds are not a debt or a liability of the City. The City acts solely as an agent and is in no way liable for the Special Assessment debt.

The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of the available funds of the City. Neither the faith and credit nor the taxing power of the City, or the State of California, or any political subdivision thereof is pledged to the payment of these bonds.

Non-committal debt amount issued and outstanding at June 30, 2018 for the bonds was as follows:

Number	Fixed Rate Issues	Bonds Issued	Bonds Outstanding
2015-01	Warner Industrial Community	\$ 1,585,000	\$ 1,525,000
	Total Fixed Rate Issues	<u>\$ 1,585,000</u>	<u>\$ 1,525,000</u>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Bonds 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, 2018, the City and the Housing Authority of the City has issued residential mortgage revenue bonds totaling \$55.6 million. 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 housing.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>
July 1, 2001	4.00-6.50%	\$ 3,640,000
November 1, 2001	6.05%	3,306,407
December 1, 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
May 1, 2007	5.21%	8,858,276
May 1, 2007	Variable	6,399,746
July 1, 2009	Variable	4,055,000
October 31, 2011	5.85%	10,615,700
		<u>\$ 55,579,811</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.

Residential Loan Programs:

In April 1983, the City Council implemented a self-funding residential loan program. The program makes direct loans to qualifying persons for both single-family and multi-family units in amounts up to \$75,000 at 0% to 3% interest, which are either amortized over 20 to 30 years or deferred up to 5 years for single-family homes. Generally, all loans are due upon sale or once the property is no longer owner-occupied, and are secured by a deed of trust. For mobile home loans, the program provides up to \$12,000 with 0% interest and is forgivable at a rate of 20% of the loan amount per year and totally forgiven after five years of owner occupancy.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Other Bonds and Loan Programs (Continued)

A number of loans which may be forgiven are “Gap Loans” to homebuyers for homes that were built by Habitat for Humanity. The “Gap Loan” represents the difference between the current market rate appraised value and the affordable sales price. In the event the loan has not become due and payable prior to the 45th year, the whole amount will be considered matured and the obligation to pay shall be forgiven as of the maturity date. If the property is sold to a non-income qualified buyer, the full amount will be due and payable in addition to, if required by the specific loan, a Contingent Equity participation amount as set forth in the promissory note and loan agreement terms.

The City Council also approved a down payment assistance loan program for first time homebuyers. The program offers 0% interest, deferred payment loans up to \$40,000 to \$80,000 depending on the household income level of the qualifying person. All loans are deferred for 45 years or are due upon sale with the loan secured by a deed of trust. A student incentive is also provided to a college graduate who attended a local Santa Ana high school in which \$10,000 may be forgiven every five years up to \$40,000 in total loan forgiveness.

In addition, the City provides residual receipt loans up to 3% interest to developers of multi-family affordable housing projects for new construction or acquisition/rehabilitation.

In March 2012, the City of Santa Ana, acting as Successor Agency to the Community redevelopment Agency of the City of Santa Ana, entered into an agreement with Vista Del Rio Housing Partners for the acquisition and development of 41 units of special needs housing. There are no periodic payments required per the Promissory Note, and provided that no Default or Event of Default has occurred under the Loan Documents, the entire amount of \$ 2,900,000.00 shall be forgiven on the Maturity date of March, 2067.

The above-described loan programs are funded by the Home Investment Partnerships Program (HOME), Community Development Block Grant, Low and Moderate Income Housing Asset Fund, Inclusionary Housing Fund, Neighborhood Stabilization Program, and other grant funds that are available to create affordable housing and rehabilitate existing housing. The forgivable loans were offset by allowance for uncollectible accounts and the long-term loans were discounted based on the historical prime rate, which was 5.00 percent as of June 30, 2018. At year-end, loans and notes receivable were reported as follows:

Program/Fund	Loans Receivable	Allowance for Uncollectibles	Net Loans Receivable
Home Investment Partnership Program	\$ 41,351,473	\$ (322,478)	\$ 41,028,995
Community Development Block Grants	3,072,206	(5,423)	3,066,783
Neighborhood Stabilization Program	9,704,250	-	9,704,250
CalHome Program	1,285,023	(133,341)	1,151,682
Total Special Revenue Grants	<u>55,412,952</u>	<u>(461,242)</u>	<u>54,951,710</u>
Capital Projects - Inclusionary Housing Fee	4,775,000	-	4,775,000
Capital Projects - Housing Successor Agency	70,208,081	(42,815,081)	27,393,000
	<u>\$ 130,396,033</u>	<u>\$ (43,276,323)</u>	<u>\$ 87,119,710</u>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

G. Commitments

Appellate Court Garage Lease Agreement

On October 27, 2005, the Santa Ana Financing Authority (SAFA) entered the Lease Agreement with the City 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. Under the lease, the SAFA agreed to advance rental payment in the amount of \$6.0 million to the City. On October 27, 2005, the SAFA 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.

On March 30, 2007, both parties, the SAFA and the City amended the October 27, 2005 Lease and Release Agreements. Under the amended Lease and Release Agreements, the SAFA agreed to advance rental payment in the amount of \$8.5 million to the City. On March 30, 2007, the SAFA and All Points Public Funding, LLC (now known as Capital One Public Funding, LLC) amended the Assigned Agreement to the lease amount of \$8.5 million.

On June 1, 2014, the Assigned Agreement was amended to give the City a prepayment option and revised the lease payment schedule. The amended lease term is scheduled to end on May 1, 2026. The amended lease payment schedule was computed at 3.6 % per annum. The future minimum lease payments required under the term of the lease at June 30, 2018 totaled \$4.4 million.

Period Ending <u>June 30</u>	Principal <u>Component</u>	Interest <u>Component</u>	Total Lease <u>Payment</u>
2019	\$ 483,147	\$ 153,872	\$ 637,019
2020	500,697	136,322	637,019
2021	518,884	118,135	637,019
2022	537,732	99,287	637,019
2023	557,264	79,755	637,019
2024-2026	<u>1,796,214</u>	<u>114,843</u>	<u>1,911,057</u>
	<u>\$ 4,393,938</u>	<u>\$ 702,214</u>	<u>\$ 5,096,152</u>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED):

G. Commitments (Continued)

Encumbrances

Encumbrances represent commitments related to contracts not yet performed, and orders not yet filled and they are used to control expenditure commitments for the year and to enhance cash management. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. The encumbrances balance at June 30, 2018 was \$5.7 million. These amounts are reported as restricted or assigned fund balance in the governmental funds.

Encumbrances	June 30, 2018
Capital Projec Funds	\$ 145
Capital Projects Street Construction	223,465
General Fund	1,147,323
Internal Services Funds	205,798
Nonmajor Capital Project Funds	308,053
Nonmajor Enterprise Funds	144,177
Parking	257,956
Private Trust	145
Sewer	982,493
Sanitation	117,281
Special Revenue Funds	94,807
Special Revenue Gas Tax	105,335
Special Revenue Grants	805,924
Water	1,328,507
	\$ 5,721,412

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to employee injury or illness; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In July 1975, the City established Self Insurance Internal Service Funds for the administration of the City's self-insurance programs, workers' compensation and general liability claims. The City's General Liability and Workers' Compensation programs are self-administered (staffed by City employees). The City's claim staff estimates total losses for each claim and determines reserve requirements for the General Liability and Workers' Compensation claims programs.

Under these programs, the City is self-insured for workers' compensation up to \$1 million each occurrence with Statutory Coverage. The City is a member of California State Association of Counties – Excess Insurance Authority (CSAC-EIA) for excess workers' compensation claims in excess of \$1 million per occurrence. CSAC-EIA is internationally recognized as a leading risk sharing pool for its member-directed operating philosophy and commitment to member fiscal sustainability. 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 or purchase commercial excess liability insurance depending on market availability and pricing. Reinsurance and excess insurance covers amounts from \$2 million to \$27 million maximum. 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. Settled claims have not exceeded commercial coverage during the last three years.

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

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, 2018, the outstanding losses for the workers' compensation and general liability programs are reported at their discounted present value. The outstanding losses are discounted at a 2.0% 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, 2018.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

A. Risk Management (Continued)

Changes in the balances of claims liabilities since July 1, 2016 resulted from the following:

	<u>Workers Compensation</u>	<u>Liability</u>	<u>Total</u>
Net Unpaid Claims - July 1, 2016	\$ 22,391,178	\$ 10,867,037	\$ 33,258,215
Claims and Changes in Estimate	9,352,058	5,006,501	14,358,559
Claims Payments	<u>(4,302,234)</u>	<u>\$ (4,059,961)</u>	<u>(8,362,195)</u>
Unpaid Claims - June 30, 2017	27,441,002	11,813,577	39,254,579
Less Discount Taken	<u>(3,563,052)</u>	<u>(407,193)</u>	<u>(3,970,245)</u>
Net Unpaid Claims - June 30, 2017	<u>\$ 23,877,950</u>	<u>\$ 11,406,384</u>	<u>\$ 35,284,334</u>

	<u>Workers Compensation</u>	<u>Liability</u>	<u>Total</u>
Net Unpaid Claims - July 1, 2017	\$ 23,877,950	\$ 11,406,384	\$ 35,284,334
Claims and Changes in Estimate	10,832,344	3,654,531	14,486,875
Claims Payments	<u>(6,248,794)</u>	<u>\$ (1,662,139)</u>	<u>(7,910,933)</u>
Unpaid Claims - June 30, 2018	28,461,500	13,398,776	41,860,276
Less Discount Taken	<u>(3,692,371)</u>	<u>(409,064)</u>	<u>(4,101,435)</u>
Net Unpaid Claims - June 30, 2018	<u>\$ 24,769,129</u>	<u>\$ 12,989,712</u>	<u>\$ 37,758,841</u>

B. Related Party Transactions

As explained in Note 1A, this report includes the accounts of the Housing Authority and the Financing Authority, each of which is considered a component unit of the primary government. Each of these component units is operated by City employees, some of whom provide services for (or exert management influence over) more than one of these component 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 between the City and its component units are reported at the current carrying value, net of cost incurred by the acquiring unit.

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, 2018 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).

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

C. Contingent Liabilities (Continued)

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.

Proposition 218. During October, 2017, the City engaged a third-party consultant to conduct a comprehensive analysis of its Enterprise Funds for the purpose of determining compliance with Proposition 218. Preliminary results are expected to be completed during the fiscal year 2018-19.

D. Joint Ventures

The Orange County Civic Center Authority (the "OCCCA") was created in January 1966 under a Joint Exercise of Powers Agreement between the City and the County of Orange. The purpose of the OCCCA 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 OCCCA by the County and the City. Upon completion of construction, the OCCCA 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 fiscal year 1993-94. 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 OCCCA to administer the Civic Center parking lot and the Parking/Maintenance Fund. Parking revenue is retained by the OCCCA 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 OCCCA shall be conveyed to the State, the County and the City, as applicable. Audited financial information of the OCCCA 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 CPFA 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. During the current fiscal year, the city councils of each of the nine members adopted resolutions electing to terminate the Agreement and dissolve the Authority. The State Controller's Office confirmed the dissolution of the Authority in August 2018. There is no financial impact to the City as a result of the dissolution.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan

- a. General Information about the Pension Plans:

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52 to 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1% to 2.5%
Required employee contribution rates	8%	5.50%
Required employer contribution (Normal Cost Rate)	9.312%	5.496%
Required employer contribution (Unfunded Liability) \$	15,549,732	Included in Tier 1

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution (Normal Cost Rate)	21.274%	11.502%
Required employer contribution (Unfunded Liability) \$	15,633,348	Included in Tier 1

Employees Covered

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

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1,414	950
Inactive employees entitled to but not yet receiving benefits	839	173
Active employees	711	309
Total	<u>2,964</u>	<u>1,432</u>

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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. On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. Participants who joined CalPERS on or after January 1, 2013 (new members) are required to contribute at least 50% of the normal cost rate. In fiscal year 2017-18, the rate is 5.50% (12.25% for safety employees) of the new members' annual covered salary. As an employer, the City is required to contribute an actuarially determined percentage rate of annual covered payroll. For fiscal year 2017-18, the Employer Normal Cost Rate was 21.27% for safety employees and 9.31% for non-safety employees. The City also contributed Employer Payment of Unfunded Liability of \$15.6 million for safety employees and \$15.5 million for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

b. Net Pension Liability:

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

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

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	7.5% ⁽²⁾	7.5% ⁽²⁾
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	
Mortality	(3)	(3)

(1) Varies by Entry Age and Service.

(2) Net of Pension Plan Investment and Administrative Expenses; including inflation.

(3) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for the each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

c. Changes in the Net Pension Liability:

The changes in the Net Pension Liability for each Plan are as follows:

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 (VD) ⁽¹⁾	\$ 803,035,091	\$ 550,571,677	\$ 252,463,414
Changes in the year:			
Service cost	11,036,864	-	11,036,864
Interest on the total pension liability	59,176,108	-	59,176,108
Differences between expected and actual experience	(10,220,370)	-	(10,220,370)
Changes in assumptions	49,432,900	-	49,432,900
Plan to Plan Resource Movement	-	-	-
Contribution from the employer	-	18,415,225	(18,415,225)
Contribution from the employee	-	4,850,487	(4,850,487)
Net investment income	-	60,753,784	(60,753,784)
Benefit payments, including refunds of employee contributions	(40,256,356)	(40,256,356)	-
Administrative expense	-	(812,882)	812,882
Net changes during 2016-17	\$ 69,169,146	\$ 42,950,258	\$ 26,218,888
Balance at June 30, 2017 (MD) (1)	\$ 872,204,237	\$ 593,521,935	\$ 278,682,302

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 (VD) ⁽¹⁾	\$ 1,030,072,341	\$ 712,659,163	\$ 317,413,178
Changes in the year:			
Service cost	11,809,664	-	11,809,664
Interest on the total pension liability	75,330,724	-	75,330,724
Differences between expected and actual experience	(12,297,897)	-	(12,297,897)
Changes in assumptions	60,902,020	-	60,902,020
Plan to plan Resource Movement	-	-	-
Contribution from the employer	-	20,329,015	(20,329,015)
Contribution from the employee	-	3,670,011	(3,670,011)
Net investment income	-	77,563,585	(77,563,585)
Benefit payments, including refunds of employee contributions	(62,009,422)	(62,009,422)	-
Administrative expense	-	(1,052,193)	1,052,193
Net changes during 2016-17	\$ 73,735,089	\$ 38,500,996	\$ 35,234,093
Balance at June 30, 2017 (MD) (1)	\$ 1,103,807,430	\$ 751,160,159	\$ 352,647,271

⁽¹⁾ The table above is based on the Valuation Date (VD) June 30, 2016 and the Measurement Date (MD) of June 30, 2017.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan of 7.15%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%), or 1-percentage point higher (8.15%) than the current rate:

	Miscellaneous		Safety
1% Decrease	6.15%		6.15%
Net Pension Liability	\$ 397,539,989		\$ 497,770,936
Current Discount Rate	7.15%		7.15%
Net Pension Liability	\$ 278,682,302		\$ 352,647,271
1% Increase	8.15%		8.15%
Net Pension Liability	\$ 180,965,023		\$ 233,751,127

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

For the year ended June 30, 2018, the City recognized pension expense of \$58.8 million for safety plan and \$39.9 million for non-safety employees. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 21,182,283		\$ -
Differences between actual and expected experience	-		6,501,764
Changes in assumptions	27,940,335		
Net differences between projected and actual earnings on pension plan investments	8,244,030		-
Total	\$ 57,366,648		\$ 6,501,764

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

E. Defined Benefit Pension Plan (Continued)

Safety Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 24,212,791	\$ -
Differences between actual and expected experience	205,698	6,441,756
Changes in assumptions	31,901,058	-
Net differences between projected and actual earnings on pension plan investments	<u>11,239,558</u>	<u>-</u>
Total	<u>\$ 67,559,105</u>	<u>\$ 6,441,756</u>

\$45.4 million reported as deferred outflows of resources related to contributions subsequent to the measurement date (\$21.2 million for miscellaneous plan and \$24.2 million for safety plan) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	<u>Deferred Outflows/(inflows) of Resources</u>		
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2019	\$ 16,009,839	\$ 22,714,664	\$ 38,724,503
2020	14,612,409	15,092,132	29,704,541
2021	3,486,523	4,737,006	8,223,529
2022	(4,426,170)	(5,639,244)	(10,065,414)
2023	-	-	-
Thereafter	-	-	-

e. Payable to the Pension Plan:

As of June 30, 2018, the City had \$1.1 million of contributions payable to the pension plan required for the year ended June 30, 2018.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

F. Supplementary Retirement Plan

a. Plan Description:

On April 18, 2011, the City adopted a resolution authorizing the implementation of a Public Agency Retirement Services (PARS) for twenty-five POA retirees. On August 24, 2011, City amended the resolution to allow the incumbent POA President to participate under the plan. The plan provides a stipend for twenty-six POA retirees that were denied reportable compensation under the California Public Employee Retirement System (CalPERS) for salary increases they received in exchange for participating in an unpaid furlough program. The plan is an agent-multiple employer defined benefit pension plan.

b. Eligibility:

POA members who retired from July 1, 2009 to December 31, 2010 and participated in an unpaid furlough program. Additionally, one POA President who retired prior to December 31, 2011 was eligible under supplementary retirement plan.

c. Funding Policy:

The City has made available an original annual amount of \$119,768 to the plan in accordance with the payment terms defined by the plan. This amount has increased annually due to an annual compounding cost of living adjustment of two percent (2%) per year. For fiscal year 2017-18, the City's annual PARS contribution was \$130,924.

d. Net Pension liability:

The City's net pension liability for the supplementary plan is measured as the total pension liability, less the pension plan's fiduciary net position (unfunded accrued liability). The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

F. Supplementary Retirement Plan (Continued)

Actuarial Assumptions

The actuarial assumptions for the Supplementary Retirement Plan for twenty-six (26) POA retirees included:

Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, for the fiscal year ending that June 30th.
Valuation Date	6/30/2018
Measurement Date	6/30/2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method:	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Closed
Amortization period at 06/30/2018	14 Years
Amortization growth rate	0.00%
Asset Valuation Method:	
Smoothing period	None
Recognition method	None
Corridor	None
Actuarial Assumptions:	
Inflation	0.00%
Projected Salary Increase	0.00%
Investment Rate of Return	6.00%
Cost of Living	2.00%
Mortality	Males: RP-2000 Male Table projected to 2020 using Scale BB (as prescribed by PARS) Females: RP-2000 Female Table projected to 2020 using Scale BB (as prescribed by PARS)

Discount Rate

The discount rate is based on the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments to the extent that the plan's fiduciary net position is not projected to be sufficient. As of June 30, 2018, the plan's fiduciary net position is not projected to be sufficient in the first year of the projection.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

F. Supplementary Retirement Plan (Continued)

The primary assumption in determining the sufficiency of a plan's fiduciary net position relates to expected employer contributions. As of June 30, 2018, the supplementary plan is currently not prefunded, in other words the level of contributions made are sufficient only to make current benefit payments.

Since a date of depletion is determined, the discount rate is much lower than the current 6.00% investment return assumption. After assets are expected to be depleted, projected benefit payments are discounted using the municipal bond index. The City has chosen the Bond Buyer Go 20-Bond Municipal Bond Index. The bond index increased from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018 resulting in an increase in the single equivalent rate from 3.58% as of July 1, 2017 to 3.87% as of June 30, 2018.

The unfunded liability, referred to as the Net Pension Liability, is \$2.2 million for a funded ratio of 2.78% as of June 30, 2018.

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	100%	0.31%	0.31%
Assumed Inflation- Mean			2.32%	2.30%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			0.31%	0.31%
Portfolio Nominal Mean Return			2.63%	2.61%
Portfolio Standard Deviation				0.32%
Long-Term Expected Rate of Return				6.00%

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

F. Supplementary Retirement Plan (Continued)

Changes in the Net Pension Liability:

The changes in the Net Pension Liability for the POA retirees plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 2,416,210	\$ 62,446	\$ 2,353,764
Service cost	-	-	-
Interest on total pension liability	84,322	-	84,322
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	14,150	-	14,150
Effect of assumptions changes or inputs	(81,490)	-	(81,490)
Benefit payments	(122,778)	(122,778)	-
Employer contributions	-	130,924	(130,924)
Member contributions	-	-	-
Net investment income	-	671	(671)
Administrative expenses	-	(6,976)	6,976
Balances at June 30, 2018	<u>\$ 2,310,414</u>	<u>\$ 64,287</u>	<u>\$ 2,246,127</u>

Sensitivity Analysis

The following presents the net pension liability of the City of Santa Ana PARS Supplementary Retirement Plan, calculated using the discount rate of 3.87%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Net pension liability	\$ 2,547,521	\$ 2,246,127	\$ 1,996,790

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

F. Supplementary Retirement Plan (Continued)

- e. Supplementary Retirement Plan Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	6,851	-
Total	\$ 6,851	\$ -

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

Period Ending June 30	Amount
2019	\$ 2,828
2020	2,077
2021	1,324
2022	622
2023	-
Thereafter*	-

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

- f. Pension Expense:

	July 1, 2017 to June 30, 2018
Service cost	\$ -
Interest on total pension liability	84,322
Effect of plan changes	-
Administrative expenses	6,976
Member contributions	-
Expected investment return net of investment expenses	(3,781)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	14,150
Recognition of assumption changes or inputs	(81,490)
Recognition of investment gains or losses	2,830
Pension Expense	\$ 23,007

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

G. Other Post-Employment Benefits (OPEB) Plan

a. Plan Description

The City provides a single-employer defined benefit healthcare plan to retirees through CalPERS under the California Public Employees Medical & Hospital Care Act (PEMHCA). 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a separate report. The CalPERS Board of Administration consists of thirteen members who are elected, appointed, or hold office ex officio. The board composition is mandated by law and can only be changed by a majority of the registered voters in the state.

b. 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, and are eligible for a PERS pension.

c. 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 90% of the \$128 (\$115.20) for calendar year 2017 and 95% of the \$133 (\$126.35) for calendar year 2018 per active miscellaneous 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 of 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 CalPERS Board of Administration approves the employer contribution rate and plan changes annually based on Government Code section 22892. During fiscal year 2017-18 (measurement period 2016-17), the total City's PEMHCA contribution for retirees was \$0.6 million and the implicit subsidy was \$1 million for a total of \$1.6 million.

d. Employees Covered

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries	
currently receiving benefits	481
Active employees	502
Total	<u>983</u>

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

G. Other Post-Employment Benefits (OPEB) Plan (Continued)

e. Total OPEB Liability

The City's total OPEB liability of \$54.6 million was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.13%
Inflation	2.75%
Projected Salary Increase	3.25% per annum, in aggregate
Healthcare Cost Trend Rates	7.5% and grade down to 5% for years 2024 and thereafter
Pre-retirement Turnover	Derived from CalPERS pension plan
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System (CalPERS) using data from 1997 to 2011, except for a different basis used to project future mortality improvements.

Discount Rate

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of Measurement period, use of this index results in discount rates of 2.71% as of June 30, 2016 and 3.13% as of June 30, 2017.

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

G. Other Post-Employment Benefits (OPEB) Plan (Continued)

Changes in Total OPEB Liability

The changes in total OPEB liability are as follows:

		<u>Total OPEB Liability</u>
Balance at June 30, 2017 ⁽¹⁾	\$	56,797,497
Changes in the Year:		
Service cost		1,414,074
Interest on the total OPEB liability		1,555,806
Differences between expected and actual experience		-
Changes in assumptions		(3,589,376)
Benefit payments		<u>(1,603,472)</u>
Net Changes		<u>(2,222,968)</u>
Balance at June 30, 2018 ⁽¹⁾	\$	<u>54,574,529</u>

(1) The table above is based on the Valuation Date and the Measurement Date of June 30, 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate for the Plan, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
Total OPEB Liability	\$ 63,749,823	\$ 54,574,529	\$ 47,298,549

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

G. Other Post-Employment Benefits (OPEB) Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease 6.50%	Current Healthcare Cost Trend Rates 7.50%	1% Increase 8.50%
Total OPEB Liability	\$ 46,395,509	\$ 54,574,529	\$ 67,360,744

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$2,151,958. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$ 1,959,112	\$	-
Change in assumptions	-		2,771,454
Total	<u>\$ 1,959,112</u>	<u>\$</u>	<u>2,771,454</u>

The change in assumptions is amortized over the expected average remaining service life. The expected average remaining service life for the 2016-17 measurement period is 4.39 years.

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

Fiscal Year Ending June 30		Amount
2019	\$	(817,922)
2020		(817,922)
2021		(817,922)
2022		(317,688)
2023		-
Thereafter		-

**CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

H. Classification of Fund Balances

The City's fund balances at June 30, 2018 consisted of the following:

	Special Revenue Funds				Capital Projects Funds			Debt Service SAFA	Nonmajor Governmental Funds	Total
	General	Special Revenue Grants	Special Revenue Housing Authority	Special Revenue Gas Tax	Capital Projects Housing Successor Agency	Capital Projects Street Construction	-			
Restricted:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,276	\$ -	\$ -	\$ 119,276
Public safety 800 MHz project	67,327	-	-	-	-	-	-	-	-	67,327
Public works streetlight project	7,047,662	-	-	-	-	-	-	-	-	7,047,662
Public safety grants	-	2,798,469	-	-	-	-	-	-	-	2,798,469
Housing & urban development	-	3,273,197	2,976,664	-	36,130,930	-	-	-	10,326,021	52,706,812
Recreation services	-	170,627	-	-	-	-	-	-	-	170,627
Street capital improvement projects	-	-	-	18,762,698	-	41,958,369	-	-	-	60,721,067
Drainage construction	-	-	-	-	-	-	-	-	3,448,579	3,448,579
Inmate welfare	-	-	-	-	-	-	-	-	406,842	406,842
Sewer system maintenance	-	-	-	-	-	-	-	-	9,640,414	9,640,414
Air quality improvements	-	-	-	-	-	-	-	-	1,212,199	1,212,199
Park acquisition & development	-	-	-	-	-	-	-	-	10,970,050	10,970,050
Community development capital projects	-	-	-	-	-	-	-	-	6,497,678	6,497,678
Advance to private-purpose trust fund	-	-	-	-	532,601	-	-	-	-	532,601
Capital grants	-	-	-	-	-	-	-	-	22,487	22,487
Pension stability funds	504,515	-	-	-	-	-	-	-	-	504,515
Total restricted	7,619,504	6,242,293	2,976,664	18,762,698	36,663,531	41,958,369	119,276	42,524,270	156,866,605	
Assigned:										
Contractual obligations	1,147,323	-	-	-	-	-	-	-	-	1,147,323
Surplus Allocation FY14-15:										
Equipment & system upgrades	622,978	-	-	-	-	-	-	-	-	622,978
Capital improvement projects	387,408	-	-	-	-	-	-	-	-	387,408
General Plan updates	203,991	-	-	-	-	-	-	-	-	203,991
Homelessness/Communications	315,674	-	-	-	-	-	-	-	-	315,674
City-wide placemaking & branding	137,396	-	-	-	-	-	-	-	-	137,396
Strategic Plan	579,011	-	-	-	-	-	-	-	-	579,011
City Public Safety & Community										
Benefit Programs	1,454,038	-	-	-	-	-	-	-	-	1,454,038
Continuing projects:										
Greater Santa Ana Vitality	96,101	-	-	-	-	-	-	-	-	96,101
Safe Transit Stops project	19,778	-	-	-	-	-	-	-	-	19,778
SARTC Capital Project	288,992	-	-	-	-	-	-	-	-	288,992
Police Equipment	70,000	-	-	-	-	-	-	-	-	70,000
Police Jail Maintenance System (JMS)	55,000	-	-	-	-	-	-	-	-	55,000
Total assigned	5,377,690	-	-	-	-	-	-	-	-	5,377,690
Unassigned:										
General Fund										
Operating Reserve	42,397,974	-	-	-	-	-	-	-	-	42,397,974
Economic Uncertainty Reserve	3,845,592	-	-	-	-	-	-	-	-	3,845,592
Unallocated Amount	10,120,323	-	-	-	-	-	-	-	-	10,120,323
Special Revenue Funds	-	(779,083)	-	-	-	-	-	-	(9,933)	(789,016)
Capital Projects Funds	-	-	-	-	-	-	-	-	(3,703,004)	(3,703,004)
Total unassigned	56,363,889	(779,083)	-	-	-	-	-	-	(3,712,937)	51,871,869
Total	\$ 69,361,083	\$ 5,463,210	\$ 2,976,664	\$ 18,762,698	\$ 36,663,531	\$ 41,958,369	\$ 119,276	\$ 38,811,333	\$ 214,116,164	

On June 6, 2017, the City Council approved the City's Budget and Financial Policies (Policy). The Policy was developed as a tool to guide for how the City should respond and/or prepare for an economic downturn. As a result, the City established both a General Fund Operating Reserve (16.67 to 20% of General Fund operating revenues or expenditures including transfers) and an Economic Uncertainty Reserve account (1 to 10% of recurring General Fund revenues) in the event of loss of revenues and/or increase in expenditures as a result of a market downturn.

CITY OF SANTA ANA
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION (CONTINUED):

H. Classification of Fund Balances (Continued)

Upon determination that negative variations in projected revenues from the largest revenue sources exceed 2% with no corresponding General Fund expenditure offset, the City Council may authorize use of the Economic Uncertainty Reserve by a two thirds vote to offset the revenue loss prior to the close of the fiscal year end. A corresponding plan to replenish the reserve account must be adopted by the same vote. However, authorization to utilize the Economic Uncertainty Reserve beyond two consecutive years is strictly prohibited.

If at any point it is deemed that the City budget is performing at a budgetary structural deficit and a fiscal emergency is declared, the use of the General Fund Operating Reserve is permissible for up to two consecutive fiscal years upon approval by two thirds of the City Council. The utilization of the Operating Reserve in year two (2) requires a plan to replenish the funds utilized.

NOTE 5. SUSEQUENT EVENTS

2018 Successor Agency Tax Allocation Refunding Bonds

On November 8, 2018, the Successor Agency to the Former Community Redevelopment Agency of the City of Santa Ana (“The Successor Agency”) issued \$13.6 million Tax Allocation Refunding Bonds, Series 2018A Bonds (Tax Exempt) and \$58.7 million Tax Allocation Refunding Bonds, Series 2018B Bonds (Federally Taxable). Proceeds from the sale will be used to i) refinance \$2.8 million outstanding principal balance of Tax Allocation Bonds, Series 2003A and \$64.8 million outstanding principal balance of Tax Allocation Bonds 2011 Series A, ii) pay a premium for a reserve fund insurance policy; and iii) pay the costs of issuance of the Bonds. Tax Allocation Bonds, Series 2018A Bonds mature serially on September 1 beginning 2019 through 2031 in amounts ranging from \$ 0.3 million to \$ 2.8 million and pay interest at rates varying from 4.0% to 5.0%. Tax Allocation Bonds, Series 2018B Bonds mature serially on September 1 beginning 2021 through 2018 in amounts ranging from \$3.8 million to \$11.3 million and pay interest at rates varying from 3.3 % to 4.0 %. The Bonds do not constitute a debt or liability of the City of Santa Ana or of any of its political subdivisions, other than the Successor Agency. Neither the faith and credit nor the taxing power of the City or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 7, 2018, the date the financial statements were available to be issued.



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

CITY OF SANTA ANA, CALIFORNIA

Required Supplementary Information

Required Supplementary
Information



General Fund
Budgetary Comparison Schedule
Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 135,981,712	\$ 135,981,712	\$ 134,309,780	\$ (1,671,932)
License and permits	5,892,104	6,141,429	7,977,170	1,835,741
Intergovernmental	53,081,345	53,081,345	49,037,555	(4,043,790)
Charges for services	12,649,016	13,056,355	13,452,166	395,811
Fines and forfeits	5,158,499	5,158,499	5,712,946	554,447
Investment income	760,500	760,500	148,306	(612,194)
Cost recoveries and donations	11,202,851	11,421,481	11,390,682	(30,799)
Rental income	3,463,292	13,680,608	11,679,847	(2,000,761)
Miscellaneous	173,034	173,034	257,572	84,538
Total revenues	<u>228,362,353</u>	<u>239,454,963</u>	<u>233,966,024</u>	<u>(5,488,939)</u>
Expenditures:				
Current:				
General Government:				
City Council	441,615	441,615	446,424	(4,809)
Clerk of the Council	1,094,794	1,097,873	914,610	183,263
City Attorney	3,204,855	3,204,855	2,752,087	452,768
City Manager	2,361,287	2,455,355	1,961,933	493,422
Nondepartmental	8,591,498	5,041,010	4,906,725	134,285
Total General Government	<u>15,694,049</u>	<u>12,240,708</u>	<u>10,981,779</u>	<u>1,258,929</u>
Human Resources	1,906,000	1,956,500	1,473,061	483,439
Finance and Management Services	5,632,020	5,719,512	5,919,085	(199,573)
Museum	1,476,130	1,476,130	1,468,035	8,095
Library	3,946,160	4,034,584	4,009,491	25,093
Recreation and Community Services	18,035,380	18,302,756	17,048,700	1,254,056
Police Department	116,416,790	122,873,388	122,483,430	389,958
Fire Department	50,903,390	50,903,390	50,438,382	465,008
Planning and Building	10,636,884	12,182,591	10,846,912	1,335,679
Public Works	6,452,385	6,856,567	6,234,394	622,173
Community Development	1,513,224	2,312,889	1,331,612	981,277
Total	<u>216,918,363</u>	<u>226,618,307</u>	<u>221,253,102</u>	<u>5,365,205</u>
Capital Outlay	1,864,477	7,007,704	1,884,313	5,123,391
Debt Service:				
Principal retirement	2,134,902	2,173,560	1,229,820	943,740
Interest and fiscal charges	120,810	4,452,661	347,640	4,105,021
Total expenditures	<u>236,732,601</u>	<u>252,492,940</u>	<u>235,696,654</u>	<u>16,796,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,370,248)</u>	<u>(13,037,977)</u>	<u>(1,730,630)</u>	<u>11,307,347</u>
Other financing sources (uses):				
Transfers out	(10,644,224)	(10,758,539)	(10,758,539)	-
Financing proceeds	-	-	7,296,906	7,296,906
Total other financing sources (uses)	<u>(10,644,224)</u>	<u>(10,758,539)</u>	<u>(3,461,633)</u>	<u>7,296,906</u>
Net change in fund balances	(19,014,472)	(23,796,516)	(5,192,263)	18,604,253
Fund balance - beginning	<u>74,553,346</u>	<u>74,553,346</u>	<u>74,553,346</u>	<u>-</u>
Fund balance - ending	<u>\$ 55,538,874</u>	<u>\$ 50,756,830</u>	<u>\$ 69,361,083</u>	<u>\$ 18,604,253</u>

See accompanying Notes to Required Supplementary Information.

Special Revenue Housing Authority Fund
Budgetary Comparison Schedule
Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 30,234,691	\$ 33,005,751	\$ 33,020,639	\$ 14,888
Investment income	34,500	34,500	41,687	7,187
Cost recoveries	-	-	473,835	473,835
Miscellaneous	100,000	100,000	130,455	30,455
Total revenues	30,369,191	33,140,251	33,666,616	526,365
Expenditures:				
Current:				
Community development	31,519,600	34,309,806	34,079,713	230,093
Total expenditures	31,519,600	34,309,806	34,079,713	230,093
Excess (deficiency) of revenues over (under) expenditures	(1,150,409)	(1,169,555)	(413,097)	756,458
Net change in fund balance	(1,150,409)	(1,169,555)	(413,097)	756,458
Fund balance - beginning	3,389,761	3,389,761	3,389,761	-
Fund balance - ending	\$ 2,239,352	\$ 2,220,206	\$ 2,976,664	\$ 756,458

See accompanying Notes to Required Supplementary Information.

**Special Revenue Gas Tax Fund
Budgetary Comparison Schedule
Year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 9,529,725	\$ 10,548,736	\$ 9,159,380	\$ (1,389,356)
Investment income	-	-	16,153	16,153
Cost recoveries	-	-	7,271	7,271
Total revenues	<u>9,529,725</u>	<u>10,548,736</u>	<u>9,182,804</u>	<u>(1,365,932)</u>
Expenditures:				
Current:				
Public works	2,985,210	3,082,392	2,667,797	414,595
Capital Outlay	-	-	6,278	(6,278)
Debt Service:				
Principal retirement	1,525,000	1,525,000	1,525,000	-
Interest and fiscal charges	2,649,555	2,649,555	2,649,556	(1)
Total expenditures	<u>7,159,765</u>	<u>7,256,947</u>	<u>6,848,631</u>	<u>408,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,369,960</u>	<u>3,291,789</u>	<u>2,334,173</u>	<u>(957,616)</u>
Other financing sources (uses):				
Transfers out	<u>(2,369,960)</u>	<u>(3,291,789)</u>	<u>(792,016)</u>	<u>2,499,773</u>
Total other financing sources (uses)	<u>(2,369,960)</u>	<u>(3,291,789)</u>	<u>(792,016)</u>	<u>2,499,773</u>
Net change in fund balance	-	-	1,542,157	1,542,157
Fund balance - beginning	<u>17,220,541</u>	<u>17,220,541</u>	<u>17,220,541</u>	<u>-</u>
Fund balance - ending	<u>\$ 17,220,541</u>	<u>\$ 17,220,541</u>	<u>\$ 18,762,698</u>	<u>\$ 1,542,157</u>

See accompanying Notes to Required Supplementary Information.

CITY OF SANTA ANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

A. BUDGETARY INFORMATION

The City and its component units' fiscal year begins on July 1 of each year and ends June 30 the following year. On or before the fifteenth of June of each year, the City Manager recommends and 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 holds a public hearing wherein the public is given an opportunity to be heard, after which the Council may make any revisions deemed advisable. After the conclusion of the public hearing, the Council may make modifications with the affirmative vote of at least a majority of its members. 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 funds. During the fiscal year, all budget and supplemental amendments were necessary and made in a legally permissible manner.

The City legally adopts annual budgets for the General Fund, Proprietary Funds, and certain Special Revenue Funds including Gas Tax, Housing Authority, Sewer Connection Fee, Civic Center Maintenance, Inmate Welfare, and Air Quality Improvement. The budgetary control for the Special Revenue Funds is under the department in charge. The Public Works Agency is responsible for the budget of the Gas Tax and Sewer Connection Fee funds. The Recreation and Community Services Agency is responsible for the Civic Center Maintenance fund. Housing Authority fund is managed by the Community Development Agency. Air Quality Improvement fund is managed by the Finance and Management Services Agency. 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. 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.

**CITY OF SANTA ANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

A. BUDGETARY INFORMATION (CONTINUED):

Budgets are prepared on a modified accrual basis. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as restricted or assigned fund balances since they do not constitute expenditures or liabilities. The capital projects and grant-length appropriations are an automatic supplemental appropriation for the new fiscal year for the unexpended balance. All other annual appropriations lapse at fiscal year-end to the extent that they have not been expended or lawfully encumbered. Expenditures may not legally exceed appropriations at the departmental level in the governmental funds, except that certain Special Revenue Funds and Capital Projects Funds are maintained at the project level.

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

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**An Agent Multiple-Employer Defined Benefit Pension Plan
Miscellaneous and Safety Plans
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years ⁽¹⁾**

	<u>Measurement Period 2016-17</u>		<u>Measurement Period 2015-16</u>	
	<u>Fiscal Year 2017-18</u>		<u>Fiscal Year 2016-17</u>	
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 11,036,864	\$ 11,809,664	\$ 9,746,396	\$ 10,455,350
Interest on the total pension liability	59,176,108	75,330,724	58,091,618	74,975,420
Changes of Benefit Terms	-	-	-	-
Differences between expected and actual experience	(10,220,370)	(12,297,897)	(5,558,589)	4,319,662
Changes in assumptions	49,432,900	60,902,020	-	-
Benefit payments, including refunds of employee contributions	(40,256,356)	(62,009,422)	(38,594,541)	(60,403,213)
Net Change in Total Pension Liability	69,169,146	73,735,089	23,684,884	29,347,219
Total Pension Liability - Beginning	803,035,091	1,030,072,341	779,350,207	1,000,725,122
Total Pension Liability - Ending (a)	<u>\$ 872,204,237</u>	<u>\$ 1,103,807,430</u>	<u>\$ 803,035,091</u>	<u>\$ 1,030,072,341</u>
PLAN FIDUCIARY NET POSITION				
Plan to Plan Resource Movement	\$ -	\$ -	\$ 497	\$ (497)
Contribution from the employer	18,415,225	20,329,015	16,951,369	17,021,875
Contribution from the employee	4,850,487	3,670,011	4,876,243	3,625,596
Net investment income ⁽²⁾	60,753,784	77,563,585	2,859,074	3,667,781
Benefit payments, including refunds of employee contributions	(40,256,356)	(62,009,422)	(38,594,541)	(60,403,213)
Administrative expenses	(812,882)	(1,052,193)	(344,230)	(456,601)
Net change in Fiduciary Net position	42,950,258	38,500,996	(14,251,588)	(36,545,059)
Plan Fiduciary Net Position - Beginning	550,571,677	712,659,163	564,823,265	749,204,222
Plan Fiduciary Net Position - Ending (b)	<u>\$ 593,521,935</u>	<u>\$ 751,160,159</u>	<u>\$ 550,571,677</u>	<u>\$ 712,659,163</u>
Plan Net Pension Liability/(Asset) Ending (a) - (b)	<u>\$ 278,682,302</u>	<u>\$ 352,647,271</u>	<u>\$ 252,463,414</u>	<u>\$ 317,413,178</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.05%	68.05%	68.56%	69.19%
Covered payroll	\$ 59,794,476	\$ 36,014,956	\$ 59,115,644	\$ 35,670,399
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	466.07%	979.17%	427.07%	889.85%

(1) Historical information is required only for measurement period for which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions:

From Fiscal Year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From Fiscal Year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**An Agent Multiple-Employer Defined Benefit Pension Plan
Miscellaneous and Safety Plans
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years ⁽¹⁾**

<u>Measurement Period 2014-15</u>		<u>Measurement Period 2013-14</u>	
<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2014-15</u>	
<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
\$ 9,672,344	\$ 10,747,904	\$ 10,195,939	\$ 11,422,391
56,329,663	72,730,571	54,166,684	70,618,409
-	-	-	-
(900,398)	(955,751)	-	-
(13,889,017)	(17,407,256)	-	-
<u>(36,302,165)</u>	<u>(56,211,627)</u>	<u>(34,094,639)</u>	<u>(52,174,231)</u>
14,910,427	8,903,841	30,267,984	29,866,569
<u>764,439,780</u>	<u>991,821,281</u>	<u>734,171,796</u>	<u>961,954,712</u>
<u>\$ 779,350,207</u>	<u>\$ 1,000,725,122</u>	<u>\$ 764,439,780</u>	<u>\$ 991,821,281</u>
\$ 63	\$ -	\$ -	\$ -
14,336,768	15,096,410	12,836,905	11,118,596
4,982,824	3,829,695	5,076,392	3,758,344
12,722,834	17,008,914	85,824,721	117,187,596
(36,302,165)	(56,211,627)	(34,094,639)	(52,174,231)
<u>(635,613)</u>	<u>(843,530)</u>	<u>-</u>	<u>-</u>
(4,895,289)	(21,120,138)	69,643,379	79,890,305
<u>569,718,554</u>	<u>770,324,360</u>	<u>500,075,175</u>	<u>690,434,055</u>
<u>\$ 564,823,265</u>	<u>\$ 749,204,222</u>	<u>\$ 569,718,554</u>	<u>\$ 770,324,360</u>
<u>\$ 214,526,942</u>	<u>\$ 251,520,900</u>	<u>\$ 194,721,226</u>	<u>\$ 221,496,921</u>
72.47%	74.87%	74.53%	77.67%
\$ 58,022,457	\$ 36,512,787	\$ 57,613,942	\$ 37,782,453
369.73%	688.86%	337.98%	586.24%

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**An Agent Multiple-Employer Defined Benefit Pension Plan
Miscellaneous and Safety Plans
Schedule of Plan Contributions
Last Ten Fiscal Years ⁽¹⁾**

	<u>Fiscal Year 2017-18</u>		<u>Fiscal Year 2016-17</u>	
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
Actuarially Determined Contribution	\$ 21,182,283	\$ 24,212,791	\$ 18,407,185	\$ 20,199,997
Contributions in Relation to the				
Actuarially Determined Contribution	<u>(21,182,283)</u>	<u>(24,212,791)</u>	<u>(18,407,185)</u>	<u>(20,199,997)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 60,340,436	\$ 39,975,089	\$ 59,794,476	\$ 36,014,956
Contributions as a Percentage of				
Covered Payroll	35.10%	60.57%	30.78%	56.09%

(1) Historical information is required only for measurement period for which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

Notes to Schedule:

	<u>Fiscal Year 2017-18</u>		<u>Fiscal Year 2016-17</u>	
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2017	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:				
Discount Rate	7.15%	7.15%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%	2.75%
Projected Salary Increase	(1)	(1)	(1)	(1)
Investment Rate of Return	7.5% ⁽²⁾	7.5% ⁽²⁾	7.5% ⁽²⁾	7.5% ⁽²⁾
Mortality	(3)	(3)	(3)	(3)

(1) Varies by Entry Age and Service.

(2) Net of Pension Plan Investment and Administrative Expenses; including inflation.

(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries (applicable to fiscal years ended June 30, 2015, 2016, and 2017). The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries (applicable to fiscal year ended June 30, 2018).

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**An Agent Multiple-Employer Defined Benefit Pension Plan
Miscellaneous and Safety Plans
Schedule of Plan Contributions
Last Ten Fiscal Years⁽¹⁾**

<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2014-15</u>	
<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
\$ 16,941,372	\$ 17,016,579	\$ 14,518,009	\$ 14,690,045
<u>(16,941,372)</u>	<u>(17,016,579)</u>	<u>(14,518,009)</u>	<u>(14,690,045)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 59,115,644	\$ 35,670,399	\$ 58,022,457	\$ 36,512,787
28.66%	47.71%	25.02%	40.23%

Notes to Schedule:

<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2014-15</u>	
<u>Miscellaneous</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety</u>
June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
June 30, 2015	June 30, 2015	June 30, 2014	June 30, 2014
Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
7.65%	7.65%	7.50%	7.50%
2.75%	2.75%	2.75%	2.75%
3.3% - 14.2% ⁽¹⁾	3.3% - 14.2% ⁽¹⁾	Varies by Entry Age and Service	Varies by Entry Age and Service
7.5% ⁽²⁾	7.5% ⁽²⁾	7.5% ⁽²⁾	7.5% ⁽²⁾
(3)	(3)	(3)	(3)

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**An Agent Multiple-Employer Defined Benefit
Supplementary Retirement Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years ⁽¹⁾**

	Fiscal Year			
	2017-18	2016-17	2015-16	2014-15
	POA Supplementary Retirement	POA Supplementary Retirement	POA Supplementary Retirement	POA Supplementary Retirement
TOTAL PENSION LIABILITY				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest on the total pension liability	84,322	74,777	74,810	85,299
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains or losses	14,150	14,037	20,818	14,220
Effect of assumptions changes or inputs	(81,490)	(235,753)	558,088	118,428
Benefit payments	<u>(122,778)</u>	<u>(120,371)</u>	<u>(118,011)</u>	<u>(115,697)</u>
Net Change in Total Pension Liability	(105,796)	(267,310)	535,705	102,250
Total Pension Liability - Beginning	<u>2,416,210</u>	<u>2,683,520</u>	<u>2,147,815</u>	<u>2,045,565</u>
Total Pension Liability - Ending (a)	<u>\$ 2,310,414</u>	<u>\$ 2,416,210</u>	<u>\$ 2,683,520</u>	<u>\$ 2,147,815</u>
PLAN FIDUCIARY NET POSITION				
Employer Contributions	130,924	128,357	125,840	123,373
Member Contributions	-	-	-	-
Net investment income net of investment expenses	671	198	42	-
Benefit payments	(122,778)	(120,371)	(118,011)	(115,697)
Administrative expenses	<u>(6,976)</u>	<u>(6,838)</u>	<u>(13,132)</u>	<u>(148)</u>
Net change in Fiduciary Net position	1,841	1,346	(5,261)	7,528
Plan Fiduciary Net Position - Beginning	<u>62,446</u>	<u>61,100</u>	<u>66,361</u>	<u>58,833</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 64,287</u>	<u>\$ 62,446</u>	<u>\$ 61,100</u>	<u>\$ 66,361</u>
Plan Net Pension Liability/(Asset) Ending (a) - (b)	<u>\$ 2,246,127</u>	<u>\$ 2,353,764</u>	<u>\$ 2,622,420</u>	<u>\$ 2,081,454</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.78%	2.58%	2.28%	3.09%
Covered Payroll	N/A	N/A	N/A	N/A
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

(1) Historical information is required only for measurement period for which GASB 68 is applicable.
Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**An Agent Multiple-Employer Defined Benefit
Supplementary Retirement Plan
Schedule of Employer Contributions
Last Ten Fiscal Years ⁽¹⁾**

Fiscal Year ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2012	\$ 135,306	\$ 123,769	\$ 11,537	N/A	N/A
2013	138,795	121,517	17,278	N/A	N/A
2014	142,599	120,954	21,645	N/A	N/A
2015	146,195	123,373	22,822	N/A	N/A
2016	165,862	125,840	40,022	N/A	N/A
2017	172,079	128,357	43,722	N/A	N/A
2018	179,062	130,924	48,138	N/A	N/A

(1) The City of Santa Ana implemented Supplementary Retirement Plan for POA retirees during the fiscal year ended June 30, 2012. Information prior to fiscal year 2012 is not available.

Notes to Supplementary Retirement Plan:

	POA Supplementary Retirement Plan			
	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal	Entry-Age Normal	Entry-Age Normal
Amortization Method:				
Level percent or level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Closed, open, or layered periods	Closed	Closed	Closed	Closed
Amortization period	14 years	15 years	16 years	17 years
Amortization growth rate	0.00%	0.00%	0.00%	0.00%
Asset Valuation Method:				
Smoothing period	None	None	None	None
Recognition method	None	None	None	None
Corridor	None	None	None	None
Actuarial Assumptions				
Inflation	0.00%	0.00%	0.00%	0.00%
Salary increases including inflation	None	None	None	None
Long-term investment rate of return	6.00%	6.00%	6.00%	6.00%
Cost of Living	2.00%	2.00%	2.00%	2.00%
Mortality	(A)	(A)	(A)	(B)

(A) Males: RP-2000 Male Table projected to 2020 using Scale BB (as prescribed by PARS).
Females: RP-2000 Female Table projected to 2020 using Scale BB (as prescribed by PARS)

(B) Males: 1983 GAM Males (as prescribed by PARS). Females: 1983 GAM Females (as prescribed by PARS)

**CITY OF SANTA ANA
REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

For the Year Ended June 30, 2018

**Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Ten Fiscal Years ⁽¹⁾**

	<u>Measurement Period 2016-17</u>	<u>Fiscal Year 2017-18</u>
<u>Total OPEB Liability:</u>		
Service cost	\$	1,414,074
Interest on total OPEB liability		1,555,806
Changes in assumptions		(3,589,376)
Benefit payments, including refunds of		(1,603,472)
Net Change in Total OPEB Liability		(2,222,968) (b)
Total OPEB Liability - Beginning of Year		56,797,497 (a)
Total OPEB Liability - Ending (a)-(b)	\$	54,574,529
Covered payroll	\$	47,394,045
Total OPEB liability as percentage of covered payroll		115.15%

(1) Fiscal year 2017-18 was the first year of GASB 75 implementation; therefore, only one year is shown.

Notes to Schedule:

	<u>Fiscal Year 2017-18</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Funding Method	Entry-Age Normal
Discount Rate	3.13%
Participants Valued	(A)
Salary Increase	3.25% per year
Assumed Wage Inflation	3.0% per year
General Inflation Rate	2.75% per year
Mortality	(B)

(A) Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.

(B) Demographic assumptions are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements.

Benefit Changes: There were no changes in benefits.

Changes of Assumptions:

From Fiscal Year June 30, 2017 to June 30, 2018: The discount rate was changed from 2.71% to 3.13%.

CITY OF SANTA ANA, CALIFORNIA

Supplementary Schedules



**Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Total
Assets			
Cash and investments	\$ 11,136,318	\$ 24,264,460	\$ 35,400,778
Receivables:			
Interest	40,454	80,173	120,627
Accounts	-	17,514	17,514
Intergovernmental	720,614	4,517,094	5,237,708
Loans and notes		4,775,000	4,775,000
Due from other funds	-	41,732	41,732
Restricted assets:			
Cash and investments	-	2,523,711	2,523,711
Total assets	<u>11,897,386</u>	<u>\$ 36,219,684</u>	<u>48,117,070</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Accounts payable	109,789	442,795	552,584
Retention payable	-	63,092	63,092
Due to other funds	167,987	4,479,818	4,647,805
Total liabilities	<u>277,776</u>	<u>4,985,705</u>	<u>5,263,481</u>
Deferred inflows of resources:			
Unavailable revenues	<u>370,088</u>	<u>3,672,168</u>	<u>4,042,256</u>
Fund balances:			
Restricted	11,259,455	31,264,815	42,524,270
Unassigned	<u>(9,933)</u>	<u>(3,703,004)</u>	<u>(3,712,937)</u>
Total fund balances	<u>11,249,522</u>	<u>27,561,811</u>	<u>38,811,333</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,897,386</u>	<u>\$ 36,219,684</u>	<u>\$ 48,117,070</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Taxes	\$ -	\$ 134,910	\$ 134,910
Intergovernmental	3,829,996	5,853,504	9,683,500
Charges for services	1,480,856	-	1,480,856
Investment income (loss)	(85,999)	263,233	177,234
Cost recoveries	295,678	2,129,833	2,425,511
Miscellaneous	-	2,713,304	2,713,304
Total revenues	<u>5,520,531</u>	<u>11,094,784</u>	<u>16,615,315</u>
Expenditures:			
Current:			
Human resources	103,249	-	103,249
Recreation and community services	2,599,259	4,427,610	7,026,869
Police department	1,916,134	-	1,916,134
Planning and building	188,128	-	188,128
Public works	-	381,191	381,191
Community development	-	727,920	727,920
Capital outlay	303,540	4,208,165	4,511,705
Total expenditures	<u>5,110,310</u>	<u>9,744,886</u>	<u>14,855,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>410,221</u>	<u>1,349,898</u>	<u>1,760,119</u>
Other financing sources:			
Transfers in	1,179,404	-	1,179,404
Total other financing sources	<u>1,179,404</u>	<u>-</u>	<u>1,179,404</u>
Net change in fund balances	1,589,625	1,349,898	2,939,523
Fund balances - beginning	<u>9,659,897</u>	<u>26,211,913</u>	<u>35,871,810</u>
Fund balances - ending	<u>\$ 11,249,522</u>	<u>\$ 27,561,811</u>	<u>\$ 38,811,333</u>

Nonmajor Special Revenue Funds

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

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

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

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

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

**Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018**

	Sewer Connection Fee	Civic Center Maintenance
Assets		
Cash and investments	\$ 9,620,573	\$ -
Receivables:		
Interest	34,841	-
Intergovernmental	-	608,235
Total assets	9,655,414	608,235
Liabilities, deferred inflows of resources, and fund balances		
Liabilities:		
Accounts payable	360	97,091
Due to other funds	-	167,987
Total liabilities	360	265,078
Deferred inflows of resources:		
Unavailable revenues	14,640	353,090
Fund balances (deficit):		
Restricted	9,640,414	-
Unassigned	-	(9,933)
Total fund balances (deficit)	9,640,414	(9,933)
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,655,414	\$ 608,235

NONMAJOR SPECIAL REVENUE FUNDS

	Air Quality Improvement	Total
Inmate Welfare		
\$ 412,273	\$ 1,103,472	\$ 11,136,318
1,469	4,144	40,454
-	112,379	720,614
413,742	1,219,995	11,897,386
6,283	6,055	109,789
-	-	167,987
6,283	6,055	277,776
617	1,741	370,088
406,842	1,212,199	11,259,455
-	-	(9,933)
406,842	1,212,199	11,249,522
\$ 413,742	\$ 1,219,995	\$ 11,897,386

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018

	Sewer Connection Fee	Civic Center Maintenance	Inmate Welfare	Air Quality Improvement	Total
Revenues:					
Intergovernmental	\$ -	\$ 3,393,391	\$ -	\$ 436,605	\$ 3,829,996
Charges for services	1,480,856	-	-	-	1,480,856
Investment income (loss)	(105,734)	-	4,219	15,516	(85,999)
Cost recoveries	-	-	293,423	2,255	295,678
Total revenues	<u>1,375,122</u>	<u>3,393,391</u>	<u>297,642</u>	<u>454,376</u>	<u>5,520,531</u>
Expenditures:					
Current:					
Human resources	-	-	-	103,249	103,249
Recreation and community services	-	2,599,259	-	-	2,599,259
Police department	-	1,754,512	161,622	-	1,916,134
Planning and building	-	-	-	188,128	188,128
Capital Outlay	139,312	-	-	164,228	303,540
Total expenditures	<u>139,312</u>	<u>4,353,771</u>	<u>161,622</u>	<u>455,605</u>	<u>5,110,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,235,810</u>	<u>(960,380)</u>	<u>136,020</u>	<u>(1,229)</u>	<u>410,221</u>
Other financing sources:					
Transfers in	-	1,179,404	-	-	1,179,404
Total other financing sources	<u>-</u>	<u>1,179,404</u>	<u>-</u>	<u>-</u>	<u>1,179,404</u>
Net change in fund balances	1,235,810	219,024	136,020	(1,229)	1,589,625
Fund balances (deficit) - beginning	<u>8,404,604</u>	<u>(228,957)</u>	<u>270,822</u>	<u>1,213,428</u>	<u>9,659,897</u>
Fund balances (deficit) - ending	<u>\$ 9,640,414</u>	<u>\$ (9,933)</u>	<u>\$ 406,842</u>	<u>\$ 1,212,199</u>	<u>\$ 11,249,522</u>

NONMAJOR SPECIAL REVENUE FUNDS

**Nonmajor Special Revenue Funds
Sewer Connection Fee
Budgetary Comparison Schedule
Year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 320,000	\$ 320,000	\$ 1,480,856	\$ 1,160,856
Investment income (loss)	20,000	20,000	(105,734)	(125,734)
Total revenues	<u>340,000</u>	<u>340,000</u>	<u>1,375,122</u>	<u>1,035,122</u>
Expenditures:				
Capital Outlay	1,975,300	8,013,622	139,312	7,874,310
Total expenditures	<u>1,975,300</u>	<u>8,013,622</u>	<u>139,312</u>	<u>7,874,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,635,300)</u>	<u>(7,673,622)</u>	<u>1,235,810</u>	<u>8,909,432</u>
Net change in fund balance	(1,635,300)	(7,673,622)	1,235,810	8,909,432
Fund balance - beginning	<u>8,404,604</u>	<u>8,404,604</u>	<u>8,404,604</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ 6,769,304</u>	<u>\$ 730,982</u>	<u>\$ 9,640,414</u>	<u>\$ 8,909,432</u>

**Nonmajor Special Revenue Funds
Civic Center Maintenance
Budgetary Comparison Schedule
Year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 5,516,000	\$ 5,516,000	\$ 3,393,391	\$ (2,122,609)
Total revenues	5,516,000	5,516,000	3,393,391	(2,122,609)
Expenditures:				
Current:				
Recreation and community services	4,609,405	4,609,405	2,599,259	2,010,146
Police department	2,086,000	2,086,000	1,754,512	331,488
Total expenditures	6,695,405	6,695,405	4,353,771	2,341,634
Excess (deficiency) of revenues over (under) expenditures	(1,179,405)	(1,179,405)	(960,380)	219,025
Other financing sources:				
Transfers in	1,179,405	1,179,405	1,179,404	(1)
Total other financing sources	1,179,405	1,179,405	1,179,404	(1)
Net change in fund balance	-	-	219,024	219,024
Fund balance (deficit) - beginning	(228,957)	(228,957)	(228,957)	-
Fund balance (deficit) - ending	\$ (228,957)	\$ (228,957)	\$ (9,933)	\$ 219,024

NONMAJOR SPECIAL REVENUE FUNDS

**Nonmajor Special Revenue Funds
Inmate Welfare
Budgetary Comparison Schedule
Year ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income (loss)	\$ -	\$ -	\$ 4,219	\$ 4,219
Cost recoveries	132,522	132,522	293,423	160,901
Total revenues	132,522	132,522	297,642	165,120
Expenditures:				
Current:				
Police department	397,566	397,566	161,622	235,944
Total expenditures	397,566	397,566	161,622	235,944
Excess (deficiency) of revenues over (under) expenditures	(265,044)	(265,044)	136,020	401,064
Net change in fund balance	(265,044)	(265,044)	136,020	401,064
Fund balance - beginning	270,822	270,822	270,822	-
Fund balance (deficit) - ending	\$ 5,778	\$ 5,778	\$ 406,842	\$ 401,064

Nonmajor Special Revenue Funds
Air Quality Improvement
Budgetary Comparison Schedule
Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,139,500	\$ 1,139,500	\$ 436,605	\$ (702,895)
Investment income (loss)	5,000	5,000	15,516	10,516
Cost recoveries	1,850	1,850	2,255	405
Total revenues	<u>1,146,350</u>	<u>1,146,350</u>	<u>454,376</u>	<u>(691,974)</u>
Expenditures:				
Current:				
Human resources	315,115	315,115	103,249	211,866
Finance and management services	40,000	40,000	-	40,000
Planning and building	480,025	579,997	188,128	391,869
Capital Outlay	<u>1,238,685</u>	<u>1,238,685</u>	<u>164,228</u>	<u>1,074,457</u>
Total expenditures	<u>2,073,825</u>	<u>2,173,797</u>	<u>455,605</u>	<u>1,718,192</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(927,475)</u>	<u>(1,027,447)</u>	<u>(1,229)</u>	<u>1,026,218</u>
Net change in fund balance	(927,475)	(1,027,447)	(1,229)	1,026,218
Fund balance - beginning	<u>1,213,428</u>	<u>1,213,428</u>	<u>1,213,428</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ 285,953</u>	<u>\$ 185,981</u>	<u>\$ 1,212,199</u>	<u>\$ 1,026,218</u>

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.

Community Development – This fund accounts for the receipts and expenditures related to various Community Development capital improvement projects funded through one-time revenue sources.

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, 2018**

	Capital Grants	Drainage Construction
Assets		
Cash and investments	\$ 22,453	\$ 3,574,279
Receivables:		
Interest	58	12,250
Accounts	-	-
Intergovernmental	4,517,094	-
Loans and notes		
Due from other funds	41,732	-
Restricted assets:		
Cash and investments	-	-
Total assets	<u>4,581,337</u>	<u>3,586,529</u>
Liabilities, deferred inflows of resources, and fund balances		
Liabilities:		
Accounts payable	106,506	111,553
Retention payable	37,026	21,249
Due to other funds	4,479,818	-
Total liabilities	<u>4,623,350</u>	<u>132,802</u>
Deferred inflows of resources:		
Unavailable revenues	<u>3,638,504</u>	<u>5,148</u>
Fund balances (deficit):		
Restricted	22,487	3,448,579
Unassigned	<u>(3,703,004)</u>	<u>-</u>
Total fund balances (deficit)	<u>(3,680,517)</u>	<u>3,448,579</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,581,337</u>	<u>\$ 3,586,529</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Park Acquisitions & Development	Community Development	Inclusionary Housing Fee	Total
\$ 11,094,143	\$ 4,031,649	\$ 5,541,936	\$ 24,264,460
39,334	8,902	19,629	80,173
17,514	-	-	17,514
-	-	-	4,517,094
-	-	4,775,000	4,775,000
-	-	-	41,732
-	2,523,711	-	2,523,711
<u>11,150,991</u>	<u>6,564,262</u>	<u>10,336,565</u>	<u>36,219,684</u>
159,596	62,844	2,296	442,795
4,817	-	-	63,092
-	-	-	4,479,818
<u>164,413</u>	<u>62,844</u>	<u>2,296</u>	<u>4,985,705</u>
<u>16,528</u>	<u>3,740</u>	<u>8,248</u>	<u>3,672,168</u>
10,970,050	6,497,678	10,326,021	31,264,815
-	-	-	(3,703,004)
<u>10,970,050</u>	<u>6,497,678</u>	<u>10,326,021</u>	<u>27,561,811</u>
<u>\$ 11,150,991</u>	<u>\$ 6,564,262</u>	<u>\$ 10,336,565</u>	<u>\$ 36,219,684</u>

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018

	Capital Grants	Drainage Construction
Revenues:		
Taxes	\$ -	\$ 134,910
Intergovernmental	5,853,504	-
Investment income (loss)	214	48,201
Cost recoveries	-	-
Miscellaneous	-	-
Total revenues	<u>5,853,718</u>	<u>183,111</u>
Expenditures:		
Current:		
Recreation and community services	4,088,963	-
Public Works	225,764	155,427
Community development	-	-
Capital outlay	<u>3,191,876</u>	<u>334,994</u>
Total expenditures	<u>7,506,603</u>	<u>490,421</u>
Net change in fund balances	<u>(1,652,885)</u>	<u>(307,310)</u>
Fund balances (deficit) - beginning	<u>(2,027,632)</u>	<u>3,755,889</u>
Fund balances (deficit) - ending	<u><u>\$ (3,680,517)</u></u>	<u><u>\$ 3,448,579</u></u>

NONMAJOR CAPITAL PROJECTS FUNDS

Park Acquisitions & Development	Community Development	Inclusionary Housing Fee	Total
\$ -	\$ -	\$ -	134,910
-	-	-	5,853,504
139,225	13,312	62,281	263,233
2,129,833	-	-	2,129,833
-	-	2,713,304	2,713,304
<u>2,269,058</u>	<u>13,312</u>	<u>2,775,585</u>	<u>11,094,784</u>
338,647	-	-	4,427,610
-	-	-	381,191
-	492,658	235,262	727,920
457,841	223,454	-	4,208,165
-	-	-	-
<u>796,488</u>	<u>716,112</u>	<u>235,262</u>	<u>9,744,886</u>
<u>1,472,570</u>	<u>(702,800)</u>	<u>2,540,323</u>	<u>1,349,898</u>
<u>9,497,480</u>	<u>7,200,478</u>	<u>7,785,698</u>	<u>26,211,913</u>
<u>\$ 10,970,050</u>	<u>\$ 6,497,678</u>	<u>\$ 10,326,021</u>	<u>\$ 27,561,811</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.

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 Position
June 30, 2018**

	<u>Refuse Collections</u>
Assets:	
Current assets:	
Cash and investments	\$ 9,778,792
Receivables:	
Interest	33,507
Accounts, net of allowances	2,181,039
Total current assets	<u>11,993,338</u>
Noncurrent assets:	
Capital assets:	
Land	-
Buildings	-
Improvements other than buildings	-
Equipment	32,137
Parking structures	-
Construction in progress	-
Other assets	
Less accumulated depreciation	(5,356)
Total capital assets	<u>26,781</u>
Total noncurrent assets	<u>26,781</u>
Total assets	<u>12,020,119</u>
Deferred outflows of resources:	
Deferred amounts on pension plans	124,409
Deferred amounts on OPEB plan	13,352
Total deferred outflows of resources	<u>137,761</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,274,727
Retention payable	-
Due to other funds	-
Compensated absences payable	47,641
Grant advances	180,253
Deposits payable	-
Unearned revenue	-
Total current liabilities	<u>1,502,621</u>
Noncurrent liabilities:	
Compensated absences payable	142,923
Net pension liability	604,352
Total OPEB liability	400,329
Total noncurrent liabilities	<u>1,147,604</u>
Total liabilities	<u>2,650,225</u>
Deferred inflows of resources:	
Deferred amounts on pension plans	14,100
Deferred amounts on OPEB plan	20,608
Total deferred inflow of resources	<u>34,708</u>
Net position:	
Net investment in capital assets	26,781
Restricted for:	
National Pollution Discharge Elimination System	-
Unrestricted	9,446,166
Total net position	<u>\$ 9,472,947</u>

NONMAJOR ENTERPRISE FUNDS

Transportation Center	Federal Clean Water Protection	Total
\$ -	\$ 5,926,982	\$ 15,705,774
-	20,185	53,692
-	89,295	2,270,334
-	6,036,462	18,029,800
3,792,491	-	3,792,491
8,607,909	-	8,607,909
3,649,549	547,015	4,196,564
-	-	32,137
4,817,296	-	4,817,296
-	3,851,619	3,851,619
(12,221,632)	(271,229)	(12,498,217)
8,645,613	4,127,405	12,799,799
8,645,613	4,127,405	12,799,799
8,645,613	10,163,867	30,829,599
-	533,697	658,106
1,269	14,293	28,914
1,269	547,990	687,020
19,107	310,900	1,604,734
-	118,476	118,476
838,785	-	838,785
-	702	48,343
-	-	180,253
16,000	-	16,000
-	1,096,845	1,096,845
873,892	1,526,923	3,903,436
-	2,106	145,029
-	2,592,672	3,197,024
38,046	428,542	866,917
38,046	3,023,320	4,208,970
911,938	4,550,243	8,112,406
-	60,488	74,588
1,958	22,060	44,626
1,958	82,548	119,214
8,645,613	4,008,929	12,681,323
-	2,070,137	2,070,137
(912,627)	-	8,533,539
\$ 7,732,986	\$ 6,079,066	\$ 23,284,999

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year ended June 30, 2018

	<u>Refuse Collections</u>
Operating revenues:	
Charges for services	\$ 19,479,786
Miscellaneous	-
	<hr/>
Total operating revenues	19,479,786
	<hr/>
Operating expenses:	
Personnel services	994,669
Contractual services	9,308,392
Materials and supplies	8,557
Administrative charges	7,712,958
Depreciation	3,214
	<hr/>
Total operating expenses	18,027,790
	<hr/>
Operating income (loss)	1,451,996
	<hr/>
Nonoperating revenues (expenses):	
Intergovernmental	419,241
Net increase (decrease) in the fair value of investment	(234,869)
Investment earnings	120,285
	<hr/>
Total nonoperating revenues (expenses)	304,657
	<hr/>
Income (loss) before transfers	1,756,653
	<hr/>
Capital contributions	-
Transfers in	-
Transfers out	(943,685)
	<hr/>
Change in net position	812,968
	<hr/>
Net position - beginning	9,033,608
Reduction in net position to record beginning total OPEB liability	(373,629)
	<hr/>
Net position - beginning, as restated	8,659,979
	<hr/>
Net position - ending	\$ 9,472,947
	<hr/> <hr/>

NONMAJOR ENTERPRISE FUND

Transportation Center	Federal Clean Water Protection	Total
\$ 521,555	\$ 657,085	\$ 20,658,426
2,080	-	2,080
<u>523,635</u>	<u>657,085</u>	<u>20,660,506</u>
133,522	1,028,055	2,156,246
763,535	1,443,792	11,515,719
7,807	5,959	22,323
138,860	310,893	8,162,711
430,262	27,351	460,827
<u>1,473,986</u>	<u>2,816,050</u>	<u>22,317,826</u>
(950,351)	(2,158,965)	(1,657,320)
-	-	419,241
-	-	(234,869)
-	83,695	203,980
-	83,695	388,352
(950,351)	(2,075,270)	(1,268,968)
-	980,668	980,668
-	2,553,467	2,553,467
-	-	(943,685)
<u>(950,351)</u>	<u>1,458,865</u>	<u>1,321,482</u>
8,720,061	4,958,599	22,712,268
(36,724)	(338,398)	(748,751)
<u>8,683,337</u>	<u>4,620,201</u>	<u>21,963,517</u>
\$ <u>7,732,986</u>	\$ <u>6,079,066</u>	\$ <u>23,284,999</u>

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2018

	<u>Refuse Collections</u>
Cash flows from operating activities:	
Receipts from customers	\$ 18,997,243
Receipts from other operating sources	-
Payments to suppliers for goods and services	(16,183,953)
Payments to employees	<u>(755,627)</u>
Net cash provided (used) by operating activities	<u>2,057,663</u>
Cash flows from noncapital financing activities:	
Intergovernment contribution	419,241
Transfer in	-
Transfer out	<u>(943,685)</u>
Net cash provided (used) by noncapital financing activities	<u>(524,444)</u>
Cash flows from capital and related financing activities:	
Capital contribution	-
Acquisition of capital assets	<u>-</u>
Net cash used by capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest received	108,310
Net increase (decrease) in the fair value of investment	<u>(234,869)</u>
Net cash provided by investing activities	<u>(126,559)</u>
Net increase (decrease) in cash and cash equivalents	1,406,660
Cash and cash equivalents - beginning	<u>8,372,132</u>
Cash and cash equivalents - ending	<u>\$ 9,778,792</u>

Transportation Center	Federal Clean Water Protection	Total
\$ 526,555	\$ 633,010	\$ 20,156,808
523,969	(980,668)	(456,699)
(917,439)	(2,021,832)	(19,123,224)
<u>(133,085)</u>	<u>(883,811)</u>	<u>(1,772,523)</u>
-	(3,253,301)	(1,195,638)
-	-	419,241
-	2,553,467	2,553,467
-	-	<u>(943,685)</u>
-	2,553,467	2,029,023
-	980,668	980,668
-	<u>(1,793,084)</u>	<u>(1,793,084)</u>
-	<u>(812,416)</u>	<u>(812,416)</u>
-	82,770	191,080
-	-	<u>(234,869)</u>
-	82,770	(43,789)
-	(1,429,480)	(22,820)
-	<u>7,356,462</u>	<u>15,728,594</u>
\$ <u>-</u>	\$ <u>5,926,982</u>	\$ <u>15,705,774</u>

Continued

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2018

	<u>Refuse Collections</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,451,996
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,214
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(482,543)
Decrease (increase) in deferred outflows from pension	(19,299)
Decrease (increase) in deferred outflows from OPEB	(13,352)
Increase (decrease) in accounts payable	1,092,261
Increase (decrease) in unearned revenue	-
Increase (decrease) in compensated absences payable	190,564
Increase (decrease) in deposits payable	-
Increase (decrease) in grant advances	(243,093)
Increase (decrease) in postemployment benefits obligation	(29,355)
Increase (decrease) in net pension liability	56,858
Increase (decrease) in total OPEB liability	26,700
Increase (decrease) in deferred inflows from pension	3,104
Increase (decrease) in deferred inflows from OPEB	<u>20,608</u>
Net cash provided (used) by operating activities	\$ <u><u>2,057,663</u></u>
Noncash investing, capital, and financing activities:	
Decrease in fair value of investments	\$ <u><u>(234,869)</u></u>

Transportation Center	Federal Clean Water Protection	Total
\$ (950,351)	\$ (2,158,965)	\$ (1,657,320)
430,262	27,351	460,827
-	(24,075)	(506,618)
-	(82,787)	(102,086)
(1,269)	(14,293)	(28,914)
514,652	(261,188)	1,345,725
-	(980,668)	(980,668)
-	(35,129)	155,435
5,000	-	5,000
-	-	(243,093)
(1,574)	(92,986)	(123,915)
-	243,923	300,781
1,322	90,144	118,166
-	13,312	16,416
1,958	22,060	44,626
<u>\$ -</u>	<u>\$ (3,253,301)</u>	<u>\$ (1,195,638)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (234,869)</u>



CITY OF SANTA ANA, CALIFORNIA
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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.

Stores & Property Control - For the maintenance of a warehouse inventory of materials and supplies for all City departments.

Self-Insurance Fund - For the administration of the City's self-insurance programs and the payment of health and dental benefits, 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 Position
June 30, 2018

	Central Services	Building Maintenance
Assets:		
Current assets:		
Cash and investments	\$ 352,909	\$ 2,613,731
Receivables:		
Interest	1,192	9,946
Accounts, net of allowances	-	-
Due from other funds	-	-
Inventory of supplies	18,541	-
Total current assets	<u>372,642</u>	<u>2,623,677</u>
Noncurrent assets:		
Advances to other funds	-	-
Restricted cash and investments	-	-
Capital assets:		
Improvements other than buildings	-	602,886
Equipment	504,333	21,104
Construction in progress	-	-
Computer software	-	-
Less accumulated depreciation	(420,751)	(623,990)
Total noncurrent assets	<u>83,582</u>	<u>-</u>
Total assets	<u>456,224</u>	<u>2,623,677</u>
Deferred outflows of resources:		
Deferred amounts on pension plans	133,044	938,082
Deferred amounts on OPEB plan	6,144	34,178
Total deferred outflows of resources	<u>139,188</u>	<u>972,260</u>
Liabilities:		
Current liabilities:		
Accounts payable	645	165,164
Retention payable	-	-
Due to other funds	-	-
Due to other governmental agencies	-	-
Compensated absences payable	10,485	37,374
Claims payable	-	-
Capital lease payable	55,597	-
Total current liabilities	<u>66,727</u>	<u>202,538</u>
Noncurrent liabilities:		
Compensated absences payable	31,455	112,122
Claims payable	-	-
Net pension liability	646,337	4,557,111
Total OPEB liability	184,221	1,024,730
Total noncurrent liabilities	<u>862,013</u>	<u>5,693,963</u>
Total liabilities	<u>928,740</u>	<u>5,896,501</u>
Deferred inflows of resources:		
Deferred amounts on pension plans	15,079	106,319
Deferred amounts on OPEB plan	9,483	52,750
Total net position (deficit)	<u>24,562</u>	<u>159,069</u>
Net position:		
Net investment in capital assets	27,985	-
Unrestricted	(385,875)	(2,459,633)
Total net position (deficit)	<u>\$ (357,890)</u>	<u>\$ (2,459,633)</u>

INTERNAL SERVICE FUNDS

Equipment Maintenance and Replacement	Stores & Property Control	Self Insurance	Information and Communications Services	City Yard Operations	Engineering and Administrative Services
\$ 4,593,039	\$ -	\$ 27,860,979	\$ 10,566,425	\$ 25,714	\$ 4,846,380
16,709	-	126,272	38,389	180	17,631
23,903	-	-	-	-	123,467
-	-	5,607,417	-	-	-
77,323	744,135	-	-	-	-
<u>4,710,974</u>	<u>744,135</u>	<u>33,594,668</u>	<u>10,604,814</u>	<u>25,894</u>	<u>4,987,478</u>
-	-	2,044,000	-	-	-
-	-	232,172	-	-	-
-	-	-	-	256,131	-
17,289,431	-	-	2,736,200	68,201	288,015
885,576	-	-	-	-	-
-	-	-	6,493,843	-	-
(14,245,998)	-	-	(6,523,835)	(162,649)	(263,635)
<u>3,929,009</u>	<u>-</u>	<u>2,276,172</u>	<u>2,706,208</u>	<u>161,683</u>	<u>24,380</u>
<u>8,639,983</u>	<u>744,135</u>	<u>35,870,840</u>	<u>13,311,022</u>	<u>187,577</u>	<u>5,011,858</u>
1,760,296	115,843	1,501,988	1,642,008	15,913	4,134,865
46,672	4,637	33,029	37,959	1,154	124,663
<u>1,806,968</u>	<u>120,480</u>	<u>1,535,017</u>	<u>1,679,967</u>	<u>17,067</u>	<u>4,259,528</u>
49,453	139,768	89,777	388,829	1,567	181,972
-	-	15,720	-	-	-
-	120,827	-	-	-	-
-	-	30,715	-	-	-
112,617	3,890	83,674	85,787	-	277,604
-	-	8,650,000	-	-	-
-	-	-	-	-	-
<u>162,070</u>	<u>264,485</u>	<u>8,869,886</u>	<u>474,616</u>	<u>1,567</u>	<u>459,576</u>
337,850	11,670	251,021	257,361	-	832,811
-	-	29,108,841	-	-	-
8,551,451	562,756	9,509,371	7,976,809	77,281	20,086,772
1,399,307	139,012	990,277	1,138,090	34,605	3,737,604
<u>10,288,608</u>	<u>713,438</u>	<u>39,859,510</u>	<u>9,372,260</u>	<u>111,886</u>	<u>24,657,187</u>
<u>10,450,678</u>	<u>977,923</u>	<u>48,729,396</u>	<u>9,846,876</u>	<u>113,453</u>	<u>25,116,763</u>
199,508	13,130	169,455	186,102	1,803	468,631
72,032	7,156	50,975	58,585	1,781	192,400
<u>271,540</u>	<u>20,286</u>	<u>220,430</u>	<u>244,687</u>	<u>3,584</u>	<u>661,031</u>
3,929,009	-	-	2,706,208	161,683	24,380
(4,204,276)	(133,594)	(11,543,969)	2,193,218	(74,076)	(16,530,788)
<u>\$ (275,267)</u>	<u>\$ (133,594)</u>	<u>\$ (11,543,969)</u>	<u>\$ 4,899,426</u>	<u>\$ 87,607</u>	<u>\$ (16,506,408)</u>

Continued

Internal Service Funds
Combining Statement of Net Position
June 30, 2018

	Quality Service Training	Total
Assets:		
Current assets:		
Cash and investments	\$ 419,559	\$ 51,278,736
Receivables:		
Interest	1,480	211,799
Accounts, net of allowances	-	147,370
Due from other funds	-	5,607,417
Inventory of supplies	-	839,999
Total current assets	<u>421,039</u>	<u>58,085,321</u>
Noncurrent assets:		
Advances to other funds	-	2,044,000
Restricted cash and investments	-	232,172
Capital assets:		
Improvements other than buildings	-	859,017
Equipment	-	20,907,284
Construction in progress	-	885,576
Computer software	-	6,493,843
Less accumulated depreciation	-	(22,240,858)
Total noncurrent assets	<u>-</u>	<u>9,181,034</u>
Total assets	<u>421,039</u>	<u>67,266,355</u>
Deferred outflows of resources:		
Deferred amounts on pension plans	-	10,242,039
Deferred amounts on OPEB plan	-	288,436
	<u>-</u>	<u>10,530,475</u>
Liabilities:		
Current liabilities:		
Accounts payable	-	1,017,175
Retention payable	-	15,720
Due to other funds	-	120,827
Due to other governmental agencies	-	30,715
Compensated absences payable	-	611,431
Claims payable	-	8,650,000
Capital lease payable	-	55,597
Total current liabilities	<u>-</u>	<u>10,501,465</u>
Noncurrent liabilities:		
Compensated absences payable	-	1,834,290
Claims payable	-	29,108,841
Net pension liability	-	51,967,888
Total OPEB liability	-	8,647,846
Total noncurrent liabilities	<u>-</u>	<u>91,558,865</u>
Total liabilities	<u>-</u>	<u>102,060,330</u>
Deferred inflows of resources:		
Deferred amounts on pension plans	-	1,160,027
Deferred amounts on OPEB plan	-	445,162
Total net position (deficit)	<u>-</u>	<u>1,605,189</u>
Net position:		
Net investment in capital assets	-	6,849,265
Unrestricted	421,039	(32,717,954)
Total net position (deficit)	<u>\$ 421,039</u>	<u>\$ (25,868,689)</u>



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
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Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year ended June 30, 2018

	Central Services	Building Maintenance
Operating revenues:		
Charges for services	\$ 827,911	\$ 4,031,679
Miscellaneous	-	-
Total operating revenues	<u>827,911</u>	<u>4,031,679</u>
Operating expenses:		
Personnel services	321,802	2,124,174
Contractual services	170,562	2,078,754
Materials and supplies	234,190	208,429
Administrative charges	129,036	194,500
Insurance	-	-
Provision for self-insured losses	-	-
Depreciation	160,127	-
Total operating expenses	<u>1,015,717</u>	<u>4,605,857</u>
Operating income (loss)	<u>(187,806)</u>	<u>(574,178)</u>
Nonoperating revenues (expenses):		
Net decrease in the fair value of investment	-	-
Investment earnings	5,063	38,787
Interest expense	(7,741)	-
Gain (loss) on disposal of capital assets	-	-
Total nonoperating revenues (expenses)	<u>(2,678)</u>	<u>38,787</u>
Income (loss) before transfers	(190,484)	(535,391)
Transfers out	-	-
Change in net position	<u>(190,484)</u>	<u>(535,391)</u>
Net position (deficit) - beginning	<u>(8,085)</u>	<u>(1,049,856)</u>
Reduction in net position to record beginning total OPEB liability	<u>(159,321)</u>	<u>(874,386)</u>
Net position (deficit) - beginning, as restated	<u>(167,406)</u>	<u>(1,924,242)</u>
Net position (deficit) - ending	<u>\$ (357,890)</u>	<u>\$ (2,459,633)</u>

INTERNAL SERVICE FUNDS

Page 2 of 3

Equipment Maintenance and Replacement	Stores & Property Control	Self Insurance	Information and Communications Services	City Yard Operations	Engineering and Administrative Services
\$ 4,745,593	\$ 1,599,529	\$ 34,399,282	\$ 7,526,121	\$ 1,114,855	\$ 13,893,937
497,548	51,903	245,304	-	-	11,169
<u>5,243,141</u>	<u>1,651,432</u>	<u>34,644,586</u>	<u>7,526,121</u>	<u>1,114,855</u>	<u>13,905,106</u>
3,375,347	231,506	-	2,795,322	106,631	9,171,472
590,234	583	-	4,195,971	255,970	1,105,012
428,364	1,289,464	-	176,770	9,692	221,019
712,907	229,866	7,138,269	360,365	777,629	3,010,876
-	-	26,642,272	-	-	-
-	-	10,385,440	-	-	-
472,846	-	-	705,889	6,403	10,274
<u>5,579,698</u>	<u>1,751,419</u>	<u>44,165,981</u>	<u>8,234,317</u>	<u>1,156,325</u>	<u>13,518,653</u>
<u>(336,557)</u>	<u>(99,987)</u>	<u>(9,521,395)</u>	<u>(708,196)</u>	<u>(41,470)</u>	<u>386,453</u>
-	-	(485,411)	(178,358)	-	-
65,831	172	487,639	147,301	976	63,987
-	-	-	-	-	-
36,280	-	(201,023)	-	-	-
<u>102,111</u>	<u>172</u>	<u>(198,795)</u>	<u>(31,057)</u>	<u>976</u>	<u>63,987</u>
(234,446)	(99,815)	(9,720,190)	(739,253)	(40,494)	450,440
-	-	-	-	-	(212,005)
<u>(234,446)</u>	<u>(99,815)</u>	<u>(9,720,190)</u>	<u>(739,253)</u>	<u>(40,494)</u>	<u>238,435</u>
<u>1,040,862</u>	<u>102,471</u>	<u>(1,055,820)</u>	<u>6,543,823</u>	<u>161,426</u>	<u>(13,941,685)</u>
<u>(1,081,683)</u>	<u>(136,250)</u>	<u>(767,959)</u>	<u>(905,144)</u>	<u>(33,325)</u>	<u>(2,803,158)</u>
<u>(40,821)</u>	<u>(33,779)</u>	<u>(1,823,779)</u>	<u>5,638,679</u>	<u>128,101</u>	<u>(16,744,843)</u>
<u>\$ (275,267)</u>	<u>\$ (133,594)</u>	<u>\$ (11,543,969)</u>	<u>\$ 4,899,426</u>	<u>\$ 87,607</u>	<u>\$ (16,506,408)</u>

Continued

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year ended June 30, 2018

	Quality Service Training	Total
Operating revenues:		
Charges for services	\$ -	\$ 68,138,907
Miscellaneous	-	805,924
Total operating revenues	-	68,944,831
Operating expenses:		
Personnel services	-	18,126,254
Contractual services	-	8,397,086
Materials and supplies	-	2,567,928
Administrative charges	-	12,553,448
Insurance	-	26,642,272
Provision for self-insured losses	-	10,385,440
Depreciation	-	1,355,539
Total operating expenses	-	80,027,967
Operating income (loss)	-	(11,083,136)
Nonoperating revenues (expenses):		
Net decrease in the fair value of investment	-	(663,769)
Investment earnings	5,692	815,448
Interest expense	-	(7,741)
Gain (loss) on disposal of capital assets	-	(164,743)
Total nonoperating revenues (expenses)	5,692	(20,805)
Income (loss) before transfers	5,692	(11,103,941)
Transfers out	-	(212,005)
Change in net position	5,692	(11,315,946)
Net position (deficit) - beginning	415,347	(7,791,517)
Reduction in net position to record beginning total OPEB liability	-	(6,761,226)
Net position (deficit) - beginning, as restated	415,347	(14,552,743)
Net position (deficit) - ending	\$ 421,039	\$ (25,868,689)



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
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Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2018

	Central Services	Building Maintenance
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 827,911	\$ 4,031,679
Receipts from other operating sources	-	(1,790)
Payments to suppliers for goods and services	(414,173)	(2,255,244)
Payments for interfund services used	(129,036)	(194,500)
Payments to employees	(273,635)	(1,815,582)
Net cash provided (used) by operating activities	<u>11,067</u>	<u>(235,437)</u>
Cash flows from noncapital financing activities:		
Transfers out	-	-
Repayment of advances from other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	-
Capital assets donated to other funds	-	-
Proceeds from sale of capital assets	-	-
Interest paid	(7,741)	-
Payments on capital leases	(174,742)	-
Net cash provided (used) for capital and related financing activities	<u>(182,483)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	5,207	38,787
Decrease in the fair value of investment	-	-
Net cash provided by investing activities	<u>5,207</u>	<u>38,787</u>
Net increase (decrease) in cash and cash equivalents	(166,209)	(196,650)
Cash and cash equivalents - beginning	519,118	2,810,381
Cash and cash equivalents - ending	<u>\$ 352,909</u>	<u>\$ 2,613,731</u>
(Includes restricted cash and investments)		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (187,806)	\$ (574,178)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	160,127	-
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	-	(1,790)
Decrease (increase) in inventory of supplies	1,419	-
Decrease (increase) in deferred outflows from pension	(20,638)	(145,513)
Decrease (increase) in deferred outflows from OPEB	(6,144)	(34,178)
Increase (decrease) in accounts payable	(10,840)	31,939
Increase (decrease) in due to other governmental agencies	-	-
Increase (decrease) in compensated absences payable	2,562	(9,811)
Increase (decrease) in retention payable	-	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in postemployment benefits obligation	(26,122)	(157,139)
Increase (decrease) in net pension liability	60,808	428,740
Increase (decrease) in total OPEB liability	24,900	150,344
Increase (decrease) in deferred inflows from pension	3,318	23,399
Increase (decrease) in deferred inflows from OPEB	9,483	52,750
Net cash provided (used) by operating activities	<u>\$ 11,067</u>	<u>\$ (235,437)</u>
Noncash investing, capital, and financing activities:		
Decrease in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

INTERNAL SERVICE FUNDS

Equipment Maintenance and Replacement	Stores & Property Control	Self Insurance	Information and Communications Services	City Yard Operations	Engineering and Administrative Services
\$ 4,745,593	\$ 1,599,529	\$ 34,399,282	\$ 7,526,121	\$ 1,114,855	\$ 13,770,470
501,400	51,903	245,304	-	-	11,169
(1,193,710)	(1,313,825)	(37,186,464)	(4,262,539)	(270,006)	(4,216,715)
(712,907)	(229,866)	-	(360,365)	(777,629)	-
(2,674,158)	(285,944)	(6,706,194)	(2,216,927)	(97,412)	(7,710,199)
<u>666,218</u>	<u>(178,203)</u>	<u>(9,248,072)</u>	<u>686,290</u>	<u>(30,192)</u>	<u>1,854,725</u>
-	-	-	-	-	(212,005)
-	-	292,000	-	-	-
-	-	292,000	-	-	(212,005)
(1,156,542)	-	-	-	-	-
-	-	(201,023)	-	-	-
36,280	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(1,120,262)</u>	<u>-</u>	<u>(201,023)</u>	<u>-</u>	<u>-</u>	<u>-</u>
61,100	283	469,207	136,254	973	56,565
-	-	(485,411)	(178,358)	-	-
<u>61,100</u>	<u>283</u>	<u>(16,204)</u>	<u>(42,104)</u>	<u>973</u>	<u>56,565</u>
(392,944)	(177,920)	(9,173,299)	644,186	(29,219)	1,699,285
4,985,983	177,920	37,266,450	9,922,239	54,933	3,147,095
<u>\$ 4,593,039</u>	<u>\$ -</u>	<u>\$ 28,093,151</u>	<u>\$ 10,566,425</u>	<u>\$ 25,714</u>	<u>\$ 4,846,380</u>
\$ (336,557)	\$ (99,987)	\$ (9,521,395)	\$ (708,196)	\$ (41,470)	\$ 386,453
472,846	-	-	705,889	6,403	10,274
3,852	-	(2,345,313)	-	-	(123,467)
(4,368)	(134,129)	-	-	-	-
(273,059)	(17,969)	(232,205)	(254,708)	(2,468)	(641,394)
72,032	(4,637)	(33,029)	(37,959)	(1,154)	(124,663)
(170,744)	(10,476)	(162,693)	110,202	(722)	120,192
-	-	(140,973)	-	-	-
109,723	(93,901)	39,907	28,596	-	66,784
-	-	15,720	-	-	-
-	120,827	2,474,507	-	-	-
(326,902)	(3,684)	(228,883)	(240,493)	(1,509)	(959,231)
804,535	52,946	575,699	750,471	7,270	1,889,795
317,624	2,762	222,317	232,946	1,280	934,446
43,908	2,889	37,294	40,957	397	103,136
(46,672)	7,156	50,975	58,585	1,781	192,400
<u>\$ 666,218</u>	<u>\$ (178,203)</u>	<u>\$ (9,248,072)</u>	<u>\$ 686,290</u>	<u>\$ (30,192)</u>	<u>\$ 1,854,725</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (485,411)</u>	<u>\$ (178,358)</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2018

	Quality Service Training	Total
Cash flows from operating activities:		
Receipts from interfund services provided	\$ -	\$ 68,015,440
Receipts from other operating sources	-	807,986
Payments to suppliers for goods and services	-	(51,112,676)
Payments for interfund services used	-	(2,404,303)
Payments to employees	-	(21,780,051)
Net cash provided (used) by operating activities	-	(6,473,604)
Cash flows from noncapital financing activities:		
Transfers out	-	(212,005)
Repayment of advances from other funds	-	292,000
Net cash provided (used) by noncapital financing activities	-	79,995
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(1,156,542)
Capital assets donated to other funds	-	(201,023)
Proceeds from sale of capital assets	-	36,280
Interest paid	-	(7,741)
Payments on capital leases	-	(174,742)
Net cash provided (used) for capital and related financing activities	-	(1,503,768)
Cash flows from investing activities:		
Interest received	5,331	773,707
Decrease in the fair value of investment	-	(663,769)
Net cash provided by investing activities	5,331	109,938
Net increase (decrease) in cash and cash equivalents	5,331	(7,787,439)
Cash and cash equivalents - beginning	414,228	59,298,347
Cash and cash equivalents - ending	\$ 419,559	\$ 51,510,908
(Includes restricted cash and investments)		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ -	\$ (11,083,136)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	-	1,355,539
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	-	(2,466,718)
Decrease (increase) in inventory of supplies	-	(137,078)
Decrease (increase) in deferred outflows from pension	-	(1,587,954)
Decrease (increase) in deferred outflows from OPEB	-	(169,732)
Increase (decrease) in accounts payable	-	(93,142)
Increase (decrease) in due to other governmental agencies	-	(140,973)
Increase (decrease) in compensated absences payable	-	143,860
Increase (decrease) in retention payable	-	15,720
Increase (decrease) in claims payable	-	2,595,334
Increase (decrease) in postemployment benefits obligation	-	(1,943,963)
Increase (decrease) in net pension liability	-	4,570,264
Increase (decrease) in total OPEB liability	-	1,886,619
Increase (decrease) in deferred inflows from pension	-	255,298
Increase (decrease) in deferred inflows from OPEB	-	326,458
Net cash provided (used) by operating activities	\$ -	\$ (6,473,604)
Noncash investing, capital, and financing activities:		
Decrease in fair value of investments	\$ -	\$ (663,769)

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.

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.

Warner Industrial Community Assessment District – For amounts collected and remitted under the terms of the assessment district.

Agency Funds
Combining Statement of Assets and Liabilities
June 30, 2018

Assets	<u>Payroll</u>	<u>Treasurer's Trust</u>	<u>Retirees Health Insurance Subsidy</u>
Cash and investments	\$ 6,034,385	\$ 6,073,642	\$ 30,331
Restricted assets:			
Cash & investments with fiscal agents	-	-	-
Receivables:			
Interest	224	298	65
Taxes	-	-	-
Total assets	<u>\$ 6,034,609</u>	<u>\$ 6,073,940</u>	<u>\$ 30,396</u>
 Liabilities			
Accounts payable	\$ -	\$ 274	\$ -
Deposit payable	-	26,194	-
Due to bondholders	-	-	-
Due to City employees	5,333,022	-	30,396
Due to governmental agencies	<u>701,587</u>	<u>6,047,472</u>	<u>-</u>
Total liabilities	<u>\$ 6,034,609</u>	<u>\$ 6,073,940</u>	<u>\$ 30,396</u>

AGENCY FUNDS

Transportation Corridor	TSIA Santa Ana- Tustin	Warner Industrial Community Assessment District	Total
\$ 18,186	\$ 11,172,994	\$ 142,545	\$ 23,472,083
-	-	105,961	105,961
-	34,730	-	35,317
-	-	3,552	3,552
<u>\$ 18,186</u>	<u>\$ 11,207,724</u>	<u>\$ 252,058</u>	<u>\$ 23,616,913</u>
\$ 18,186	\$ 155	-	\$ 18,615
-	-	-	26,194
-	-	252,058	252,058
-	-	-	5,363,418
-	11,207,569	-	17,956,628
<u>\$ 18,186</u>	<u>\$ 11,207,724</u>	<u>\$ 252,058</u>	<u>\$ 23,616,913</u>

**Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year ended June 30, 2018**

	Balance <u>June 30,2017</u>	Additions	Deductions	Balance <u>June 30,2018</u>
PAYROLL FUND				
Assets				
Cash and investments	\$ 9,415,110	\$ 147,713,880	\$ 151,094,605	\$ 6,034,385
Interest receivable	224	224	224	224
Total assets	<u>\$ 9,415,334</u>	<u>\$ 147,714,104</u>	<u>\$ 151,094,829</u>	<u>\$ 6,034,609</u>
Liabilities				
Due to City employees	\$ 4,090,698	\$ 114,048,415	\$ 112,806,091	\$ 5,333,022
Due to governmental agencies	5,324,636	33,665,689	38,288,738	701,587
Total liabilities	<u>\$ 9,415,334</u>	<u>\$ 147,714,104</u>	<u>\$ 151,094,829</u>	<u>\$ 6,034,609</u>
TREASURER'S TRUST FUND				
Assets				
Cash and investments	\$ 5,282,908	\$ 9,598,686	\$ 8,807,952	\$ 6,073,642
Interest receivable	648	298	648	298
Total assets	<u>\$ 5,283,556</u>	<u>\$ 9,598,984</u>	<u>\$ 8,808,600</u>	<u>\$ 6,073,940</u>
Liabilities				
Accounts payable	\$ -	1,386,403	1,386,129	274
Deposits payable	11,541	2,938,353	2,923,700	26,194
Due to governmental agencies	5,272,015	5,274,228	\$ 4,498,771	\$ 6,047,472
Total liabilities	<u>\$ 5,283,556</u>	<u>\$ 9,598,984</u>	<u>\$ 8,808,600</u>	<u>\$ 6,073,940</u>
RETIRES HEALTH INSURANCE SUBSIDY				
Assets				
Cash and investments	\$ 80,868	\$ 966,009	\$ 1,016,546	\$ 30,331
Interest receivable	25	65	25	65
Total assets	<u>\$ 80,893</u>	<u>\$ 966,074</u>	<u>\$ 1,016,571</u>	<u>\$ 30,396</u>
Liabilities				
Due to city employees	\$ 80,893	\$ 966,074	\$ 1,016,571	\$ 30,396
Total liabilities	<u>\$ 80,893</u>	<u>\$ 966,074</u>	<u>\$ 1,016,571</u>	<u>\$ 30,396</u>

	Balance <u>June 30,2017</u>	Additions	Deductions	Balance <u>June 30,2018</u>
TRANSPORTATION CORRIDOR FUND				
Assets				
Cash and investments	\$ 35,681	\$ 18,186	\$ 35,681	\$ 18,186
Total assets	<u>\$ 35,681</u>	<u>\$ 18,186</u>	<u>\$ 35,681</u>	<u>\$ 18,186</u>
Liabilities				
Accounts payable	\$ 35,681	\$ 18,186	\$ 35,681	\$ 18,186
Total liabilities	<u>\$ 35,681</u>	<u>\$ 18,186</u>	<u>\$ 35,681</u>	<u>\$ 18,186</u>
TRANSPORTATION SYSTEM IMPROVEMENT AUTHORITY SANTA-ANA - TUSTIN				
Assets				
Cash and investments	\$ 8,779,734	\$ 2,437,676	\$ 44,416	\$ 11,172,994
Interest receivable	22,939	34,730	22,939	34,730
Total assets	<u>\$ 8,802,673</u>	<u>\$ 2,472,406</u>	<u>\$ 67,355</u>	<u>\$ 11,207,724</u>
Liabilities				
Accounts payable	\$ 3,300	\$ 33,043	\$ 36,188	\$ 155
Due to governmental agencies	8,799,373	2,439,363	31,167	11,207,569
Total liabilities	<u>\$ 8,802,673</u>	<u>\$ 2,472,406</u>	<u>\$ 67,355</u>	<u>\$ 11,207,724</u>

(Continued)

**Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year ended June 30, 2018**

	<u>Balance June 30,2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30,2018</u>
WARNER INDUSTRIAL COMMUNITY ASSESSMENT DISTRICT				
Assets				
Cash and investments	\$ 57,182	\$ 135,581	\$ 50,218	\$ 142,545
Restricted assets:				
Cash & investments with fiscal agents	153,484	69,148	116,671	105,961
Taxes	4,157	3,552	4,157	3,552
Total assets	<u>\$ 214,823</u>	<u>\$ 208,281</u>	<u>\$ 171,046</u>	<u>\$ 252,058</u>
Liabilities				
Due to bondholders	\$ 214,823	\$ 208,281	\$ 171,046	\$ 252,058
Total liabilities	<u>\$ 214,823</u>	<u>\$ 208,281</u>	<u>\$ 171,046</u>	<u>\$ 252,058</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 23,651,483	\$ 160,870,018	\$ 161,049,418	\$ 23,472,083
Restricted assets:				
Cash & investments with fiscal agents	153,484	69,148	116,671	105,961
Receivables:				
Taxes	4,157	3,552	4,157	3,552
Interest	23,836	35,317	23,836	35,317
Total assets	<u>\$ 23,832,960</u>	<u>\$ 160,978,035</u>	<u>\$ 161,194,082</u>	<u>\$ 23,616,913</u>
Liabilities				
Accounts payable	\$ 38,981	\$ 1,437,632	\$ 1,457,998	\$ 18,615
Deposits payable	11,541	2,938,353	2,923,700	26,194
Due to bondholders	214,823	208,281	171,046	252,058
Due to City employees	4,171,591	115,014,489	113,822,662	5,363,418
Due to governmental agencies	19,396,024	41,379,280	42,818,676	17,956,628
Total liabilities	<u>\$ 23,832,960</u>	<u>\$ 160,978,035</u>	<u>\$ 161,194,082</u>	<u>\$ 23,616,913</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 say about the government's overall financial health.

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<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
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<u>Demographic and Economic Information</u> - This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
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<u>Operating Information</u> - 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.	
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**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year			
	2018	2017***	2016	2015
Governmental Activities:				
Net investment in capital assets	\$ 867,360	\$ 842,333	\$ 823,975	\$ 807,136
Restricted	175,986	176,377	156,204	238,034
Unrestricted	(501,404)	(387,032)	(362,557)	(378,741)
Total governmental activities net position	<u>\$ 541,942</u>	<u>\$ 631,678</u>	<u>\$ 617,622</u>	<u>\$ 666,429</u>
Business-type activities:				
Net investment in capital assets	\$ 109,752	\$ 101,972	\$ 96,563	\$ 94,756
Restricted	2,332	2,908	2,859	2,867
Unrestricted	33,072	41,547	38,804	33,018
Total business-type activities net position	<u>\$ 145,156</u>	<u>\$ 146,427</u>	<u>\$ 138,226</u>	<u>\$ 130,641</u>
Primary government:				
Net investment in capital assets	\$ 977,112	\$ 944,305	\$ 920,538	\$ 901,892
Restricted	178,318	179,285	159,063	240,901
Unrestricted	(468,332)	(345,485)	(323,753)	(345,723)
Total primary government net position	<u>\$ 687,098</u>	<u>\$ 778,105</u>	<u>\$ 755,848</u>	<u>\$ 797,070</u>

* The 2013 net position was restated to implement GASB 65.

**The 2014 net position was restated to implement GASB 68 and 71.

***The 2017 net pension was restated to implement GASB 75.

Source: City of Santa Ana 2009 - 2018 CAFRS

SCHEDULE 1

Fiscal Year						
2014**	2013*	2012	2011	2010	2009	
\$ 797,222	\$ 800,141	\$ 787,634	\$ 767,746	\$ 723,057	\$ 684,618	
227,514	204,518	236,683	146,268	156,629	182,938	
71,741	54,989	23,756	26,574	15,155	5,165	
<u>\$ 1,096,477</u>	<u>\$ 1,059,648</u>	<u>\$ 1,048,073</u>	<u>\$ 940,588</u>	<u>\$ 894,841</u>	<u>\$ 872,721</u>	
\$ 92,652	\$ 90,055	\$ 89,780	\$ 87,551	\$ 84,088	\$ 83,163	
4,033	3,315	2,322	1,186	956	7,014	
53,819	44,636	35,758	35,705	34,201	24,745	
<u>\$ 150,504</u>	<u>\$ 138,006</u>	<u>\$ 127,860</u>	<u>\$ 124,442</u>	<u>\$ 119,245</u>	<u>\$ 114,922</u>	
\$ 889,874	\$ 890,196	\$ 877,414	\$ 855,297	\$ 807,145	\$ 767,781	
231,547	207,833	239,005	147,454	157,585	189,952	
125,560	99,625	59,514	62,279	49,356	29,910	
<u>\$ 1,246,981</u>	<u>\$ 1,197,654</u>	<u>\$ 1,175,933</u>	<u>\$ 1,065,030</u>	<u>\$ 1,014,086</u>	<u>\$ 987,643</u>	

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

	Fiscal Year					Page 1 of 6
	2018	2017	2016	2015	2014	
Expenses:						
Governmental activities:						
General government (1)	\$ 23,916	\$ 22,965	\$ 16,266	\$ 15,702	\$ 16,244	
Cultural recreation and community services (2)	36,666	30,689	26,252	27,408	30,613	
Public safety (3) (5)	232,167	185,803	156,989	166,410	160,153	
Developmental services (4)	43,308	44,831	29,369	30,548	28,567	
Community development	55,119	47,427	43,778	44,604	55,537	
Pass-through payments to districts and other agencies	-	-	-	-	-	
County administrative charge	-	-	-	-	-	
Interest on long-term debt	6,627	6,944	7,208	7,576	8,080	
Total governmental activities expenses	<u>\$ 397,803</u>	<u>\$ 338,659</u>	<u>\$ 279,862</u>	<u>\$ 292,248</u>	<u>\$ 299,194</u>	
Business-type activities:						
Water	\$ 49,800	\$ 45,040	\$ 41,947	\$ 45,217	\$ 44,912	
Parking	5,636	5,276	4,296	2,852	2,795	
Sewer	5,588	4,916	4,685	4,627	4,761	
Sanitation	7,082	6,695	6,675	7,256	7,616	
Refuse collections	18,028	16,853	16,463	15,946	15,948	
Transportation center	1,474	1,197	1,245	1,187	1,267	
Federal clean water protection	2,816	2,373	2,878	2,033	2,125	
Total business-type expenses	<u>90,424</u>	<u>82,350</u>	<u>78,189</u>	<u>79,118</u>	<u>79,424</u>	
Total primary government expenses	<u>\$ 488,227</u>	<u>\$ 421,009</u>	<u>\$ 358,051</u>	<u>\$ 371,366</u>	<u>\$ 378,618</u>	

* 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

5. As of April 2012, the City contracted with OCFA for fire services.

Source: City of Santa Ana 2009 - 2018 CAFRS

SCHEDULE 2

					Page 2 of 6	
					Fiscal Year	
2013	2012	2011	2010	2009		
\$ 14,628	\$ 11,364	\$ 12,333	\$ 15,227	\$ 20,456		
26,994	23,902	24,084	25,528	27,937		
155,444	139,514	174,524	183,885	175,036		
30,526	26,148	31,073	30,338	29,849		
55,016	77,219	58,735	68,150	53,598		
915	3,393	12,760	28,093 *	10,399 *		
-	1,547	525	486 *	391 *		
<u>7,027</u>	<u>8,669</u>	<u>14,664</u>	<u>16,828</u>	<u>16,580</u>		
\$ <u>290,550</u>	\$ <u>291,756</u>	\$ <u>328,698</u>	\$ <u>368,535</u>	\$ <u>334,246</u>		
\$ 44,528	\$ 49,271	\$ 45,674	\$ 45,727	\$ 41,910		
2,756	2,963	2,631	2,824	2,767		
4,351	4,268	3,462	3,485	3,140		
7,913	8,417	8,403	8,072	7,781		
16,122	16,024	15,339	16,716	13,205		
1,317	1,280	1,313	1,423	1,422		
<u>1,780</u>	<u>1,637</u>	<u>2,359</u>	<u>2,210</u>	<u>2,217</u>		
<u>78,766</u>	<u>83,860</u>	<u>79,181</u>	<u>80,457</u>	<u>72,442</u>		
\$ <u><u>369,317</u></u>	\$ <u><u>375,616</u></u>	\$ <u><u>407,879</u></u>	\$ <u><u>448,992</u></u>	\$ <u><u>406,688</u></u>		

Continued

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

	Fiscal Year					Page 3 of 6
	2018	2017	2016	2015	2014	
Program revenues:						
Governmental activities:						
Charges for services:						
General government (1)	\$ 7,575	\$ 5,379	\$ 4,584	\$ 5,267	\$ 4,307	
Cultural recreation and community services (2)	3,100	3,100	3,245	3,411	4,302	
Public safety (3) (5)	22,607	22,596	23,370	22,962	25,498	
Developmental services (4)	17,672	18,595	17,410	16,651	16,239	
Community development	854	1,168	1,721	3,268	5,433	
Operating grants and contributions	66,388	62,814	65,518	64,711	77,494	
Capital grants and contributions	44,259	58,350	19,882	25,624	36,252	
Total governmental activities program revenues	\$ 162,455	\$ 172,002	\$ 135,730	\$ 141,894	\$ 169,525	
Business-type activities:						
Charges for services:						
Water	\$ 55,560	\$ 51,657	\$ 48,289	\$ 45,812	\$ 52,856	
Parking	4,172	4,410	4,472	5,306	4,771	
Sewer	6,381	5,620	5,125	4,756	5,017	
Sanitation	7,020	7,384	7,973	8,045	7,934	
Refuse collections	19,480	18,985	18,230	17,270	17,062	
Transportation center	524	602	593	757	754	
Federal clean water protection	657	1,725	365	2,862	2,868	
Operating grants and contributions	419	-	-	77	92	
Capital grants and contributions	981	-	-	-	-	
Total business-type activities Program revenues	95,194	90,383	85,047	84,885	91,354	
Total primary government Program revenues	\$ 257,649	\$ 262,385	\$ 220,777	\$ 226,779	\$ 260,879	
Net (expense) revenue						
Governmental activities	(235,348)	(166,657)	(144,132)	(150,354)	(129,669)	
Business-type activities	4,770	8,033	6,858	5,767	11,930	
Total primary government net (expense) revenue	\$ (230,578)	\$ (158,624)	\$ (137,274)	\$ (144,587)	\$ (117,739)	

SCHEDULE 2

Fiscal Year					Page 4 of 6
2013	2012	2011	2010	2009	
\$ 4,322	\$ 5,687	\$ 5,912	\$ 4,659	\$ 5,482	
3,311	3,088	2,595	3,231	2,598	
25,652	27,554	29,171	25,370	20,844	
16,752	18,633	17,186	15,707	13,833	
1,447	28,003	4,688	6,321	8,694	
64,700	75,051	87,080	99,887	72,232	
29,214	37,001	32,910	37,218	38,694	
\$ 145,398	\$ 195,017	\$ 179,542	\$ 192,393	\$ 162,377	
\$ 51,339	\$ 49,482	\$ 47,783	\$ 48,782	\$ 47,338	
4,744	4,445	3,733	4,287	4,274	
4,939	4,783	4,679	4,816	4,522	
7,931	7,967	8,002	7,946	8,091	
16,650	16,261	16,218	14,988	8,615	
869	789	970	1,233	1,026	
2,740	2,733	2,552	2,474	2,384	
22	666	295	-	6,442	
-	-	-	-	-	
89,234	87,126	84,232	84,526	82,692	
\$ 234,632	\$ 282,143	\$ 263,774	\$ 276,919	\$ 245,069	
(145,152)	(96,739)	(149,156)	(176,142)	(171,869)	
10,468	3,266	5,051	4,069	10,250	
\$ (134,685)	\$ (93,473)	\$ (144,105)	\$ (172,073)	\$ (161,619)	

Continued

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

	Fiscal Year				Page 5 of 6
	2018	2017	2016	2015	2014
General revenues and other changes in net position					
Governmental activities:					
Net program revenue (expense):					
General government (1) \$	(15,498)	(16,528)	(11,141)	(9,710)	(11,480)
Cultural recreation and community services (2)	(23,304)	(20,912)	(15,765)	(19,106)	(17,080)
Public safety (3) (5)	(203,383)	(155,869)	(125,726)	(134,780)	(122,434)
Developmental services (4)	18,655	31,293	8,255	18,944	30,426
Community development	(5,191)	2,303	7,453	1,874	(1,021)
Pass-through payments to districts and other agencies	-	-	-	-	-
County administrative charge	-	-	-	-	-
Interest on long-term debt	(6,627)	(6,944)	(7,208)	(7,576)	(8,080)
General revenues:					
Property taxes	76,616	72,572	67,902	72,750	66,098
Sales Taxes	-	-	-	- **	44,367
Hotels visitors' taxes	9,246	9,768	8,882	8,983	8,519
Utility users taxes	23,943	24,413	25,102	24,919	25,035
Business taxes	14,903	13,774	12,384	11,343	11,201
Franchise taxes	8,339	7,866	8,449	8,316	7,984
Other taxes	1,263	1,371	1,520	997	1,169
Intergovernmental, unrestricted	48,572	50,609	50,747	48,170	521
Investment income	344	302	2,452	1,265	1,598
Other revenues	-	11	871	576	6
Transfers	-	27	168	56	-
Extraordinary gain	-	-	-	-	-
Total Governmental activities	<u>(52,122)</u>	<u>14,056</u>	<u>34,345</u>	<u>27,021</u>	<u>36,829</u>
Business-type activities:					
Water	5,760	6,617	6,342	596	7,944
Parking	(1,465)	(866)	176	2,453	1,976
Sewer	794	704	440	128	256
Sanitation	(62)	689	1,298	789	318
Refuse collections	1,871	2,132	1,767	1,401	1,206
Transportation center	(950)	(595)	(653)	(430)	(513)
Federal clean water protection	(1,178)	(647)	(2,512)	829	743
General revenues:					
Investment income	102	194	895	361	568
Transfers	-	(27)	(167)	(56)	-
Total business-type activities	<u>4,872</u>	<u>8,201</u>	<u>7,586</u>	<u>6,071</u>	<u>12,498</u>
Total primary government	<u>(47,250)</u>	<u>22,257</u>	<u>41,931</u>	<u>33,092</u>	<u>49,327</u>
Changes in net position					
Governmental activities	(52,122)	14,056	34,345	27,021	36,829
Business-type activities	4,872	8,201	7,586	6,071	12,498
Total primary government \$	<u>(47,250)</u>	<u>22,257</u>	<u>41,931</u>	<u>33,092</u>	<u>49,327</u>

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

** Sales Taxes are presented as part of Intergovernmental, unrestricted revenue starting from FY14-15 based on GFOA recommendations.

SCHEDULE 2

		Fiscal Year				Page 6 of 6			
		2013	2012	2011	2010	2009			
\$	(8,544)	\$	(5,677)	\$	(6,421)	\$	(7,033)	\$	(10,791)
	(19,364)		(17,943)		(15,937)		(12,613)		(19,708)
	(116,788)		(93,460)		(129,423)		(137,118)		(137,103)
	14,699		31,379		27,685		27,200		22,104
	(7,213)		2,572		2,889		(1,170)		999
	(915)		(3,393)		(12,760)		(28,093)		(10,399)
	-		(1,547)		(525)		(486)		(391)
	(7,027)		(8,669)		(14,664)		(16,828)		(16,580)
	62,347		87,189		103,610		108,001 *		117,756 *
	40,978		38,744		37,409		34,496		39,699
	7,490		7,024		5,970		5,650		6,149
	24,415		24,367		25,328		26,097		27,693
	10,671		10,317		10,380		9,944		10,027
	9,001		7,460		7,562		7,777		5,866
	962		1,401		1,176		1,090		1,500
	833		466		1,934		1,255		1,202
	(1,292)		951		869		2,862		4,613
	617		863		665		1,089		543
	-		-		-		-		50
	705		25,440		-		-		-
	<u>11,575</u>		<u>107,485</u>		<u>45,747</u>		<u>22,120</u>		<u>43,229</u>
	6,811		601		2,195		3,055		5,428
	1,988		1,483		1,102		1,463		1,506
	588		514		1,217		1,332		1,382
	18		(450)		(401)		(126)		309
	551		513		1,089		(1,728)		1,852
	(448)		(491)		(344)		(191)		(395)
	960		1,096		193		263		167
	(322)		152		146		255		463
	-		-		-		-		(50)
	<u>10,146</u>		<u>3,418</u>		<u>5,197</u>		<u>4,323</u>		<u>10,662</u>
	<u>21,721</u>		<u>110,903</u>		<u>50,944</u>		<u>26,443</u>		<u>53,891</u>
	11,575		107,485		45,747		22,120		43,229
	10,146		3,418		5,197		4,323		10,662
\$	<u>21,721</u>	\$	<u>110,903</u>	\$	<u>50,944</u>	\$	<u>26,443</u>	\$	<u>53,891</u>

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

	Fiscal Year		
	2018	2017	2016
General Fund			
Reserved	\$ -	\$ -	\$ -
Nonspendable	-	9	-
Restricted	7,620	2,160	1,455
Committed	-	-	-
Assigned	5,378	9,928	27,077
Unreserved	-	-	-
Unassigned	56,363	62,456	48,395
Total General Fund	\$ 69,361	\$ 74,553	\$ 76,927
All Other Governmental Funds			
Reserved	\$ -	\$ -	\$ -
Nonspendable	-	23	16
Restricted	149,247	157,467	152,641
Subsequent year's budget: appropriation of fund balance	-	-	-
Unassigned:			
Special Revenue	(789)	(3,287)	(921)
Capital Projects	(3,703)	(2,034)	(888)
Debt Services	-	-	-
Total all other governmental funds	\$ 144,755	\$ 152,169	\$ 150,848

Source: City of Santa Ana 2009 - 2018 CAFRS

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

SCHEDULE 3

Fiscal Year						
2015	2014	2013	2012	2011	2010*	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,243
3,434	3,357	3,267	-	-	-	-
955	-	-	-	-	-	-
-	-	-	-	1,314	5,509	-
21,562	5,404	5,424	4,661	2,987	-	-
-	-	-	-	-	-	11,093
45,891	45,298	30,688	19,335	6,673	2,962	-
<u>\$ 71,842</u>	<u>\$ 54,059</u>	<u>\$ 39,379</u>	<u>\$ 23,996</u>	<u>\$ 10,974</u>	<u>\$ 8,471</u>	<u>\$ 16,336</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,939
25,263	18,993	3,660.82	3,652	3,652	12,354	-
95,697	97,784	93,552.80	110,606	196,182	247,124	-
-	-	-	-	-	3,831	-
(1,618)	(806)	(630.00)	(1,661)	(2,191)	(86)	63,681
(686)	(1,721)	(936.00)	(955)	(600)	(925)	10,721
-	-	-	-	-	(68,330)	-
<u>\$ 118,656</u>	<u>\$ 114,250</u>	<u>\$ 95,648</u>	<u>\$ 111,642</u>	<u>\$ 197,043</u>	<u>\$ 193,968</u>	<u>\$ 217,341</u>

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

	Fiscal Year			
	2018	2017	2016	2015
Revenues:				
Taxes	\$ 134,812	\$ 131,308	\$ 125,255	\$ 127,913
License and permits	7,994	5,804	4,744	5,346
Intergovernmental	145,520	145,682	129,823	129,108
Charges for services	15,399	16,016	12,756	10,698
Fines and forfeits	5,713	5,096	5,450	5,937
Investment income	1,601	517	2,992	1,715
Gain on sale of land held for resale	14,353	-	-	-
Miscellaneous	11,880	30,278	35,688	31,048
Special assessments	5,627	947	-	-
Contributions from property owner- special assessments	-	1,252	-	-
Payment of bond proceeds from successor agency	-	2,515	-	-
Total revenues	<u>342,899</u>	<u>339,415</u>	<u>316,708</u>	<u>311,765</u>
Expenditures:				
General government (1)	18,477	18,999	15,261	14,369
Cultural recreation and community services (2)	30,366	26,512	23,934	4,976
Public safety (3) (5)	180,276	171,486	162,047	154,975
Developmental services (4)	24,876	18,532	18,892	36,754
Community development	52,073	48,928	42,827	44,150
Capital outlay	41,418	45,109	30,367	25,123
Debt service:				
Principal retirement	9,787	9,181	8,242	7,872
Interest and fiscal charges	5,741	6,020	6,342	6,750
Cost of issuance and other bond charges	-	-	-	-
Total expenditures	<u>363,014</u>	<u>344,767</u>	<u>307,912</u>	<u>294,969</u>
Excess (deficiency) of revenues over (under) expenditures	(20,115)	(5,352)	8,796	16,796
Other Financing Sources (uses):				
Loss on sale of land held for resale	-	-	(1,267)	-
Sales of capital assets	-	2,000	-	-
Transfers in	11,763	11,645	17,826	14,975
Transfers out	(11,551)	(11,398)	(17,624)	(14,793)
Bond discount	-	-	-	-
Capital lease agreement	-	-	-	4,256
Issuance of Debt	7,297	2,052	-	955
Payment to refunded bond escrow agent	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-
Proceeds of refunding debt	-	-	-	-
Capital contribution	-	-	-	-
Total other financing sources (uses)	<u>7,509</u>	<u>4,299</u>	<u>(1,065)</u>	<u>5,393</u>
Extraordinary gain (loss)	-	-	-	-
Net change in fund balance	<u>\$ (12,606)</u>	<u>\$ (1,053)</u>	<u>\$ 7,731</u>	<u>\$ 22,189</u>
Debt service as a percent of noncapital expenditures	4.9%	5.0%	5.3%	5.4%

Source: City of Santa Ana 2009 - 2018 CAFRS

1. Includes Human Resources and Finance

2. Includes Museum and Library

3. Includes Police and Fire and pass-through payments to districts & other agencies

4. Includes Planning and Building, and Public Works

5. As of April 2012, the City contracted with OCFA for fire services.

Fiscal Year						
2014	2013	2012	2011	2010	2009	
\$ 164,855	\$ 156,008	\$ 176,503	\$ 191,434	\$ 193,055	\$ 205,817	
3,295	4,043	3,948	3,806	2,845	3,485	
95,367	88,411	108,638	121,924	128,240	109,186	
11,493	8,752	11,021	9,899	10,147	9,161	
7,010	6,935	6,930	7,902	6,435	7,332	
1,607	(396)	1,163	1,355	2,072	11,504	
-	-	273	238	-	-	
43,804	35,541	36,985	39,280	44,368	39,359	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>327,431</u>	<u>299,294</u>	<u>345,461</u>	<u>375,838</u>	<u>387,162</u>	<u>385,844</u>	
13,264	12,494	10,155	10,782	11,745	20,300	
27,074	23,762	21,138	21,205	23,629	26,883	
151,703	150,723	169,504	164,203	177,346	173,793	
17,237	17,565	15,575	19,763	19,716	22,022	
58,337	55,359	82,114	71,413	67,454	53,439	
10,801	25,378	30,067	58,488	56,481	46,819	
11,513	6,865	9,001	14,244	12,485	12,791	
7,987	8,471	11,940	17,543	20,769	20,992	
183	-	-	778	28,594	11,738	
<u>298,099</u>	<u>300,617</u>	<u>349,493</u>	<u>378,419</u>	<u>418,219</u>	<u>388,777</u>	
29,332	(1,323)	(4,032)	(2,581)	(31,057)	(2,933)	
-	-	-	-	-	-	
-	-	-	-	-	-	
12,496	11,826	103,691	55,970	68,438	65,647	
(12,186)	(11,115)	(90,149)	(54,377)	(68,619)	(69,137)	
-	-	-	(374)	-	-	
-	-	-	-	-	-	
-	-	-	-	-	700	
(44,856)	-	-	(59,850)	-	-	
45,060	-	-	-	-	-	
-	-	-	66,790	-	-	
3,437	-	-	-	-	-	
<u>3,951</u>	<u>711</u>	<u>13,542</u>	<u>8,159</u>	<u>(181)</u>	<u>(2,790)</u>	
-	-	(81,889)	-	-	-	
<u>\$ 33,283</u>	<u>\$ (612)</u>	<u>\$ (72,379)</u>	<u>\$ 5,578</u>	<u>\$ (31,238)</u>	<u>\$ (5,723)</u>	
6.8%	5.6%	6.6%	9.9%	9.2%	9.9%	

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten 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			
2018	\$ 23,719,049	\$ 1,513,465	\$ (155,807)	\$ 25,076,707	-	
2017	22,436,846	1,449,280	(157,732)	23,728,394	-	
2016	21,528,909	1,484,318	(159,727)	22,853,500	-	
2015	20,432,992	1,642,391	(161,264)	21,914,119	-	
2014	19,579,938	1,539,745	(164,260)	20,955,423	-	
2013	18,829,929	1,432,409	(168,762)	20,093,576	-	
2012	18,509,578	1,591,287	(172,181)	19,928,684	-	
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	-	

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

SCHEDULE 5

Dissolved Redevelopment Agency

	Secured	Unsecured	Less: Exemptions ¹	Taxable Assessed Value	Total Direct Tax Rate ²
\$	6,937,988	\$ 991,258	\$ (5,547)	\$ 7,923,698	1.1045
	6,532,889	944,728	(5,677)	7,471,941	1.1177
	6,292,184	980,400	(5,723)	7,266,861	1.1167
	5,965,248	1,001,603	(5,788)	6,961,064	1.1199
	5,766,230	1,043,697	(5,889)	6,804,038	1.1230
	5,612,900	991,788	(6,027)	6,598,661	1.1134
	5,499,129	1,014,608	(6,088)	6,507,649	1.1066
	5,508,301	1,030,585	(6,124)	6,532,762	1.1068
	5,861,379	1,147,376	(5,924)	7,002,831	1.1055
	5,802,723	1,135,087	(5,827)	6,931,983	1.0590

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

	2018	2017	2016	2015
City direct rates:				
City basic rate	(1)	(1)	(1)	(1)
Redevelopment agency				
Total City direct rate	-	-	-	-
Overlapping Rates:				
Santa Ana Unified School				
District bonds	0.05561	0.06327	0.06377	0.06604
Rancho Santiago Community				
College District bonds	0.04537	0.05088	0.04945	0.05039
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350
County of Orange	1.00000	1.00000	1.00000	1.00000
Total direct rate	<u>1.10448</u>	<u>1.11765</u>	<u>1.11672</u>	<u>1.11993</u>

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. *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

SCHEDULE 6

2014	2013	2012	2011	2010	2009
(1)	(1)	(1)	(1)	(1)	(1)
-	-	-	-	-	-
0.06869	0.07749	0.07147	0.07167	0.07388	0.03212
0.05078	0.03241	0.03146	0.03141	0.02735	0.02253
0.00350	0.00350	0.00370	0.00370	0.00430	0.00430
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<u>1.12297</u>	<u>1.11340</u>	<u>1.10663</u>	<u>1.10678</u>	<u>1.10553</u>	<u>1.05895</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
2018	\$ 36,331,948	\$ 35,786,397	98.5%	\$ 432,373	\$ 36,218,771	99.7%
2017	34,625,379	33,948,629	98.0%	217,366	34,165,995	98.7%
2016	33,366,315	32,609,752	97.7%	228,462	32,838,214	98.4%
2015	31,723,610	31,374,544	98.9%	216,113	31,590,658	99.6%
2014	30,143,293	29,807,066	98.9%	218,538	30,025,604	99.6%
2013	28,633,536	28,286,767	98.8%	271,597	28,558,364	99.7%
2012	28,167,014	27,732,887	98.5%	394,398	28,127,285	99.9%
2011	27,822,469	27,343,618	98.3%	421,347	27,764,965	99.8%
2010	28,081,259	27,424,429	97.7%	76,711	27,501,140	97.9%
2009	31,259,324	30,127,022	96.4%	470,972	30,597,994	97.9%

Source: County of Orange Auditor-Controller's Office



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

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

Category	Fiscal Year			
	2018	2017	2016	2015
General Retail	\$ 963,193	\$ 946,321	\$ 966,874	\$ 936,187
Food Products	805,433	761,998	733,732	688,882
Transportation	967,443	928,206	949,296	960,861
Construction	524,397	524,692	528,337	487,685
Business to Business	997,471	910,681	845,233	794,870
Miscellaneous ¹	46,764	53,777	46,086	42,054
Total	\$ 4,304,699	\$ 4,125,674	\$ 4,069,557	\$ 3,910,538

1. Miscellaneous category includes health & government

The County of Orange has a 7.75% tax rate,

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

Source: MBIA Muniservices

SCHEDULE 8

Fiscal Year						
2014	2013	2012	2011	2010	2009	
\$ 897,382	\$ 890,101	\$ 854,525	\$ 861,474	\$ 825,600	\$ 862,913	
644,269	612,531	576,067	561,058	519,269	538,703	
968,350	926,317	888,621	831,180	739,876	755,242	
461,968	416,051	380,951	363,440	342,892	405,465	
756,298	730,186	696,194	649,712	696,291	822,345	
58,492	45,012	37,448	36,023	36,341	61,892	
<u>\$ 3,786,760</u>	<u>\$ 3,620,197</u>	<u>\$ 3,433,806</u>	<u>\$ 3,302,886</u>	<u>\$ 3,160,269</u>	<u>\$ 144,536</u>	

**Principal Property Tax Remitters
Current and Nine Fiscal Years Ago**

Principal Property Tax Remitters	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Main Place Shoppingtown	\$ 391,149,043	1	1.34%	\$ 212,054,095	1	0.98%
Bre OC Griffin LLC	319,795,457	2	1.28%			
First American Title	145,751,407	3	0.58%	111,565,637	4	0.51%
RP Essex Skyline Holdings	138,783,922	4	0.55%			
APG OCIC LLC	106,827,535	5	0.43%			
BSG West Bristol LLC	99,785,578	6	0.40%			
Adagio 366 LLC	96,000,000	7	0.38%			
Tustin Centre Property Holding	80,260,000	8	0.32%			
Banc of CA N A	80,181,889	9	0.32%			
Marke at South Coast Metro LLC	78,044,785	10	0.31%			
Maguire Properties Griffi				187,443,108	2	0.86%
GLL US Office LP	-		-	126,691,820	3	0.58%
Greenville Ranch LLC	-		-	106,600,239	5	0.49%
Freedom Newspapers Inc.	-		-	98,016,359	6	0.45%
Realty Assoc Fund	-		-	87,226,730	7	0.40%
Mountain Ventures				83,000,000	8	0.38%
1851 E First Street	-		-	80,631,000	9	0.37%
Mullrock Lincoln Town	-		-	74,460,000	10	0.34%
Total	\$ <u>1,536,579,616</u>		<u>5.91%</u>	\$ <u>1,167,688,988</u>		<u>5.36%</u>

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

Source: MBIA Muniservices



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report

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

	Fiscal Year			
	2018	2017	2016	2015
Type of Customer				
Residential	7,228,201.5	6,892,323.3	6,903,687.7	7,725,440.5
Commercial	2,151,678.1	2,042,209.0	2,031,311.4	2,232,378.3
Industrial	694,821.7	611,536.4	619,406.1	827,394.2
Wholesale food	113,598.8	109,407.0	108,499.6	110,939.6
Government	236,191.5	200,476.0	209,123.6	317,185.7
Others ¹	496,808.1	453,205.0	450,398.5	567,059.6
Total	<u>10,921,299.7</u>	<u>10,309,156.7</u>	<u>10,322,426.9</u>	<u>11,780,397.8</u>
Total direct rate per 44 units ²	\$ 2.950	\$ 2.950	\$ 2.790	\$ 2.727

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

2. A unit is 748 gallons.

Source: City of Santa Ana Finance & Management Services Agency, Water Customer Services Division

SCHEDULE 10

Fiscal Year					
2014	2013	2012	2011	2010	2009
8,285,900.4	8,191,888.8	8,054,021.9	8,017,322.1	8,084,666.0	9,775,959.9
2,315,563.4	2,257,527.6	2,203,292.3	2,174,889.3	2,158,521.6	2,772,523.9
844,945.3	801,654.8	761,203.7	725,834.5	710,905.9	996,097.7
117,576.6	114,953.4	113,081.9	110,922.4	106,531.7	115,519.1
360,322.8	352,676.0	350,978.8	325,890.9	316,262.6	218,620.8
555,458.8	508,589.9	485,600.9	489,859.2	515,525.3	655,178.0
<u>12,479,767.4</u>	<u>12,227,290.5</u>	<u>11,968,179.5</u>	<u>11,844,718.4</u>	<u>11,892,413.1</u>	<u>14,533,899.4</u>
\$ 2.727	\$ 2.727	\$ 2.727	\$ 2.673	\$ 2.673	\$ 2.284

**Water Rates
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Monthly base Rate ¹	Rate per 44 Units ²
2018	\$ 12.35	2.95
2017	10.70	2.95
2016	9.05	2.79
2015	7.40	2.78
2014	7.00	2.73
2013	7.00	2.73
2012	7.00	2.73
2011	7.00	2.67
2010	7.00	2.67
2009	7.00	2.28

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 & Management Services Agency, Water Customer Services Division

SCHEDULE 12

**Principal Water Customers
Current and Nine Years Ago**

Water Customer	2018		2009	
	Taxable Water Charges	Percentage of Total Water Revenues	Taxable Water Charges	Percentage of Total Water Revenues
Chroma Systems	\$ 533,726.67	1.03%	\$ 180,940	0.62%
Adohr Farms Inc	308,384.15	0.60%	145,155	0.50%
Fairview Villas	221,373.90	0.43%	240,556	0.83%
County of Orange	197,689.80	0.38%	95,335	0.33%
Power Circuits Inc.	193,239.12	0.37%	138,132	0.48%
County of Orange	174,383.40	0.34%	-	0.00%
Warwick Square Assoc. Inc.	146,662.20	0.28%	444,852	1.53%
Mac Arthur Village	140,540.95	0.27%	611,988	2.11%
County of Orange	165,703.17	0.32%	-	0.00%
Far West Management Corp	131,835.50	0.25%	155,546	0.54%
Santa Ana College	-	-	221,577	0.76%
Western Medical Center	-	-	87,763	0.30%
Total	\$ <u>2,213,539</u>	<u>4.27%</u>	\$ <u>2,321,845</u>	<u>8.00%</u>

Source: City of Santa Ana Finance & Management Services Agency, Water Customer Services Division

Ratios of Outstanding Debt by Type¹
Last Ten Fiscal Years
(Net of Bond Discount/Premium)

Governmental Activities Debt					
Fiscal Year Ended June 30	Tax Allocation Bonds	Tax Allocation Refunding Bonds	Capital Leases	Certificates of Participation	
2018	\$ -	\$ -	\$ 3,455,990	\$ 56,825,037	
2017	-	-	3,999,230	58,317,539	
2016	-	-	4,627,003	59,735,041	
2015	-	-	4,255,657	61,082,543	
2014	-	-	-	62,375,045	
2013	-	-	166,487	72,032,547	
2012	-	-	1,565,275	73,600,049	
2011	84,275,000	20,912,721	2,930,437	75,102,551	
2010	18,010,000	22,716,810	4,342,004	76,540,053	
2009	18,520,000	24,440,902	5,705,163	76,850,720	
Fiscal Year Ended June 30	Lease Revenue Bonds	Refunding Revenue Bonds	Long Term Loans	Private Placement Financing	
2018	\$ 22,505,000	\$ -	\$ 10,519,142	\$ 29,820,000	
2017	25,522,500	-	3,750,566	33,835,000	
2016	28,362,500	-	1,999,507	37,720,000	
2015	31,035,000	-	2,136,062	41,475,000	
2014	33,550,000	-	822,967	45,060,000	
2013	71,778,997	-	352,396	-	
2012	76,357,998	-	1,708,894	-	
2011	80,721,999	-	7,633,917	-	
2010	84,906,000	64,930,000	8,006,082	-	
2009	88,929,999	69,750,000	8,328,862	-	
Business-type Activities					
Fiscal Year Ended June 30	Revenue Bonds Payable	Certificates of Participation	Refunding COP	Notes Payable	
2018	\$ 15,662,024	\$ -	\$ -	\$ -	
2017	16,494,313	-	-	98,216	
2016	17,306,602	-	-	289,609	
2015	18,058,891	-	618,009	474,476	
2014	13,086,938	-	2,576,013	653,038	
2013	13,281,809	-	3,939,865	825,511	
2012	14,128,209	-	5,299,820	992,102	
2011	14,949,609	-	6,469,775	1,153,012	
2010	15,746,009	-	7,484,730	1,308,434	
2009	16,522,409	-	8,364,685	1,458,557	

SCHEDULE 13

Fiscal Year Ended June 30	Total		
	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
2018	\$ 138,787,193	\$ 0.07%	\$ 2,122
2017	142,017,364	0.07%	2,288
2016	150,040,262	0.08%	2,598
2015	159,135,638	0.09%	2,888
2014	158,124,001	0.09%	2,900
2013	162,377,612	0.10%	3,007
2012	173,652,347	0.11%	3,416
2011	294,149,021	0.20%	6,024
2010	303,990,122	0.21%	6,221
2009	318,871,297	0.21%	6,163
2008	332,965,058	0.22%	6,460

Source: City of Santa Ana 2009 - 2018 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. Changed data from metropolitan area to Orange County data.

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

	Fiscal Year			
	2018	2017	2016	2015
Assessed valuation	25,232,415,520	23,886,126,355	23,013,226,208	22,075,383,494
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	6,308,103,880	5,971,531,589	5,753,306,552	5,518,845,874
Debt limit percentage ¹	10%	10%	10%	10%
Debt limit	630,810,388	597,153,159	575,330,655	551,884,587
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>630,810,388</u>	<u>597,153,159</u>	<u>575,330,655</u>	<u>551,884,587</u>
Total debt applicable to the limit as percentage of debt limit	0.0%	0.0%	0.0%	0.0%

Source: County of Orange Auditor-Controller's Office

1. This equates to be the 10% authorized by the Santa Ana Charter (Section 602) prior to the Assessor's change in assessed value basis from 25% to 100% of full cash value in fiscal year 1982.

SCHEDULE 14

Fiscal Year					
2014	2013	2012	2011	2010	2009
21,119,683,205	20,339,779,135	20,100,864,489	19,888,288,298	20,511,827,053	21,931,443,628
25%	25%	25%	25%	25%	25%
5,279,920,801	5,084,944,784	5,025,216,122	4,972,072,075	5,127,956,763	5,482,860,907
10%	10%	10%	10%	10%	10%
527,992,080	508,494,478	502,521,612	497,207,207	512,795,676	548,286,091
-	-	-	-	-	-
527,992,080	508,494,478	502,521,612	497,207,207	512,795,676	548,286,091
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**Direct and Overlapping Debt
Fiscal Year 2018**

<u>City of Santa Ana</u>			
2017-18 Assessed Valuation:	\$	25,232,415,520	
<u>Overlapping Tax and Assessment Debt:</u>	Total Debt 6/30/18	% Applicable (1)	City's Share of Debt 06/30/18
Metropolitan Water District	\$ 60,600,000	0.919%	\$ 556,914
Coast Community College District	781,334,504	0.251%	1,961,150
Rancho Santiago Community College District	246,734,249	31.042%	76,591,246
Rancho Santiago Community College District SFID No. 1	121,395,000	56.261%	68,298,041
Garden Grove Unified School District	328,540,160	11.422%	37,525,857
Orange Unified School District	188,000,000	3.257%	6,123,160
Santa Ana Unified School District	247,026,073	61.194%	151,165,135
Tustin Unified School District Facilities Improvement District No 2002-1	45,094,043	12.369%	5,577,682
Tustin Unified School District Facilities Improvement District No 2008-1	86,860,000	12.764%	11,086,810
Tustin Unified School District Facilities Improvement District No 2012-1	45,410,000	8.771%	3,982,911
City of Santa Ana 1915 Act Bonds	1,525,000	100.000%	1,525,000
Total Overlapping Tax and Assessment Debt:			\$ 364,393,906
<u>Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$ 210,347,000	4.525%	\$ 9,518,202
Orange County Pension Fund Obligations	383,564,389	4.525%	17,356,289
Orange County Board of Education Certificates of Participation	13,990,000	4.525%	633,048
Coast Community College District Certificates of Participation	3,285,000	0.251%	8,245
Orange Unified School District Benefit Obligations	78,765,000	3.257%	2,565,376
Orange Unified School District Certificates of Participation	31,578,225	3.257%	1,028,503
Santa Ana Unified School District Certificates of Participation	69,817,854	61.194%	42,724,338
Total Overlapping General Fund Debt			\$ 73,834,001
<u>Direct Governmental Fund Debt (Net of Bond Discount/Premium):</u>			
City of Santa Ana Governmental Fund Obligations (2)			
Police Lease Revenue Bonds	\$ 22,505,000	100%	22,505,000
Refunding 2014 Private Placement Lease Financing	29,820,000	100%	29,820,000
2007 Local Street Improvement Projects	56,825,037	100%	56,825,037
Capital Lease Obligations	3,455,990	100%	3,455,990
Long-Term Loans & Other Payable	10,519,142	100%	10,519,142
Total Direct Governmental Fund Debt			\$ 123,125,169
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	\$ 84,829,275	99.998%-100%	\$ 84,829,275
Total Direct Debt			\$ 123,125,169
Total Overlapping Debt			\$ 523,057,182
Combined Total Debt			\$ 646,182,351 (2)

- (1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

<u>Ratios to 2017-18 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt.....	1.44%
Total Direct Debt (\$123,125,169).....	0.49%
Combined Total Debt.....	2.56%
<u>Ratios to Redevelopment Incremental Valuation (\$6,650,966,547):</u>	
Total Overlapping Tax Increment Debt.....	1.28%

Source: California Municipal Statistics, Inc. and City of Santa Ana

Pledged-Revenue Coverage¹
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2018	\$ 55,560	\$ 46,758	\$ 8,802	685	677	6.46
2017	51,658	41,892	9,766	665	700	7.15
2016	48,289	38,994	9,295	605	716	7.04
2015	45,812	42,045	3,767	930	578	2.50
2014	52,856	42,059	10,797	900	609	7.16
2013	51,339	41,557	9,782	880	638	6.44
2012	49,482	46,197	3,285	855	664	2.16
2011	47,783	44,917	2,866	830	688	1.89
2010	48,782	42,542	6,240	810	708	4.11
2009	47,338	38,734	8,604	790	729	5.67

Source: City of Santa Ana 2009 - 2018 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.

(1) Pursuant to the Indenture, all Revenues (all Installment Payments paid by the City to the Trust) and amounts on deposits in the funds and accounts established under the Indenture (other than amount on deposit in the Rebate Fund) has irrevocably pledged to the payments of principal and interest on the Bonds. In addition, 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).

Demographic and Economic Statistics Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2017	338,247	\$ 208,653,019	\$ 65,400	3.5%
2016	341,341	196,920,661	62,071	4.0%
2015	342,930	183,052,341	57,749	4.5%
2014	335,264	173,305,650	55,096	5.5%
2013	331,953	169,792,810	54,519	6.2%
2012	329,915	166,634,101	54,008	7.6%
2011	327,731	155,259,397	50,839	8.8%
2010	324,528	147,358,664	48,826	9.5%
2009	357,754	145,968,001	48,865	8.8%
2008	355,662	153,028,089	51,741	5.3%

Sources:

1. State Department of Finance
2. Bureau of Economic Analysis; changed from metropolitan area data to Orange County data
3. State of California Employment Development; rate changed from State rate to County rate

SCHEDULE 18

**Principal Employers
Current and Nine Years Ago**

Employer	2018		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
County of Orange	19,145	12.1%	11,158	7.9%
Santa Ana Unified School District	4,963	3.1%		
Santa Ana College	3,433	2.2%	2,300	1.6%
First American Title Co.	1,815	1.1%	2,200	1.6%
KPC Healthcare (formerly Integrated Healthcare Holdings)	1,739	1.1%		
City of Santa Ana	1,454	0.9%		
United States Postal Service (3 locations)	1,324	0.8%	2,000	1.4%
Superior Court of CA-County of Orange	760	0.5%		
Johnson & Johnson (Prev: Abbott Medical Optics Inc (AMO))	600	0.4%		
Allied Universal (aka Universal protection, Legacy Universal)	544	0.3%		
Ingram Micro	-	-	4,000	2.8%
Tenet Healthsystem Medical Inc	-	-	1,500	1.1%
Ttm Printed Circuit Group Inc.	-	-	1,500	1.1%
PCS Link Inc.	-	-	100	0.7%
Freedom Communications Inc.	-	-	900	0.6%
California Dept. of Mental Health	-	-	800	0.6%

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

Source: MuniServices, LLC

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

Function	Full-Time and Part-time Employees as of June 30			
	2018	2017	2016	2015
General government (1)	197	193	200	188
Cultural recreation and community services (2)	376	353	380	368
Public safety (3) (5)	592	604	597	585
Developmental services (4)	242	246	229	238
Community development	49	48	51	60
Total	1,456	1,444	1,457	1,439

1. Includes Human Resources and Finance

2. Includes Library

3. Includes Police and Fire

4. Includes Planning and Building, and Public Works

5. As of April 2012, the City contracted with OCFA for fire services.

Source: City of Santa Ana Finance & Management Services Agency, Payroll Division.

SCHEDULE 19

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

2014	2013	2012	2011	2010	2009
175	164	165	178	192	203
392	401	390	396	395	404
596	635	654	877	896	934
216	223	222	256	246	281
59	69	74	90	94	111
<u>1,438</u>	<u>1,492</u>	<u>1,505</u>	<u>1,797</u>	<u>1,823</u>	<u>1,933</u>

Operating Indicators by Function Last Ten Fiscal Years

	2018	2017	2016
Police:			
Physical arrests	8,621	9,704	9,492
Parking citations issued	103,015	101,841	105,714
Traffic citations issued	9,860	11,184	11,325
Responses to 911 calls	156,165	148,390	131,197
Fire:			
Number of emergency calls-SAFD	-	-	-
Number of emergency calls-OCFA	26,707	25,074	23,455
Inspections-SAFD	N/A	N/A	N/A
Inspections-OCFA	2,994	1,267	2,862
Public Works:			
Streets:			
-Street resurfacing (miles)	-	-	-
-Pot holes repaired **	4,934	2,289	2,000
Sanitation:			
-Refuse collected (tons/year) *	N/A	N/A	N/A
-Recyclables collected (tons/year) *	N/A	N/A	N/A
Refuse collected (tons/year)			
-Goal: Max lbs refuse disposed/person *	8	8	8
-Actual: lbs refuse disposed/person *	5	5	5
Water:			
-New connections	147	56	86
-Water mains breaks	13	26	19
-Average daily consumption (thousands of gallons)	31,210	29,700	29,300
Parks, recreation and community services:			
Athletic field permits issued	5,282	8,835	13,254
Number of recreation classes (subjects)	1,157	1,847	1,166
Number of facility rentals	432	652	1,021
Planning and Building:			
Number of building permits issued	3,007	3,213	3,513
Number of plan checks	2,140	2,635	2,661
Number of inspections	29,053	27,278	28,702
Number of demolition building permits	32	84	10
Value of construction (in thousands):			
-Commercial and industrial construction	39,004	8,243	20,046
-Residential construction	102,518	55,001	28,361
-Other additions and alterations	144,019	141,668	102,619

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

** Note: Beginning in 2015, the statistical method for reporting potholes changed to the actual number of potholes filled, versus the average tons of asphalt per day.

Source: City of Santa Ana

SCHEDULE 20

2015	2014	2013	2012	2011	2010	2009
10,445	10,273	12,100	6,456	11,645	11,313	12,975
94,112	72,464	72,129	36,709	82,737	87,827	94,792
9,378	7,886	10,210	6,816	12,873	17,989	20,154
159,530	165,505	168,362	90,644	150,057	24,986	25,009
-	-	-	14,817	18,360	17,808	17,859
21,392	19,303	18,961	4,024	N/A	N/A	N/A
N/A	N/A	N/A	2,890	4,931	5,124	3,985
2,686	2,616	1,075	-	N/A	N/A	N/A
-	-	-	-	-	-	94
1,900	24,200	20,400	24,500	23,750	25,000	25,000
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	8	8	8	8	8	8
5	5	5	5	5	5	5
86	27	36	61	22	35	52
15	17	15	25	35	41	19
32,700	35,200	35,000	34,000	33,400	34,900	36,700
12,957	11,619	10,773	9,229	8,781	8,890	9,871
634	415	496	186	172	151	158
1,166	1,250	1,466	2,872	2,722	3,014	3,335
3,325	2,131	2,417	2,347	2,355	2,032	2,215
2,762	2,292	3,147	2,220	1,561	1,405	1,571
22,597	20,884	19,813	21,077	24,185	23,168	39,147
18	16	12	43	27	17	12
60,624	8,494	22,255	9,564	12,278	2,544	6,571
117,512	6,720	33,918	30,744	11,695	1,408	951
43,027	87,656	88,436	76,961	73,671	55,008	43,132

Capital Assets Statistics by Function Last Ten Fiscal Years

	2018	2017	2016
Police:			
Stations	4	4	4
Fire:			
Fire stations	10	10	10
Public Works:			
Street (miles)	422	422	422
Streetlights *	3,515	2,909	2,871
Traffic Signals	303	299	297
Parks, Recreation and community services			
Number of parks	44	44	44
Number of libraries	2	2	2
Number of recreation facilities	18	17	17
Number of municipal swimming pools	5	5	5
Number of municipal tennis centers	2 WITH 25 COURTS	2 WITH 25 COURTS	2 WITH 25 COURTS
Number of miles of bike trails	13	13	13
Water:			
Water mains (miles)	480	480	480
Maximum daily capacity (thousands of gallons)	146,000	146,000	146,000
Number of water wells	20	20	20
Number of reservoirs	10	10	10
Number of hydrants	5,002	4,955	4,899
Sewer:			
Sewer mains (miles)	390	390	390

* Note: Beginning in 2015, count includes metered and un-metered City-owned streetlights.

Source: City of Santa Ana

SCHEDULE 21

2015	2014	2013	2012	2011	2010	2009
2	2	3	3	2	2	2
10	10	10	10	10	10	10
422	422	422	422	421	425	425
2,861	1,872	1,822	1,805	1,789	1,630	1,606
297	297	297	297	292	285	285
44	44	41	35	35	35	35
2	2	2	2	2	2	2
18	18	18	17	17	17	17
5	5	5	5	5	5	5
2 WITH 25 COURTS						
13	13	13	11	11	11	11
480	480	480	481	478	478	488
146,000	146,000	146,000	146,000	146,000	146,000	146,000
20	20	20	20	20	20	20
10	10	10	10	10	10	10
4,844	4,826	4,815	4,815	4,812	4,812	4,779
390	390	390	390	390	390	390



CITY OF SANTA ANA, CALIFORNIA
Comprehensive
Annual Financial Report



CITY OF SANTA ANA,
CALIFORNIA

2018 Comprehensive Annual Financial Report

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