

CITY OF SANTA ANA
CALIFORNIA

2006
Comprehensive Annual
Financial Report

For the Fiscal Year Ended June 30, 2006

Prepared by
Finance & Management Services Agency

Francisco Gutierrez
Executive Director



**Comprehensive Annual Financial Report
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June 30, 2006**

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MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Lisa Bist
COUNCIL MEMBERS
Claudia C. Alvarez
Carlos Bustamante
Alberta D. Christy
Mike Garcia
Jose Solorio



CITY OF SANTA ANA

CITY MANAGER
David N. Ream
CITY ATTORNEY
Joseph W. Fletcher
CLERK OF THE COUNCIL
Patricia E. Healy

November 15, 2006

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed independent certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Santa Ana for the fiscal year ended June 30, 2006.

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

The City of Santa Ana's financial statements have been audited by Moreland & Associates, Inc., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Ana for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Santa Ana's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Santa Ana was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Santa Ana's separately issued Single Audit Report.

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

Profile of the Government

The City of Santa Ana, incorporated in 1886, is located in Orange County, California, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City of Santa Ana currently occupies a land area of 27.2 square miles and serves a population of 351,697. The City of Santa Ana is empowered to levy a property tax on both real and personal properties located within its boundaries. Increases in the property tax rate are subject to voter approval. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the City of Santa Ana's financial planning and control. All agencies of the City of Santa Ana are required to submit requests for appropriation to the City Manager on or before April 30th of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to June 15. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than July 31. The appropriated budget is prepared by fund, program (e.g., police patrol), and department (e.g., police). Department heads may make appropriation adjustments within a department. Appropriation adjustments between departments; however, require the special approval of the City Council. Budgetary comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 107 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 108, as well as on pages 120 through 123.

Factors Affecting Financial Condition

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

Local economy. Orange County is the fourth richest county in the nation with a Gross County Product of \$160.7 billion. The City of Santa Ana is known as the heart of Orange County and the center of government, commerce and transportation. Santa Ana is home to over 15,000 businesses with the top 25 businesses generating more than 29% of the jurisdiction's total sales/use tax revenue. Major companies with headquarters and divisions located within the City's boundaries include computer hardware and software manufacturers, electrical controls and electronic component manufacturers, food manufacturers, and several financial and insurance institutions. A key component in enhancing the City's economic base is its focus on business attraction and retention program. The City's designation as an Enterprise Zone provides a competitive edge in attracting new businesses to the area. The designation enables the City to offer significant state tax credits and other financial incentives resulting in over 27,000 new employees hired with over 700 companies earning tax credit vouchers. Over the past few years, these incentives were instrumental in several companies relocating to and or expanding their businesses in Santa Ana. Private sector developers also recognize the benefits of building in Santa Ana. Several new commercial and residential projects are currently under development in the city, which will result in over 1,500 new residential units and over 30,000 square feet of new retail space.

Long-term financial planning. Ensuring the City's financial security is a fundamental responsibility of the administration of our organization. In addition to the ongoing fiduciary functions, strategy for our long-term financial ability to deliver quality services includes; aggressively seeking grant monies available to local government to fund capital projects or enhance operations; refinancing debt to reduce annual payments by capitalizing on lower interest rates; actively pursuing competitive bids for goods, services, and capital projects; providing adequate reserves for liability and workers compensation funds; and minimizing credit and market risks while maintaining a competitive yield on the City's investment portfolio. In 2006-07, the City will continue to research grant opportunities provided by the Federal and State governments and aggressively apply for programs that are in alignment with our goals. Through the efforts of our departments and the citywide grants task force, the City secured \$62.36 million in competitive grant funding in fiscal year 2005-2006. Also through the efforts of the Santa Ana Police Department, the Department of Homeland Security has awarded the City the Fiscal Year 2006 Urban Area Security Initiative Grant for \$8.22 million. This financial assistance will provide funding to address the unique planning, equipment, training, and exercise needs of large urban areas and to assist the City in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism. Also in fiscal year 2005-06, through the efforts of the Public Works Agency, the Orange County Transportation Authority has awarded \$125 million from the Gas Tax Subvention fund for the Bristol Street improvement projects.

The City's population has increased by almost 15% in the last ten years. It is anticipated that Santa Ana will continue to experience modest population growth through 2025. Providing and maintaining first-rate infrastructure and community facilities is one of the primary goals of the City's administration. One of the priorities under this goal is to ensure proper levels of maintenance for our infrastructure, public buildings, parks and neighborhoods. The \$81.3 million Capital Improvement Program for the 2006-2007 fiscal year includes: the continuation of our commitment to neighborhood improvements, including over \$1.7 million for neighborhood street improvements, street resurfacing,

and reconstruction of damaged curbs and sidewalks; \$20.5 million for street reconstruction, resurfacing and arterial widenings; \$2 million for improvements at City parks; \$50 million for arterial widening improvements of which \$46 million was awarded from the Orange County Transportation Authority gas tax subvention for the Bristol Street corridor widening project; \$1 million for improvements to the sewer systems; \$3.9 million for improvements to the water system; and \$8.1 million for city facility underground utilities and traffic improvement.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, securities issued by federal agencies commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's investment pool. The maturities of the investments range from 3 days to 5 years, with an average maturity of 13 months. The average yield on investments was 3.80 percent. Investment income includes the increase in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City of Santa Ana has a comprehensive risk management program for workers' compensation, liability and property risks. As part of this comprehensive plan, resources are being accumulated in the self-insurance fund to meet potential losses. In addition, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. Insurance coverage is maintained for workers compensation claims greater than \$500,000. The City is currently self-insured for liability claims up to \$1 million. In FY 88-89, the City entered the Big Independent Cities Excess Pool (BICEP), a risk-sharing joint powers authority with four other cities, which has assumed loss risk for liability claims between \$1 million and \$25 million against the City. BICEP, in turn, has obtained excess insurance coverage for liability claims between \$2 million and \$22 million. In 1993, the City became a charter member of the Public Entity Property Insurance Program (PEPIP). Current PEPIP limits are \$750 million per occurrence for "all risk", and \$82.5 million for flood coverage. Additional information on the City of Santa Ana's risk management activity can be found in Note 4A of the notes to the basic financial statements.

Pension and other post-employment benefits. The City has contracted with the California Public Employee's Retirement System (CalPERS) to provide certain retirement, disability, death and survivor benefits for full-time city employees. The annual actuarial valuation of CalPERS continues to reflect relative stability in the City's and employees' funding of the system. The City's actuarial determined contribution rate for Safety members was 23.464% effective rate for fiscal year 05-06. The contribution rate for miscellaneous members has remained at a 7.984% effective rate for fiscal year 05-06.

The City of Santa Ana also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 145 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Current GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Santa Ana's pension arrangements and post-employment benefits can be found in pages 100 through 101 in the notes to the basic financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Ana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the twenty-eighth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. The same report also received an award for "Outstanding Financial Reporting" from the California Society of Municipal Finance Officers (CSMFO).

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

In addition, the city also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2005-06 budget document. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The same budget document also received an award for "Excellence in Budgeting" from the CSMFO. The City's 2006-07 budget has been submitted to both GFOA and CSMFO to determine its eligibility for another award.

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

Respectfully submitted,



David N. Ream
City Manager



Francisco Gutierrez
Executive Director
Finance & Management Services

GFOA Certificate of Achievement

Excellence in Financial Reporting for Fiscal Year Ended June 30, 2005

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, 2005

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



Carla E. Fudge

President

Jeffrey R. Emery

Executive Director

CSMFO Certificate of Award

Outstanding Financial Reporting – 2004-2005

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Santa Ana



*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006

William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

Directory of City Officials

June 30, 2006

Miguel A. Pulido

Mayor

Lisa Bist

Mayor Pro Tem

Claudia C. Alvarez

Councilmember

Carlos Bustamante

Councilmember

Alberta D. Christy

Councilmember

Mike Garcia

Councilmember

Jose Solorio

Councilmember

Joseph W. Fletcher

City Attorney

David N. Ream

City Manager

Patricia E. Healy

Clerk of the Council

Steve Harding

Deputy City Manager

Development Services

Jill Arthur

Executive Director

External Affairs

Francisco Gutierrez

Executive Director

Finance & Management Services Agency

Phillip Garcia

Fire Chief

Fire Department

Robert J. Richard

Executive Director

Library Services Agency

Enrique J. Alva

Executive Director

Personnel Services Agency

Jay M. Trevino

Executive Director

Planning & Building Agency

Paul M. Walters

Police Chief

Police Department

Gerardo R. Mouet

Executive Director

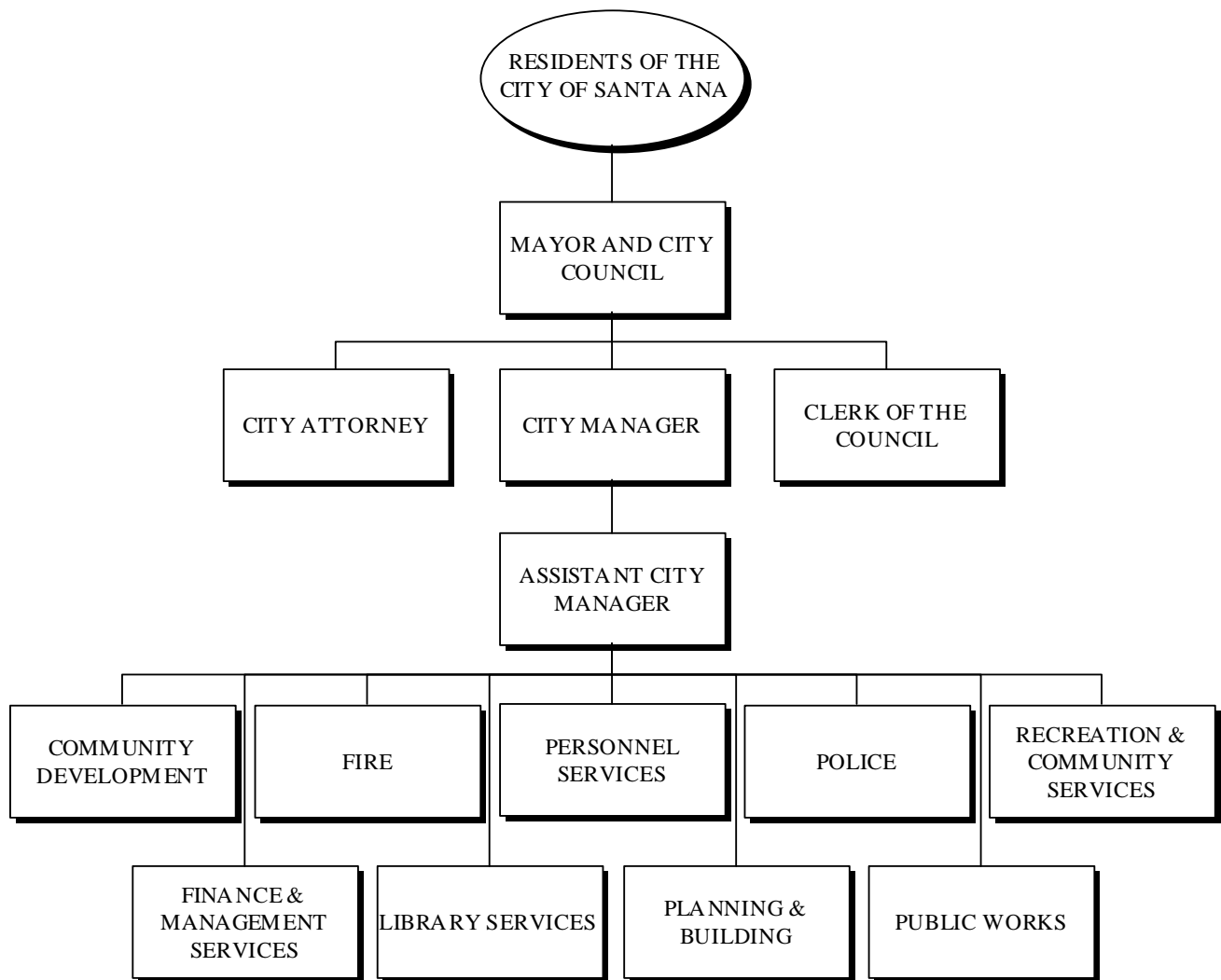
Parks, Recreation & Community Service Agency

James Ross

Executive Director

Public Works Agency

Table of Organization
Fiscal Year 2005-2006



November 3, 2006

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Ana, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santa Ana's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Ana, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2006 on our consideration of the City of Santa Ana internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Moelland & Associates, Inc.

Management's Discussion and Analysis

As management of the City of Santa Ana, we offer readers of the City of Santa Ana's financial statements this narrative overview and analysis of the financial activities of the City of Santa Ana for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. All amounts, unless otherwise indicated, are expressed in thousand of dollars.

Financial Highlights

- The City of Santa Ana's combined governmental activities and business-type activities assets exceeded its liabilities at the close of the most recent fiscal year by \$794,771 (net assets). Of this amount \$106,585 represent a negative unrestricted, due basically to the City's investment in capital assets net of related debt of \$727,445 and \$173,911 restricted for debt service, capital projects and specific projects and programs. The City's total net assets increased by \$57,121 due to increases in general revenues and the capitalization of capital outlay expenses.
- As of the close of the current fiscal year, the City of Santa Ana's governmental funds reported combined ending fund balances of \$166,436, an increase of \$18,473 as compared to the prior fiscal year. At the end of the current fiscal year the fund balance for the general fund increased by \$14,093 as compared to the prior fiscal year primarily due to the increase in revenues in property and sales taxes, and investment income. The unreserved fund balance however increased by \$10,211 to \$42,890 as compared to \$32,679 in the prior fiscal year. The amount of \$23,546 is available for spending which is 10.7 percent of total general fund appropriations in fiscal year 2006-07.
- The City experienced a net decrease in its total bonded debt and loans by \$14,079 in the fiscal year under review brought about mainly by principal repayments of the existing debt.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Santa Ana that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other

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

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

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

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

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

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

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

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

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

Proprietary funds. The City of Santa Ana maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Santa Ana uses enterprise funds to account for its Water, Refuse Collection, Parking, Sanitation, Regional Transportation Center operations, the Sewer Enterprise Fund, and the Federal Clean Water Protection Enterprise Fund. *Internal service funds* are an accounting device

used to accumulate and allocate costs internally among the City of Santa Ana's various functions. The City of Santa Ana uses internal service funds to account for, amongst others, its self insurance and equipment maintenance/replacement, and for its management information systems. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities*, in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provide separate information for the water, and the parking operation, which are considered to be major funds of the City of Santa Ana. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statement* elsewhere in this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-103 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Santa Ana's budgetary information and compliance. Required supplementary information can be found on pages 107-110 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, enterprise funds, and internal service funds are presented immediately following the required supplementary information captioned supplementary schedules. Combining and individual fund statements and schedules can be found on pages 113-147 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Santa Ana, assets of the City's governmental activities exceeded liabilities by \$700,387 at the close of fiscal year 05-06 as compared to the net assets of \$645,853 in fiscal year 04-05.

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

City of Santa Ana Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 272,405	\$ 228,425	\$ 33,400	\$ 30,013	\$ 305,805	\$ 258,438
Capital assets	776,458	770,005	104,364	108,376	880,822	878,381
Total assets	<u>1,048,863</u>	<u>998,430</u>	<u>137,764</u>	<u>138,389</u>	<u>1,186,627</u>	<u>1,136,819</u>
Long-term liabilities	313,173	324,574	37,311	39,989	350,484	364,563
Other liabilities	35,303	21,545	6,069	6,551	41,372	28,096
Total liabilities	<u>348,476</u>	<u>346,119</u>	<u>43,380</u>	<u>46,540</u>	<u>391,856</u>	<u>392,659</u>
Net assets:						
Invested in capital assets- net of related debt	658,414	638,016	69,031	69,854	727,445	707,870
Restricted	164,332	144,464	9,579	9,066	173,911	153,530
Unrestricted	<u>(122,359)</u>	<u>(136,627)</u>	<u>15,774</u>	<u>12,877</u>	<u>(106,585)</u>	<u>(123,750)</u>
Total net assets	<u>\$ 700,387</u>	<u>\$ 645,853</u>	<u>\$ 94,384</u>	<u>\$ 91,797</u>	<u>\$ 794,771</u>	<u>\$ 737,650</u>

An additional portion of the City of Santa Ana’s governmental activities net assets (23.46 percent) represents resources that are subject to external restrictions on how they may be used. As mentioned earlier the City’s unrestricted net assets is a negative of \$ (122,359) or a negative 17.47 percent.

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

The government's total net assets increased by \$57,121 during the current fiscal year. The increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Governmental activities. Governmental activities increased the City of Santa Ana’s net assets by \$54,534, thereby accounting for 96 percent of the total growth in the net assets of the City of Santa Ana. Key elements of this increase are as follows:

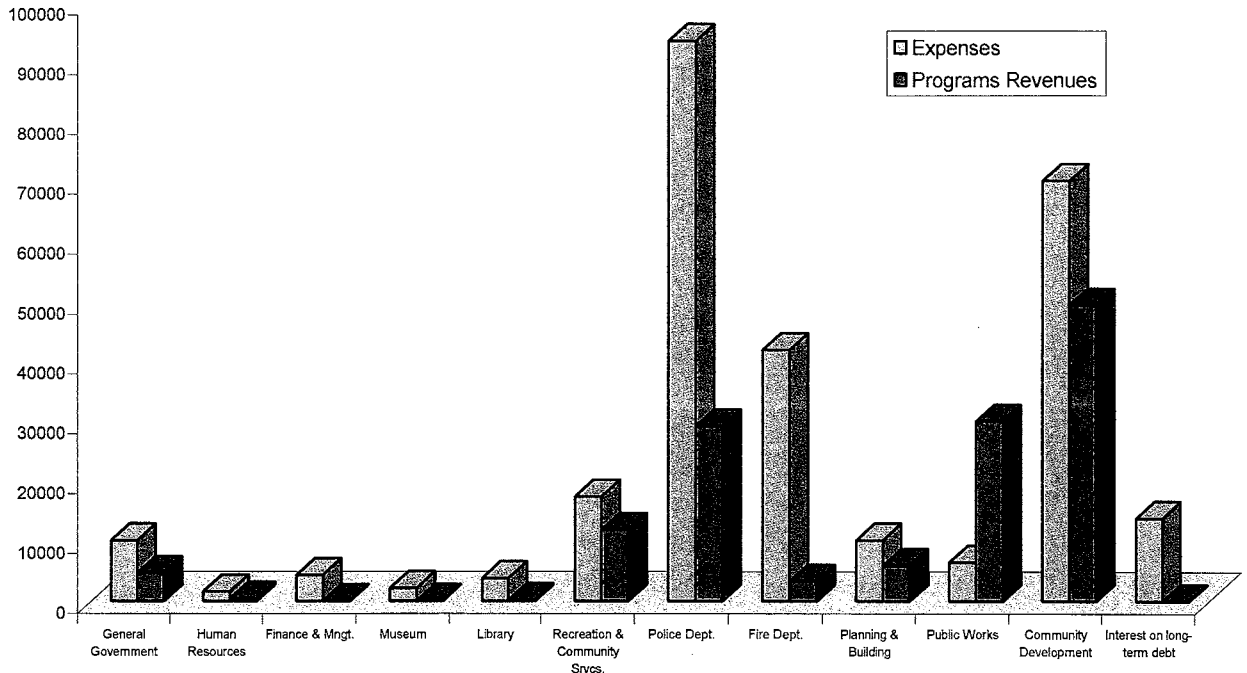
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Santa Ana's Changes in Net Assets

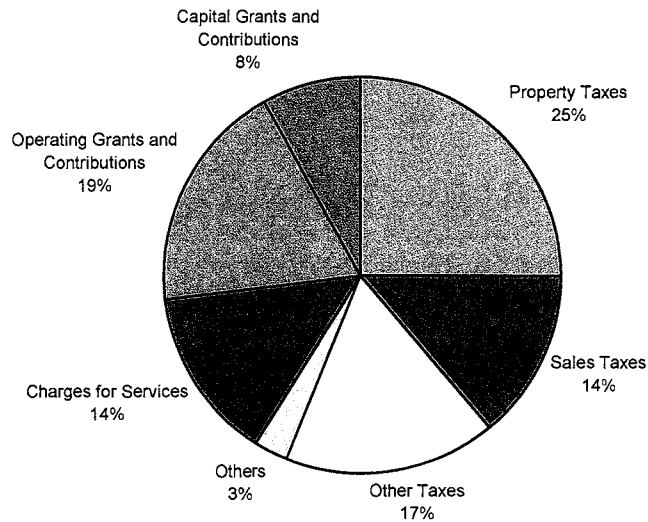
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenues:						
Charges for services	\$ 44,839	\$ 43,964	\$ 63,949	\$ 59,501	\$ 108,788	\$ 103,465
Operating grants and contribution	62,431	67,328	6,225	5,721	68,656	73,049
Capital grants and contribution	27,749	12,990	-	-	27,749	12,990
General revenues:						
Property taxes	82,624	74,874	-	-	82,624	74,874
Other taxes	101,971	92,135	-	-	101,971	92,135
Governmental, unrestricted	2,904	7,726	-	-	2,904	7,726
Investment income	7,467	7,085	803	473	8,270	7,558
Others	310	323	-	-	310	323
Total revenues	330,295	306,425	70,977	65,695	401,272	372,120
Expenses:						
General government	10,170	8,512	-	-	10,170	8,512
Human resources	1,599	1,512	-	-	1,599	1,512
Finance and management services	4,368	4,214	-	-	4,368	4,214
Museum	2,155	1,764	-	-	2,155	1,764
Library	3,823	3,298	-	-	3,823	3,298
Recreation and community services	17,428	16,902	-	-	17,428	16,902
Police department	93,587	88,940	-	-	93,587	88,940
Fire department	41,943	41,641	-	-	41,943	41,641
Planning and building	10,223	9,555	-	-	10,223	9,555
Public works	6,512	17,992	-	-	6,512	17,992
Community development	70,235	72,547	-	-	70,235	72,547
Interest on long-term debt	13,918	13,903	-	-	13,918	13,903
Water	-	-	37,609	35,712	37,609	35,712
Refuse	-	-	2,949	2,952	2,949	2,952
Parking	-	-	13,316	12,126	13,316	12,126
Sanitation	-	-	1,342	1,267	1,342	1,267
Sewer	-	-	2,818	2,373	2,818	2,373
Transportaion center	-	-	8,212	7,615	8,212	7,615
Federal clean water protection	-	-	1,944	1,853	1,944	1,853
Total expenses	275,961	280,780	68,190	63,898	344,151	344,678
Increase in net assets before transfers	54,334	25,645	2,787	1,797	57,121	27,442
Transfers in (out)	200	(581)	(200)	581	-	-
Net assets beginning (as restated)	645,853	620,789	91,797	89,419	737,650	710,208
Net assets ending	\$ 700,387	\$ 645,853	\$ 94,384	\$ 91,797	\$ 794,771	\$ 737,650

- Property taxes increased by \$7,750 (10.35 percent) during the year. The increase is primarily due to the overall rise in property assessed valuations and the increase in real estate sales due to a strong real estate market. Charges for services for governmental activities increased by \$875 (1.99 percent), as a result of revenue enhancement strategies undertaken by the City of Santa Ana during the fiscal year. Investment income increased by \$382 (5.39 percent), as a result of the increase in the average yield on investment and the size of the investment portfolio. Capital Grants and contributions for governmental activities increased by \$14,759 (113.62 percent), as a result of an aggressive grant application strategy undertaken by the City of Santa Ana. The grant awards furnished resources to support three of the City of Santa Ana functions: Police Department, Community Development and Public Works Agency.

Expenses and Program Revenues - Government Activities



Revenue by Source - Governmental Activities

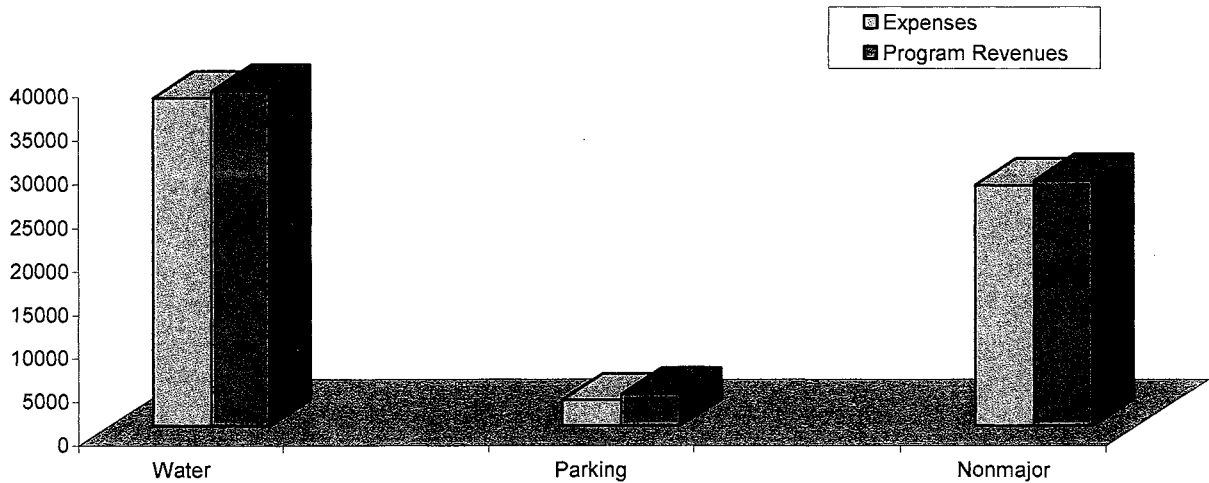


Business-type activities. Business-type activities increased the City of Santa Ana’s net assets by \$2,587, accounting for 4.00 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

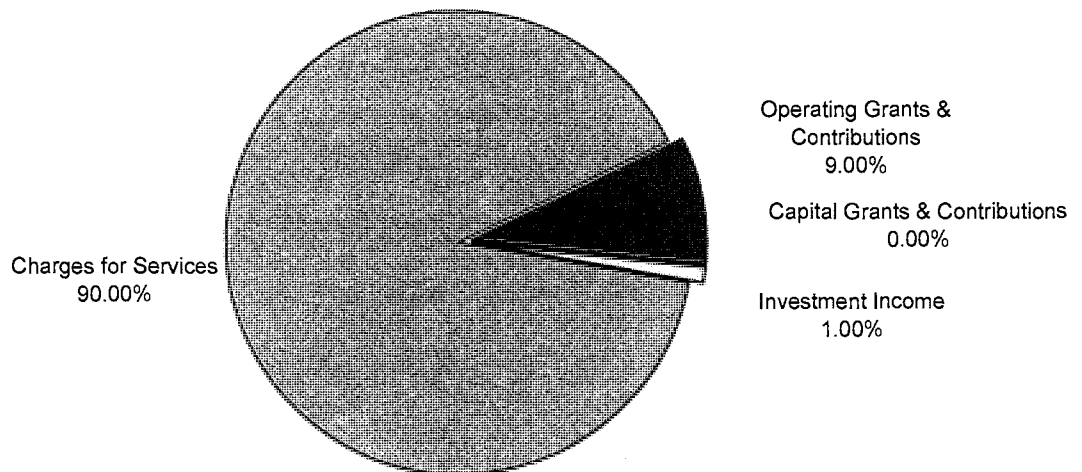
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Charges for services for business-type activities increased by \$4,448 (7.48 percent) as compared to the prior fiscal year. The Water Enterprise accounted for \$2,410, Parking Funds accounted for an increase of \$524. The nonmajor enterprise funds accounted for the increase of \$1,514.
- Investment earnings increased by \$330 (69.77 percent) for business-type activities because of overall increase in the size of the investment portfolio, as well as the increase in interest rates.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Santa Ana's governmental funds reported combined ending fund balances of \$166,436. \$76,036 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$51,450), 2) to pay debt service (\$10,150), or 3) a variety of other reserved purposes (\$28,800).

The General Fund is the chief operating fund of the City of Santa Ana. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$42,890 while total fund balance reached \$52,349. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The RDA debt service fund has a deficit fund balance of (\$79,115), of which \$5,120 is reserved for payment of debt service. This negative number is largely due to RDA obligation to the SA Financing Authority. The SAFA debt service fund has a total fund balance of \$89,265, all of which is reserved for payment of debt service. The fund balance decreased by \$5,033 primarily due to principal repayments of the refunding lease revenue bonds. As required by GASB Statement No. 34, the intra-entity obligation between the RDA Debt Service Fund and the SA Financing Authority of \$84,235 was eliminated from the government-wide financial statements because repayment is not expected within a reasonable period of time.

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

Unrestricted net assets of the of the business-type activities at the end of the year amounted to \$15,774

General Fund Budgetary Highlights

During the year, there was a \$13,748 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$7,343 to roll forward 2004-05 active purchase orders provided for in prior reserve balances and budgets
- \$2,600 to roll forward 2004-05 for the construction of the Federal Appellate Court Garage project
- \$915 supplemental appropriation to the Planning and Building Agency in anticipation of the revenue received from various building plan checks, building permits and the Inclusionary Housing Fees

- \$597 supplemental appropriation to capital outlay in anticipation of revenue received from Fire Facility fees for use in constructing a Santa Ana Fire training facility
- \$36 supplemental appropriation to the Community Development Agency in additional anticipation of the rental revenue form the El Faisan Market Facilities
- \$750 supplemental appropriation to the Community Development Agency in anticipation of the revenue received form Steadfast Courtyards, L.P to pay the cost of the Bowers Museum's new north parking lot
- \$539 supplemental appropriation to the Community Development Agency in anticipation of the debt payment from the Redevelopment Agency to pay the cost of the Bowers Museum's new north parking lot
- \$590 supplemental appropriation to the Parks, Recreation & Community Service Agency in anticipation of the revenue received from Adelphia Cablevision of Santa Ana
- \$232 supplemental appropriation to the Parks, Recreation & Community Service Agency in anticipation of the additional revenue received from special fee and donations
- \$16 supplemental appropriation to the Police Department in anticipation of the donation received for K-9 unit, Graffiti Task Force and from the Department of Justice for Bulletproof Vest Program
- \$130 supplemental appropriation to the NonDepartmental in anticipation of the developer contribution to MacArthur Place Development

General Fund revenues of \$199,530 exceeded budgeted revenues of \$186,772 by \$12,758 (6.83%). The excess was primarily due to property taxes (\$8,011), business taxes (\$1,241), document stamp taxes (\$1,190), hotel visitor's taxes (\$1,311) and interest income (\$2,255) due to the overall strength in the economy.

General Fund expenditures were less than the budgeted. The variances were primarily due to the saving in administrative cost. Capital outlay appropriation was continued roll forward to 2006-07.

Capital Asset and Debt Administration

Capital assets. The City of Santa Ana's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$880,822 (net of accumulated depreciation). This investment in capital assets includes land, right of way, street trees, buildings, improvements, machinery and equipment, park facilities, streets, and bridges.

City of Santa Ana Capital Assets

(net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 9,717	\$ 9,717	\$ 7987	\$ 7,987	\$ 17,704	\$ 17,704
Rights of way	399,183	398,719	-	-	399,183	398,719
Street trees	5,888	5,888	-	-	5,888	5,888
Construction in progress	30,749	20,856	1,267	3,306	32,016	24,162
Building	113,546	119,468	4,089	4,365	117,635	123,833
Improvements	31,910	30,217	72,224	72,923	104,134	103,140
Equipment	16,509	16,195	5,137	5,668	21,646	21,863
Infrastructure	168,523	166,780	13,660	14,075	182,183	180,855
Library materials	433	428	-	-	433	428
Total	<u>\$ 776,458</u>	<u>\$ 768,268</u>	<u>\$ 104,364</u>	<u>\$ 108,324</u>	<u>\$ 880,822</u>	<u>\$ 876,592</u>

Additional information on the City of Santa Ana's capital assets can be found in note 3C on pages 74-76 of this report.

Long-term debt. At the end of the current fiscal year, the City of Santa Ana had total bonded debt and loans outstanding of \$309,119. Of this amount, \$78,543 comprises debt backed by the full faith and credit of the government, \$212,295 represents bonds secured solely by specified revenue sources, \$5,684 in capitalized lease obligations and \$12,597 in long-term loans.

City of Santa Ana Long-term Bonded Debt and Loans

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Tax allocation bonds	\$ 19,990	\$ 20,470	\$ -	\$ -	\$ 19,990	\$ 20,470
Tax allocation refunding bonds	29,320	30,840	-	-	29,320	30,840
Capital leases	4,511	5,684	-	-	4,511	5,684
Certificates of participation	10,745	11,020	3,460	4,505	14,205	15,525
Revenue bonds	183,865	192,185	19,370	20,110	203,235	212,295
Long-term loans and notes	8,879	10,587	1,879	2,010	10,758	12,597
Refunding certificates of participation	-	-	11,745	13,085	11,745	13,085
Less: deferred amounts	(4,513)	(4,954)	(1,120)	(1,240)	(5,633)	(6,194)
Add: bond premium	4,388	4,817	-	-	4,388	4,817
Total	<u>\$ 257,185</u>	<u>\$ 270,649</u>	<u>\$ 35,334</u>	<u>\$ 38,470</u>	<u>\$ 292,519</u>	<u>\$ 309,119</u>

Additional information on the City of Santa Ana's long-term debt can be found in note 3E on pages 79 through 94.

The City of Santa Ana maintains a "AAA" rating from Standard & Poor's and a "Aaa" by Moody's. The City currently has no general obligation debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Santa Ana is \$436,374.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Orange County Metropolitan Statistical Area was 3.7 percent in June 2006, a decrease from a rate of 3.9 percent a year ago. This compares favorably to the state's average unemployment rate of 4.9 percent and the national average rate of 4.8 percent.
- The occupancy rate of the city's major regional shopping mall was 98 percent on June 2006. Occupancy is expected to approach 100% during the holiday shopping period of November and December.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Santa Ana's budget for the 2006-07 fiscal year.

During the current fiscal year, total fund balance in the general fund was \$52,349. The City of Santa Ana has appropriated \$13,791 of this amount for spending in the 2006-07 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2006-07 fiscal year.

Both the Water and Refuse Collection rates were increased for the 2006-07 budget year. The water rates were increased by an average of 6.31 percent for all customers, while the average increase in the refuse rates was 2.75 percent. These rate increases were necessary to cover the increased costs of providing these services in 2006-07.

Requests for Information

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

Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments (Note 3A)	\$ 171,086,078	18,684,159	\$ 189,770,237
Cash and investments with fiscal agents (Note 3A)	20,072,392	-	20,072,392
Receivables (net of allowance for uncollectibles):			
Taxes	11,859,230	-	11,859,230
Interest	2,509,367	213,633	2,723,000
Accounts	1,071,399	9,057,051	10,128,450
Intergovernmental	15,439,776	-	15,439,776
Loans and notes	31,054,146	-	31,054,146
Internal balances	(2,000,000)	2,000,000	-
Inventory of supplies	1,069,506	-	1,069,506
Prepaid items	147,394	-	147,394
Deferred charges	5,814	-	5,814
Restricted assets:			
Cash and investments (Note 3A)	-	1,957,544	1,957,544
Cash and investments with fiscal agents (Note 3A)	-	1,486,984	1,486,984
Land held for resale	20,089,682	-	20,089,682
Capital assets, undepreciated (Note 3C)	445,536,946	9,254,399	454,791,345
Capital assets, net of accumulated depreciation (Note 3C)	330,920,862	95,109,831	426,030,693
Total assets	\$ 1,048,862,592	137,763,601	\$ 1,186,626,193
Liabilities:			
Accounts payable	\$ 9,463,108	4,507,419	\$ 13,970,527
Interest payable	5,706,139	351,535	6,057,674
Retention payable	602,499	2,388	604,887
Due to governmental agencies	5,792,359	-	5,792,359
Customer's deposits	66,033	1,207,508	1,273,541
Unearned revenue	13,672,459	-	13,672,459
Non current liabilities- due within one year (Note 3E)	28,504,012	3,904,607	32,408,619
Non current liabilities- due over one year (Note 3E)	284,668,967	33,406,630	318,075,597
Total liabilities	\$ 348,475,576	43,380,087	\$ 391,855,663
Net Assets:			
Invested in capital assets, net of related debt	658,414,656	69,030,289	727,444,945
Restricted for:			
Debt service	13,814,130	1,486,032	15,300,162
Capital projects	52,163,225	8,093,042	60,256,267
Specific projects and programs	98,354,305	-	98,354,305
Unrestricted	(122,359,300)	15,774,151	(106,585,149)
Total net assets	\$ 700,387,016	94,383,514	\$ 794,770,530

See accompanying notes to the basic financial statements.

Statement of Activities
Year ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 10,169,964	4,671,668	194	-
Human Resources	1,598,900	-	378,973	-
Finance and Management Services	4,367,742	-	-	-
Museum	2,155,455	-	-	-
Library	3,823,322	147,436	-	-
Recreation and Community Services	17,428,469	5,368,029	2,822,221	3,703,537
Police Department	93,586,526	16,600,032	12,581,480	-
Fire Department	41,943,192	2,885,497	393,300	-
Planning and Building	10,223,107	5,910,667	-	-
Public Works	6,512,207	5,388,415	600,000	24,045,751
Community Development	70,234,984	3,867,337	45,655,023	-
Interest on Long-Term Debt	13,917,909	-	-	-
Total governmental activities	\$ 275,961,777	44,839,081	62,431,191	27,749,288
Business-type Activities:				
Water	37,609,286	38,401,053	-	-
Parking	2,949,404	3,639,029	-	-
Refuse Collections	13,315,895	7,647,224	6,225,038	-
Transportation Center	1,341,787	904,709	-	-
Sewer	2,817,974	2,683,772	-	-
Sanitation	8,212,352	7,948,203	-	-
Federal Clean Water Protection	1,943,485	2,724,838	-	-
Total business-type activities	\$ 68,190,183	63,948,828	6,225,038	-
Total	\$ 344,151,960	108,787,909	68,656,229	27,749,288

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

Total general revenues and transfers

Change in net assets
 Net assets - beginning, as restated (note 4H)

Net assets - ending

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (5,498,102)	\$ -	\$ (5,498,102)
(1,219,927)	-	(1,219,927)
(4,367,742)	-	(4,367,742)
(2,155,455)	-	(2,155,455)
(3,675,886)	-	(3,675,886)
(5,534,682)	-	(5,534,682)
(64,405,014)	-	(64,405,014)
(38,664,395)	-	(38,664,395)
(4,312,440)	-	(4,312,440)
23,521,959	-	23,521,959
(20,712,624)	-	(20,712,624)
(13,917,909)	-	(13,917,909)
\$ (140,942,217)	\$ -	\$ (140,942,217)
-	791,767	791,767
-	689,625	689,625
-	556,367	556,367
-	(437,078)	(437,078)
-	(134,202)	(134,202)
-	(264,149)	(264,149)
-	781,353	781,353
-	1,983,683	1,983,683
\$ (140,942,217)	\$ 1,983,683	\$ (138,958,534)
82,624,005	-	82,624,005
45,094,412	-	45,094,412
7,187,340	-	7,187,340
27,565,395	-	27,565,395
9,828,839	-	9,828,839
7,107,148	-	7,107,148
5,188,171	-	5,188,171
2,904,004	-	2,904,004
7,467,425	802,846	8,270,271
309,659	-	309,659
200,000	(200,000)	-
195,476,398	602,846	196,079,244
54,534,181	2,586,529	57,120,710
645,852,835	91,796,985	737,649,820
\$ 700,387,016	\$ 94,383,514	\$ 794,770,530

Governmental Funds

Major Governmental Funds

GENERAL FUND

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

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

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

DEBT SERVICE FUNDS

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

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

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

Nonmajor Governmental Funds

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

Balance Sheet
Governmental Funds
June 30, 2006

	General	Special Revenue Grants Fund	Special Revenue Housing Authority
Assets			
Cash and investments (Note 3A)	\$ 43,641,016	51,522	5,452,800
Cash and investments with fiscal agents (Note 3A)	5,682,762	8,293	567,207
Investment in RDA Bonds	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes	11,191,344	-	-
Interest	933,465	53,165	68,739
Accounts	355,778	715,621	-
Intergovernmental	2,881,391	5,936,451	154,889
Loans and notes(Note 3H)	-	22,972,715	-
Due from other funds (Note 3D)	1,690,538	-	-
Advances to sub-agents	-	320,488	-
Prepaid items	-	-	147,394
Deferred charges	5,814	-	-
Advances to other funds (Note 3D)	-	-	-
Restricted assets:			
Court deposits	-	-	-
Land held for resale	-	-	-
Total assets	<u>\$ 66,382,108</u>	<u>30,058,255</u>	<u>6,391,029</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,523,605	2,099,938	94,198
Interest payable	189,541	-	-
Retention payable	2,561	798	-
Due to other funds (Note 3D)	-	-	-
Due to other governmental agencies	-	297,874	-
Deferred revenues	6,177,485	27,367,327	722,096
Deposits	-	-	-
Advances payable to other funds (Note 3D)	5,140,000	-	-
Obligation to SA Financing Authority	-	-	-
Total liabilities	<u>14,033,192</u>	<u>29,765,937</u>	<u>816,294</u>
Fund balances (deficit):			
Reserved for:			
Encumbrances and continuing appropriations	9,459,281	312,254	34,060
Debt service	-	-	-
Deposits, other receivables, and prepaids	-	-	147,394
Land held for resale	-	-	-
Advances to other funds	-	-	-
Unreserved, designated for, reported in (Note 4I):			
General fund	42,889,635	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Unreserved, undesignated reported in:			
Debt service	-	-	-
Special revenue funds	-	(19,936)	5,393,281
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>52,348,916</u>	<u>292,318</u>	<u>5,574,735</u>
Total liabilities and fund balances	<u>\$ 66,382,108</u>	<u>30,058,255</u>	<u>6,391,029</u>

See accompanying notes to the basic financial statements.

Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency	Debt Service SA Financing Authority	Nonmajor Governmental Funds	Total
40,740,436	10,295,354	83,673	29,081,650 \$	129,346,451
-	8,866,891	4,947,239	-	20,072,392
-	-	84,235,000	-	84,235,000
-	667,886	-	-	11,859,230
485,327	219,804	-	255,126	2,015,626
-	-	-	-	1,071,399
-	-	-	6,467,045	15,439,776
8,081,431	-	-	-	31,054,146
195,770	-	-	15,463	1,901,771
-	-	-	-	320,488
-	-	-	-	147,394
-	-	-	-	5,814
8,562,813	-	-	-	8,562,813
100	-	-	-	100
20,016,075	-	-	73,607	20,089,682
<u>78,081,952</u>	<u>20,049,935</u>	<u>89,265,912</u>	<u>35,892,891 \$</u>	<u>326,122,082</u>
937,472	676,675	881	2,266,802 \$	8,599,571
-	-	-	-	189,541
-	-	-	599,140	602,499
-	195,770	-	1,706,001	1,901,771
-	5,494,485	-	-	5,792,359
8,081,431	-	-	2,248,644	44,596,983
66,033	-	-	-	66,033
-	8,562,813	-	-	13,702,813
-	84,235,000	-	-	84,235,000
<u>9,084,936</u>	<u>99,164,743</u>	<u>881</u>	<u>6,820,587</u>	<u>159,686,570</u>
35,710,523	-	-	5,933,744	51,449,862
-	5,120,192	5,030,031	-	10,150,223
99	-	-	-	147,493
20,016,075	-	-	73,607	20,089,682
8,562,813	-	-	-	8,562,813
-	-	-	-	42,889,635
-	-	-	3,702,649	3,702,649
-	-	-	6,750,905	6,750,905
-	(84,235,000)	84,235,000	-	-
-	-	-	985,158	6,358,503
4,707,506	-	-	11,626,241	16,333,747
<u>68,997,016</u>	<u>(79,114,808)</u>	<u>89,265,031</u>	<u>29,072,304</u>	<u>166,435,512</u>
<u>78,081,952</u>	<u>20,049,935</u>	<u>89,265,912</u>	<u>35,892,891 \$</u>	<u>326,122,082</u>

**Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2006**

Fund balances of governmental funds	\$ 166,435,512
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	767,719,089
Long-term liabilities, including bonds payable, loans, capital leases, and compensated absences, are not due and payable in the current period and, therefore are not reported in the funds.	
Long-term debt	(256,967,800)
Compensated absences	(28,089,182)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(5,516,598)
Elimination of deferred revenues in government - wide financial statements	30,603,937
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are unrestricted in the governmental activities in the statement of net assets.	<u>26,202,058</u>
Net assets of governmental activities	<u>\$ 700,387,016</u>

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2006

	General	Special Revenue Grants Fund	Special Revenue Housing Authority
Revenues:			
Taxes	\$ 143,937,951	-	-
License and permits	4,172,102	-	-
Intergovernmental	3,664,005	29,678,006	27,741,093
Charges for services	11,653,514	-	-
Fines and forfeits	5,910,892	-	-
Investment income	17,870,654	120,062	176,005
Miscellaneous	12,321,303	780,084	224,439
Total revenues	<u>199,530,421</u>	<u>30,578,152</u>	<u>28,141,537</u>
Expenditures:			
Current:			
General Government	6,346,080	2,698,787	-
Human Resources	1,468,545	-	-
Finance and Management Services	4,324,845	-	-
Museum	1,735,954	-	-
Library	3,978,612	14,875	-
Recreation and Community Services	11,942,992	2,222,113	-
Police Department	90,989,656	4,804,337	-
Fire Department	42,718,359	2,717,095	-
Planning and Building	9,160,326	1,646,370	-
Public Works	4,761,052	2,063,008	-
Community Development	571,880	13,238,595	24,797,672
Capital Outlay	1,387,718	-	-
Debt Service:			
Principal retirement	1,528,246	-	-
Interest and fiscal charges	907,206	-	-
Pass-through payments to districts and other agencies	-	-	-
Payment for ERAF to the State	-	-	-
County administrative charge	-	-	-
Total expenditures	<u>181,821,471</u>	<u>29,405,180</u>	<u>24,797,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,708,950</u>	<u>1,172,972</u>	<u>3,343,865</u>
Other financing sources (uses):			
Loss on sale of land held for resale	-	-	-
Transfers in (Note 3D)	17,140,689	39,900	-
Transfers out (Note 3D)	(20,756,934)	(194)	-
Total other financing sources (uses)	<u>(3,616,245)</u>	<u>39,706</u>	<u>-</u>
Net change in fund balances	14,092,705	1,212,678	3,343,865
Fund balances (deficit) - beginning, as restated (Note 4H)	<u>38,256,211</u>	<u>(920,360)</u>	<u>2,230,870</u>
Fund balances - ending	<u>\$ 52,348,916</u>	<u>292,318</u>	<u>5,574,735</u>

See accompanying notes to the basic financial statements.

Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency	Debt Service SA Financing Authority	Nonmajor Governmental Funds	Total
-	44,611,126	-	2,340,509	\$ 190,889,586
-	-	-	-	4,172,102
-	-	-	26,634,659	87,717,763
-	-	-	4,626,654	16,280,168
-	-	-	-	5,910,892
2,175,487	738,699	6,501,119	2,114,129	29,696,155
802,645	-	-	1,358,556	15,487,027
<u>2,978,132</u>	<u>45,349,825</u>	<u>6,501,119</u>	<u>37,074,507</u>	<u>350,153,693</u>
-	-	-	-	9,044,867
-	-	-	183,922	1,652,467
-	-	-	-	4,324,845
-	-	-	-	1,735,954
-	-	-	-	3,993,487
-	-	-	4,741,563	18,906,668
-	-	-	430,940	96,224,933
-	-	-	-	45,435,454
-	-	-	137,761	10,944,457
-	-	-	-	6,824,060
-	-	-	-	38,608,147
32,344,387	-	-	14,653,263	48,385,368
3,377	2,000,000	7,818,000	-	11,349,623
125,584	8,969,205	10,139,762	-	20,141,757
-	5,907,098	-	-	5,907,098
-	3,330,894	-	-	3,330,894
-	227,286	-	-	227,286
<u>32,473,348</u>	<u>20,434,483</u>	<u>17,957,762</u>	<u>20,147,449</u>	<u>327,037,365</u>
<u>(29,495,216)</u>	<u>24,915,342</u>	<u>(11,456,643)</u>	<u>16,927,058</u>	<u>23,116,328</u>
(2,360,319)	-	-	-	(2,360,319)
33,067,281	1,160,700	9,592,925	6,311,739	67,313,234
(568,700)	(26,477,212)	(3,169,700)	(18,623,839)	(69,596,579)
<u>30,138,262</u>	<u>(25,316,512)</u>	<u>6,423,225</u>	<u>(12,312,100)</u>	<u>(4,643,664)</u>
643,046	(401,170)	(5,033,418)	4,614,958	18,472,664
<u>68,353,970</u>	<u>(78,713,638)</u>	<u>94,298,449</u>	<u>24,457,346</u>	<u>147,962,848</u>
<u>68,997,016</u>	<u>(79,114,808)</u>	<u>89,265,031</u>	<u>29,072,304</u>	<u>\$ 166,435,512</u>

**Reconciliation of the Statement of Revenues, Expenditures,
And Changes in the Fund Balances of Governmental Funds
To the Statement of Activities
Year ended June 30, 2006**

Net change in fund balances-total governmental funds	\$ 18,472,664
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	
Capital outlay	27,639,368
Depreciation expense	(18,385,477)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund.	5,143,508
The governmental funds report the effect of the issuance of long-term debt, issuance costs, premiums, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	13,042,713
Accrued interest for long term liabilities including bonds payable. This is the net change in accrued interest for the current period.	19,245
Compensated absences expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,718,485)
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 is reported with governmental activities.	<u>10,320,645</u>
Change in net assets with governmental activities	<u>\$ 54,534,181</u>

See accompanying notes to the basic financial statements.

Enterprise Funds

To account for the operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has determined that revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other services.

Major Enterprise Funds

WATER ENTERPRISE FUND

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

PARKING ENTERPRISE FUND

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

Statement of Net Assets
Proprietary Funds
June 30, 2006

	Water	Parking
Assets:		
Current assets:		
Cash and investments (Note 3A)	\$ 13,594,585	1,081,328
Restricted cash and investments (Note 3A)	1,957,544	-
Receivables (net of allowance for uncollectibles):		
Accounts	6,001,052	13,181
Interest	176,337	11,432
Inventory of supplies	-	-
Total current assets	<u>21,729,518</u>	<u>1,105,941</u>
Noncurrent assets:		
Advances to other funds (Note 3D)	2,000,000	-
Restricted cash and investments with fiscal agents (Note 3A)	778	174
Capital assets (Note 3C):		
Land	603,545	3,591,048
Buildings	223,583	-
Improvements other than buildings	96,507,690	-
Equipment	12,700,721	360,909
Parking structures	-	14,748,556
Construction work in progress	1,221,426	-
Less accumulated depreciation	<u>(51,938,363)</u>	<u>(5,312,096)</u>
Total capital assets (net of accumulated depreciation)	<u>59,318,602</u>	<u>13,388,417</u>
Total noncurrent assets	<u>61,319,380</u>	<u>13,388,591</u>
Total assets	<u>\$ 83,048,898</u>	<u>14,494,532</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 4,019,246	18,244
Retention payable	-	-
Due to other funds (Note 3D)	-	-
Compensated absences payable (current portion) (Note 3E)	268,207	11,453
Notes payable (current portion) (Note 3E)	135,282	-
Interest payable	277,726	42,276
Deposits payable	1,196,508	-
Claims payable (current portion) (Note 3E)	-	-
Capital lease payable (current portion) (Note 3E)	-	-
Revenue bonds payable (current portion) (Note 3E)	750,000	-
Certificates of participation payable (current portion) (Note 3E)	-	1,425,000
Total current liabilities	<u>6,646,969</u>	<u>1,496,973</u>
Noncurrent liabilities (Note 3E):		
Compensated absences payable	804,619	34,358
Notes payable	1,743,617	-
Claims payable	-	-
Revenue bonds payable, net of deferred charges	17,981,609	-
Certificate of participation payable, net of deferred charges	-	9,869,550
Total noncurrent liabilities	<u>20,529,845</u>	<u>9,903,908</u>
Total liabilities	<u>\$ 27,176,814</u>	<u>11,400,881</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 38,708,094	2,093,867
Restricted for :		
Debt service	-	-
Capital projects	8,092,868	174
Unrestricted	9,071,122	999,610
Total net assets	<u>\$ 55,872,084</u>	<u>3,093,651</u>

See accompanying notes to the basic financial statements.

PROPRIETARY FUNDS

Nonmajor		Business-Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Totals		Totals		Totals
4,008,246	\$	18,684,159	\$	41,739,627
-		1,957,544		-
3,042,818		9,057,051		-
25,864		213,633		493,741
-		-		1,069,506
<u>7,076,928</u>		<u>29,912,387</u>		<u>43,302,874</u>
-		2,000,000		3,140,000
1,486,032		1,486,984		-
3,792,491		7,987,084		-
8,607,909		8,831,492		-
39,546,370		136,054,060		859,017
9,329,915		22,391,545		31,508,088
4,817,295		19,565,851		-
45,889		1,267,315		-
(34,482,658)		(91,733,117)		(23,628,386)
<u>31,657,211</u>		<u>104,364,230</u>		<u>8,738,719</u>
33,143,243	\$	107,851,214	\$	11,878,719
<u>40,220,171</u>		<u>137,763,601</u>		<u>55,181,593</u>
469,929	\$	4,507,419	\$	863,537
2,388		2,388		-
-		-		-
214,665		494,325		529,196
-		135,282		-
31,533		351,535		-
11,000		1,207,508		-
-		-		7,450,000
-		-		216,897
-		750,000		-
1,100,000		2,525,000		-
<u>1,829,515</u>		<u>9,973,457</u>		<u>9,059,630</u>
643,994		1,482,971		1,587,587
-		1,743,617		-
-		-		18,332,318
-		17,981,609		-
2,328,883		12,198,433		-
<u>2,972,877</u>		<u>33,406,630</u>		<u>19,919,905</u>
4,802,392	\$	43,380,087	\$	28,979,535
28,228,328	\$	69,030,289	\$	8,521,822
1,486,032		1,486,032		-
-		8,093,042		-
5,703,419		15,774,151		17,680,236
<u>35,417,779</u>	\$	<u>94,383,514</u>	\$	<u>26,202,058</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2006

	Water	Parking
Operating revenues:		
Charges for services	\$ 38,078,258	3,636,288
Miscellaneous	322,795	2,741
Total operating revenues	<u>38,401,053</u>	<u>3,639,029</u>
Operating expenses:		
Cost of goods sold	-	-
Personal services	3,993,217	733,936
Contractual services	7,770,157	1,153,299
Materials and supplies	10,998,390	22,330
Other services and charges	11,964,389	109,972
Administration	-	-
Insurance	-	-
Provision for self-insured losses	-	-
Depreciation	2,001,366	340,659
Total operating expenses	<u>36,727,519</u>	<u>2,360,196</u>
Operating income (loss)	<u>1,673,534</u>	<u>1,278,833</u>
Nonoperating revenues (expenses):		
Interest income	525,480	59,000
Interest expense	(848,167)	(544,163)
Gain (loss) on disposal of capital assets	-	-
Amortization of bond discount and issuance costs	(33,600)	(45,045)
Total nonoperating revenues (expenses)	<u>(356,287)</u>	<u>(530,208)</u>
Income before capital contributions and transfers	1,317,247	748,625
Capital contributions	-	-
Transfers in (Note 3D)	-	-
Transfers out (Note 3D)	-	-
Change in net assets	1,317,247	748,625
Net assets - beginning as restated (Note 4H)	<u>54,554,837</u>	<u>2,345,026</u>
Net assets - ending	<u>\$ 55,872,084</u>	<u>3,093,651</u>

See accompanying notes to the basic financial statements.

		Business-Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
Nonmajor		Totals			
16,336,194	\$	58,050,740	\$	61,392,831	
11,797,590		12,123,126		3,413,672	
28,133,784		70,173,866		64,806,503	
-		-		1,216,045	
6,031,807		10,758,960		12,625,157	
9,543,252		18,466,708		7,196,354	
276,609		11,297,329		3,701,843	
10,074,559		22,148,920		2,891,971	
-		-		5,066,885	
-		-		16,329,302	
-		-		6,929,100	
1,428,423		3,770,448		2,286,319	
27,354,650		66,442,365		58,242,976	
779,134		3,731,501		6,563,527	
218,366		802,846		1,389,667	
(235,354)		(1,627,684)		(19,774)	
-		-		(193,713)	
(41,489)		(120,134)		-	
(58,477)		(944,972)		1,176,180	
720,657		2,786,529		7,739,707	
-		-		97,593	
-		-		3,957,230	
(200,000)		(200,000)		(1,473,885)	
520,657		2,586,529		10,320,645	
34,897,122		91,796,985		15,881,413	
35,417,779	\$	94,383,514	\$	26,202,058	

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2006

	Water	Parking
Cash flows from operating activities:		
Cash received from customers	\$ 38,509,392	3,717,460
Receipts from interfund services provided	-	-
Cash received from other operating sources	-	2,741
Cash payments to suppliers for goods and services	(30,924,381)	(1,283,804)
Payments from interfund services used	-	-
Cash payments to employees	(3,528,534)	(726,757)
Net cash provided by (used for) operating activities	4,056,477	1,709,640
Cash flows from noncapital financing activities:		
Repayment of advances from other funds	-	-
Transfer in	-	-
Transfer out	-	-
Net cash provided by (used for) noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	-
Proceeds from sale of capital assets	338,223	-
Retirement of long-term liabilities	(870,668)	(1,340,000)
Interest paid	(852,239)	(547,513)
Payments on capital leases	-	-
Net cash used for capital and related financing activities	(1,384,684)	(1,887,513)
Cash flows from investing activities:		
Receipt of interest	419,874	51,829
Net cash provided by investing activities	419,874	51,829
Net increase (decrease) in cash and cash equivalents	3,091,667	(126,044)
Cash and cash equivalents - beginning	12,461,240	1,207,546
Cash and cash equivalents - ending (Includes restricted assets)	\$ 15,552,907	1,081,502

See accompanying notes to the basic financial statements.

		Business -Type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
Nonmajor		Totals			
28,258,516	\$	70,485,368	\$	-	
-		-		61,392,831	
12,030		14,771		3,413,672	
(20,191,900)		(52,400,085)		(37,556,025)	
-		-		(3,828,966)	
(6,046,340)		(10,301,631)		(14,338,499)	
2,032,306		7,798,423		9,083,013	
-		-		(27,975)	
-		-		3,947,230	
(200,000)		(200,000)		(1,463,885)	
(200,000)		(200,000)		2,455,370	
(149,410)		(149,410)		(1,367,801)	
-		338,223		49,149	
(1,045,000)		(3,255,668)		-	
(244,585)		(1,644,337)		-	
-		-		(441,820)	
(1,438,995)		(4,711,192)		(1,760,472)	
209,944		681,647		1,131,539	
209,944		681,647		1,131,539	
603,255		3,568,878		10,909,450	
4,891,023		18,559,809		30,830,177	
5,494,278	\$	22,128,687	\$	41,739,627	

Continued

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2006

	Water	Parking
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,673,534	1,278,833
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	2,001,366	340,659
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	84,758	81,172
Decrease (increase) in interest receivable	-	-
Increase (decrease) in accounts payable	(191,445)	1,797
Increase (decrease) in inventory of supplies	-	-
Increase (decrease) in compensated absences payable	464,683	7,179
Increase (decrease) in deposits payable	23,581	-
Increase (decrease) in retention payable	-	-
Decrease (increase) in deferred charges	-	-
Increase (decrease) in claims payable	-	-
Net cash provided by (used for) operating activities	<u>\$ 4,056,477</u>	<u>1,709,640</u>
Noncash investing, capital, and financing activities:		
Capital contributions received:		
Self-Insurance Internal Service Fund	\$197,432	

See accompanying notes to the basic financial statements.

Nonmajor	Business -Type Activities- Enterprise Funds	Governmental Activities- Internal Service Funds
	Totals	
779,134	\$ 3,731,501	\$ 6,563,527
1,428,423	3,770,448	2,286,319
62,929	228,859	-
74,833	74,833	-
(299,868)	(489,516)	45,393
-	-	(157,311)
(14,533)	457,329	(166,102)
-	23,581	-
2,388	2,388	-
(1,000)	(1,000)	-
-	-	511,187
2,032,306	\$ 7,798,423	\$ 9,083,013
2,032,306	\$ 7,798,423	\$ 9,083,013

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Current assets:

Cash and investments (Note 3A)	\$	23,586,315
Receivables (net of allowance for uncollectibles):		
Loans and notes		208,839
Interest		<u>117,307</u>

Total assets \$ 23,912,461

Liabilities

Accounts payable	\$	11,635
Due to City employees		4,450,555
Due to governmental agencies		<u>19,450,271</u>

Total liabilities \$ 23,912,461

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements, JUNE 30, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Santa Ana (the "City") was incorporated on June 1, 1886 and operates under a Council/Manager form of government. The Council is composed of an elected Mayor and six Council members. As required by generally accepted accounting principles, these financial statements present the government and its component units for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government. Each blended component unit as described below has a June 30 year-end.

Blended Component Units

Community Redevelopment Agency of the City of Santa Ana

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

Housing Authority of the City of Santa Ana

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

Santa Ana Financing Authority

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City has no discretely presented component units.

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

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

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

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

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

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

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as deferred revenues.

The City reports the following major governmental funds:

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

Special Revenue Grants Fund. These funds account 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.

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

Agency Funds. These funds are used to account for money and property held by the City as trustee or custodian. Among the activities are the disposition of funds charged to departments for the payment of salaries and retirement benefits to City employees, deposits made for the account of other

governmental agencies, developers, tax increment pass-through and others under the terms of agreements for which the deposits were made.

Private sector standards of accounting and financial reporting issued by Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

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

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market rates. Changes in fair value that occur during the fiscal year are recognized as revenue from investment income (Governmental Funds) and interest

income (Proprietary Funds). These revenues include interest earnings, changes in fair value, rentals, leases and any gains or losses realized upon liquidation, maturity, or sale of investments.

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

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

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

Receivables and Payables. Interagency current receivables and payables are classified as amounts "due from" and "due to" other funds. The City considers interagency long-term loans to be transfers. Accordingly, "loans receivable" are classified as "transfers out" while "loans payable" are "transfers in". Interest on such loans is recorded only when due. Loan amounts, including interest, are noted in Note 3B. When these loans are repaid, such transactions are also recorded as "transfers out" (typically from the Debt Service Funds) and "transfers in", and the loan balance is reduced in the footnotes. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

Property Taxes. Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Orange, California bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables within 60 days.

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 periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale. Land held for resale is carried at the lower of cost or estimated net realizable value when a sales contract has been entered into with a purchasing party.

Restricted Assets. In the Balance Sheet presentation of assets and liabilities in the proprietary funds "Restricted Assets" are classified within the current and noncurrent caption where applicable, in compliance with current GAAP.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are

defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$15,565,367. No interest amount was included as part of the cost of capital assets under construction.

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

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

Arbitrage Liability. Any liability for arbitrated interest is recorded in the fund incurring the liability and interest income is reduced by the amount of liability incurred during the year. There is no liability for arbitrage at June 30, 2006.

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

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

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

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

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

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

The "total fund balances" of the City's governmental funds \$166,435,512 differs from "net assets" of governmental activities \$700,387,016 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Related Items

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

Cost of capital assets	\$	1,048,682,713
Accumulated depreciation		<u>(280,963,624)</u>
Total capital assets, net	\$	<u><u>767,719,089</u></u>

Long-Term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets.

Tax allocation bonds payable	\$	(19,990,000)
Tax allocation refunding bonds		(29,320,000)
Lease revenue bonds payable		(101,015,000)
Refunding revenue bonds		(82,850,000)
Certificates of participation		(10,745,000)
Long-term loans payable		(8,878,376)
Compensated absences payable		(28,089,182)
Capitalized lease obligations payable		(4,294,253)
Bond premium		(4,387,857)
Less: Deferred amount on refunding costs		<u>4,512,686</u>
Total Governmental Activities Long-term Debt	\$	<u><u>(285,056,982)</u></u>

Accrued Interest

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

Accrued interest added	\$	<u><u>(5,516,598)</u></u>
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Internal Service Funds

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

Internal service - net assets	\$	<u><u>26,202,058</u></u>
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Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses for the function from which the expenses are being allocated, so that expenses are reported only once in the function in which they are allocated. Various home loans and RDA Housing Rehabilitation loans guaranteed by deeds of trust deferred in revenue in the fund financials were eliminated in the government wide financial statements.

Net reclassifications	\$	<u><u>30,603,937</u></u>
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B. Explanation of Differences between Governmental Funds Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$18,472,664 differs from the “change in net assets” for governmental activities \$54,534,181 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

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

Capital outlay	\$	27,639,368
Depreciation expense		<u>(18,385,477)</u>
Difference	\$	<u><u>9,253,891</u></u>

Long-term Debt Transactions

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

Net change in compensated absences	\$	<u><u>(1,718,485)</u></u>
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Repayment of debt service is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments made:		
Refunding revenue bonds	\$	3,980,000
Tax allocation bonds		2,000,000
Police administrative and Holding Facility lease revenue bids		3,565,000
C.O.P. 1998 City Hall Expansion		275,000
Countywide PFA lease revenue bonds		775,000
Capitalized lease obligations		751,247
Long-term loans payable		1,708,376
Total principal repayments		<u>13,054,623</u>
Amortization of bond premium		429,201
Amortization of deferred charges		<u>(441,111)</u>
Net change	\$	<u><u>13,042,713</u></u>

Accrued Interest

Beginning net assets in the statement of activities has been restated to reflect the retroactive recording of accrued interest on outstanding debt payable.

Accrued interest	\$	<u><u>19,245</u></u>
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Internal Service Funds

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

Net change in net assets - internal service funds	\$	<u><u>10,320,645</u></u>
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Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. Some expenditures reported in the fund for receivable in Notes and Loans were not reported as expenses in the statement of activities.

Revenues adjustment	\$	<u><u>5,143,508</u></u>
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C. Fund Deficits

At June 30, 2006, the Self Insurance Internal Service Fund had an accumulated deficit of \$189,018 is primarily attributable to accruals for outstanding reported claims and actuarial estimates for incurred but not reported claims (IBNR) at year-end. The City's cash projections indicate that future annual revenue will be sufficient to cover insurance premiums, claim payments and administrative expenses in the Self-Insurance program in future years.

At June 30, 2006, the RDA Debt Service fund has accumulated deficits of \$79,114,808. The deficit in the RDA Debt Service Fund is attributable to the recognition of intra-entity liability reflected in the fund financials as "obligations to the Financing authority". The deficit of \$1,921,096 in the nonmajor Capital Grants is due to the deferral of revenues due from granting agencies, which did not meet the revenue criteria in accordance with GASB Statement 33. Subsequent collection of the receivables from the granting agencies will clear up the deficits.

Note 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 189,770,237
Cash and investments with fiscal agents	20,072,392
Restricted assets:	
Cash and investments	1,957,544
Cash and investments with fiscal agents	1,486,984
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>23,586,315</u>
Total cash and investments	<u>\$ 236,873,472</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 1,254,259
Deposits with financial institutions	(3,667,664)
Investments	<u>239,286,877</u>
Totals	<u>\$ 236,873,472</u>

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

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

City's investment policy.

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

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity (for purposes of the schedule shown below, any callable securities are assumed to be maturing at the next call date):

Investment Type	Remaining Maturity (in months)				
		12 Months or Less	13 to 24 Months	25-60 Months	More than 60 Months
U.S. Treasury Strips	\$ 178,548	\$ -	\$ 178,548	\$ -	\$ -
Federal Agency Securities	162,269,193	135,258,614	21,067,910	5,942,669	-
Commercial Paper	5,854,920	5,854,920	-	-	-
Mortgage-backed Securities	259,250	-	-	-	259,250
Repurchase Agreement	2,177,359	2,177,359	-	-	-
State Investment Pool	47,563,731	47,563,731	-	-	-
Held by Fiscal Agent:					
Money Market Funds	9,645,253	9,645,253	-	-	-
U.S. Treasury Note	1,213,437	1,213,437	-	-	-
Local Agency Investment	5,177,950	5,177,950	-	-	-
Investment Contracts	4,947,236	-	-	-	4,947,236
	<u>\$ 239,286,877</u>	<u>\$ 206,891,264</u>	<u>\$ 21,246,458</u>	<u>\$ 5,942,669</u>	<u>\$ 5,206,486</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	Year End
Callable agencies securities with interest rates that increase in ranges from 2 percent to 7 percent	\$ 8,433,594

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type		Legal Rating	From Disclosure	AAA	Aa	Not Rated
U.S. Treasury Strips	\$ 178,548	N/A	\$ 178,548	\$ -	\$ -	\$ -
Federal Agency Securities	162,269,193	N/A	-	162,269,193	-	-
Commercial Paper	5,854,920	A	-	5,854,920	-	-
Mortgage-backed Securities	259,250	AA	-	-	-	259,250
Repurchase Agreement	2,177,359	N/A	-	-	-	2,177,359
State Investment Pool	47,563,731	N/A	-	-	-	47,563,731
Held by Fiscal Agent:						
Money Market Funds	9,645,253	A	-	9,645,253	-	-
U.S. Treasury Note	1,213,437	N/A	1,213,437	-	-	-
Local Agency Investment	5,177,950	N/A	-	-	-	5,177,950
Investment Contracts	4,947,236	N/A	-	-	-	4,947,236
	<u>\$ 239,286,877</u>		<u>\$ 1,391,985</u>	<u>\$ 177,769,366</u>	<u>\$ -</u>	<u>\$ 60,125,526</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank Agency	Federal Agency Securities	\$ 51,566,946
Federal Home Loan Mortgage Corp. Agency	Federal Agency Securities	35,110,930
Federal National Mortgage Association Agency	Federal Agency Securities	68,627,320

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

\$4,947,236 of the cash and investments (including amounts held by bond trustee) reported in the Santa Ana Financing Authority Debt Service Fund (a major fund of the City) is held in the form of an investment contract issued by AIG Financial.

\$8,866,891 of the cash and investments (including amounts held by bond trustee) reported in the Redevelopment Agency Debt Service Fund (a major fund of the City) is held in the form of money market funds issued by Federated Treasury.

\$1,213,437 of the cash and investments (including amounts held by bond trustee) reported in the Nonmajor Enterprise Funds is held in the form of a U.S. Treasury Note that matures on October 31, 2006.

\$1,957,544 of the cash and investments (including amounts held by bond trustee) reported in the Water Enterprise Fund (a major fund of the City) is held in the form of Federal Agency Securities.

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, 2006, none of the City’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2006, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Repurchase Agreement	\$ <u><u>2,177,359</u></u>

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 reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

- B. Interagency Long-Term Debt.** As required by GASB No. 34, certain intra-entity obligations have been eliminated from both the government-wide financial statements and the fund financial statements because repayment is not expected within a reasonable period of time. The balances of these legal obligations as of June 30, 2006 are as follows:

	Loans Receivable	Loans Payable
City of Santa Ana	\$ 414,759,239	\$ -
Redevelopment Agency:		
Merged Project	-	414,759,239
Total	<u>\$ 414,759,239</u>	<u>\$ 414,759,239</u>

C. Capital Assets. Capital asset activity for the year ended June 30, 2006 was as follows:

	Restated Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,717,376	\$ -	\$ -	\$ 9,717,376
Rights of Way	398,719,104	464,263	-	399,183,367
Street Trees	5,887,599	-	-	5,887,599
Construction in progress	<u>20,855,982</u>	<u>24,589,725</u>	<u>(14,697,103)</u>	<u>30,748,604</u>
Total capital assets not being depreciated	<u>435,180,061</u>	<u>25,053,988</u>	<u>(14,697,103)</u>	<u>445,536,946</u>
Capital assets being depreciated:				
Buildings	192,666,419	-	(338,706)	192,327,713
Improvements	54,522,166	3,646,013	(496,141)	57,672,038
Equipment	53,030,639	4,336,084	(7,621,812)	49,744,911
Infrastructure	319,415,503	11,512,856	(2,572,911)	328,355,448
Library materials	<u>7,379,322</u>	<u>60,895</u>	<u>(27,455)</u>	<u>7,412,762</u>
Total capital assets being depreciated	<u>627,014,049</u>	<u>19,555,848</u>	<u>(11,057,025)</u>	<u>635,512,872</u>
Less: accumulated depreciation for:				
Buildings	(73,198,993)	(5,863,746)	280,450	(78,782,289)
Improvements	(24,304,673)	(1,954,375)	497,092	(25,761,956)
Equipment	(36,835,592)	(3,283,704)	6,883,766	(33,235,530)
Infrastructure	(152,636,172)	(9,513,610)	2,317,434	(159,832,348)
Library materials	<u>(6,950,978)</u>	<u>(56,361)</u>	<u>27,452</u>	<u>(6,979,887)</u>
Total accumulated depreciation	<u>(293,926,408)</u>	<u>(20,671,796)</u>	<u>10,006,194</u>	<u>(304,592,010)</u>
Capital assets being depreciated, net	<u>333,087,641</u>	<u>(1,115,948)</u>	<u>(1,050,831)</u>	<u>330,920,862</u>
Governmental activities capital assets, net	<u>\$ 768,267,702</u>	<u>\$ 23,938,040</u>	<u>\$ (15,747,934)</u>	<u>\$ 776,457,808</u>

* See note 4 H

NOTES TO THE BASIC FINANCIAL STATEMENTS

	Restated Beginning Balance *	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,987,084	\$ -	\$ -	\$ 7,987,084
Construction in progress	3,306,305	1,153,442	(3,192,432)	1,267,315
Total capital assets not being depreciated	11,293,389	1,153,442	(3,192,432)	9,254,399
Capital assets being depreciated:				
Buildings	8,831,492	-	-	8,831,492
Water system and other improvements	134,272,225	1,781,835	-	136,054,060
Equipment	22,323,204	68,341	-	22,391,545
Parking structures	19,565,851	-	-	19,565,851
Total capital assets being depreciated	184,992,772	1,850,176	-	186,842,948
Less: accumulated depreciation for:				
Buildings	(4,466,441)	(276,219)	-	(4,742,660)
Improvements other than buildings	(61,349,704)	(2,480,355)	-	(63,830,059)
Equipment	(16,655,473)	(598,470)	-	(17,253,943)
Parking structures	(5,491,051)	(415,404)	-	(5,906,455)
Total accumulated depreciation	(87,962,669)	(3,770,448)	-	(91,733,117)
Capital assets being depreciated, net	97,030,103	(1,920,272)	-	95,109,831
Business-type capital assets as restated, net	\$ 108,323,492	\$ (766,830)	\$ (3,192,432)	\$ 104,364,230

* See note 4 H

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 1,179,029
Human resources	4,279
Finance and management services	2,948
Museum	419,501
Library	80,823
Recreation and community services	1,671,337
Police	4,440,033
Fire	416,073
Planning & Building	7,316
Public works	9,952,913
Community development	211,225
Capital assets held by the City's internal services	
Funds are charged to the various functions based on their usage of the assets	2,286,319
Total depreciation expense-governmental activities	\$ 20,671,796

Business-type activities:	
Water	\$ 2,001,366
Parking	340,659
Refuse Collection	395,204
Transportation Center	523,758
Sewer	506,449
Sanitation	<u>3,012</u>
Total depreciation expense - business-type activities	<u>\$ 3,770,448</u>

Construction commitments

The City has active construction projects as of June 30, 2006. 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 improvement:	\$ 36,249,814	\$ 8,477,573	\$ 44,727,387
Park Improvements	2,324,388	5,879,270	8,203,658
Water System Improvements	4,224,086	6,692,677	10,916,763
Sewer Improvements	1,447,566	14,772	1,462,338
Other Improvements	914,850	12,835,150	13,750,000

D. Interfund Receivables, Payables, Transfers, and Advances. The composition of interfund balances as of and for the year ended June 30, 2006 was as follows:

<u>Due To Other Funds (Payable)</u>	<u>Due From Other Funds (Receivable)</u>			
	<u>General Fund</u>	<u>RDA Capital Projects Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
RDA Debt Service Funds	\$ -	\$ 195,770	\$ -	\$ 195,770
Nonmajor Governmental Funds	1,690,538	-	15,463	1,706,001
Total	<u>\$ 1,690,538</u>	<u>\$ 195,770</u>	<u>\$ 15,463</u>	<u>\$ 1,901,771</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Due to/from other funds:

The Capital Project Grant Funds received temporary advances from the General Fund to cover deficit cash balances in the amounts of \$1,690,538. The RDA Capital Projects Funds has a receivable from the RDA Debt Service Funds in the net amount of \$195,770 representing its share of tax increment monies received in July 2006. The nonmajor Street Construction Capital Projects Fund has reflected a payable to another nonmajor Gas Tax Special Revenue Fund for \$15,463 representing the returned of an advance from the later fund to the former.

Interfund transfers:

Transfers Out	Transfers In							Total
	General Fund	Special Revenue Grant Fund	Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency	Debt Service SA Financing Authority	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 39,900	\$ 5,920,939	\$ -	\$ 9,224,225	\$ 1,909,640	\$ 3,662,230	\$ 20,756,934
Special Revenue Grants Funds	194	-	-	-	-	-	-	194
Capital Projects Redevelopment Agency	200,000	-	-	-	368,700	-	-	568,700
Debt Service Redevelopment Agency	9,992,195	-	16,485,017	-	-	-	-	26,477,212
Debt Service SA Financing Authority	2,009,000	-	-	1,160,700	-	-	-	3,169,700
Nonmajor Governmental Funds	3,550,415	-	10,661,325	-	-	4,402,099	10,000	18,623,839
Internal Service Funds	1,188,885	-	-	-	-	-	285,000	1,473,885
Nonmajor Enterprise Funds	200,000	-	-	-	-	-	-	200,000
	<u>\$ 17,140,689</u>	<u>\$ 39,900</u>	<u>\$ 33,067,281</u>	<u>\$ 1,160,700</u>	<u>\$ 9,592,925</u>	<u>\$ 6,311,739</u>	<u>\$ 3,957,230</u>	<u>\$ 71,270,464</u>

The transfer into the General Fund in the amount of \$10,192,195 represents loan repayments from the RDA Debt Service and Capital Projects Funds. The \$3,550,415 was received from the nonmajor Special Revenue Gas Tax Fund to support the Public Works Agency's related expenditures in the General Fund. The amount of \$2,809,000 were received from the various Internal Service Funds and SAFA respectively to balance the General Fund's fiscal year 2005-06 budget. The amount of \$395,800 was received from the Public Works Engineering and Administrative Internal Service Fund for its share in the payment of the City Hall Certificate of Participation debt service. Also the amount of \$193,084 was received from the Building Maintenance Internal Service Fund for its share in the energy conservation capital lease payment. The \$194 was received from the Flood Emergency Grant, a Special Revenue Grant Fund represents the equity transfer to general fund for closing the indicated grant fund.

The Special Revenue Grant Funds received \$39,900 from the General Fund for matching requirements.

The RDA Capital Projects Fund received new loans from the General Fund in the amount of \$5,920,939, a transfer of \$16,485,017 from the RDA Debt Service for the low and moderate housing share of tax increment 20% set-aside monies, and \$10,661,325 for project charges assumed from the General Fund and the nonmajor Governmental Funds.

The RDA Debt Service Fund received from the SAFA Debt Service Fund the amount of \$1,160,700 representing savings from the issuance of the SAFA Refunding Revenue Bonds.

The SAFA Debt Service Fund received a transfer of \$9,224,225 from the General Fund for payment of the police lease revenue bonds debt service. Also it received \$368,700 from the RDA Capital Projects Funds and for payment of the Hutton Project capital lease debt service.

The nonmajor Special Revenue Funds received transfers of \$1,909,640 representing the General Fund's support for Civic Center and Centennial Park maintenance. The amount of \$4,402,099 was received in the nonmajor Street Construction Fund from another nonmajor Special Gas Tax Fund to reimburse the Street Construction Fund for eligible street related construction and maintenance costs.

The Communications Internal Service Fund received a transfer of \$3,662,230 from the General Fund representing the General Fund's share in the implementation of the City's Communications Strategic Plan. The City Yard Operation Fund received a transfer of \$285,000 from the Equipment and Replacement Fund to balance the General Fund's fiscal year 2005-06 budget. The Public Works Engineering and Administrative Internal Service Fund received \$10,000 from Special Revenue Gas Tax Fund representing Engineering Cost Allocation from the State.

Advances to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 3,140,000
Water-Enterprise Fund	General Fund	2,000,000
Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency	8,562,813
		<u>\$ 13,702,813</u>

This amount represent advances made by the Self-Insurance Internal Service Fund to the General Fund for the construction of Fire Station #1 in the amount of \$2,920,000 and the balance to partially fund the construction of the Children's' Zoo. The loan from the Water Enterprise Fund to the General Fund in the amount of \$2,000,000 is due on demand. The advances made to the RDA Capital Projects Fund to the RDA Debt Service Fund of \$8,562,813 were used for ERAF payments as mandated by the State to balance the State of California 2005-06, 2004-05 and 2003-04 budgets.

NOTES TO THE BASIC FINANCIAL STATEMENTS

E. Long-Term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Tax allocation bonds	\$ 20,470,000	\$ -	\$ 480,000	\$ 19,990,000	\$ 480,000
Tax allocation refunding bonds	30,840,000	-	1,520,000	29,320,000	1,560,000
Capital leases	5,684,440	-	1,173,291	4,511,149	763,882
Certificates of participation	11,020,000	-	275,000	10,745,000	290,000
Lease revenue bonds	105,355,000	-	4,340,000	101,015,000	4,430,000
Refunding revenue bonds	86,830,000	-	3,980,000	82,850,000	4,155,000
Long-term loans	10,586,752	-	1,708,376	8,878,376	1,823,639
Less: Deferred amounts	(4,953,797)	-	(441,111)	(4,512,686)	-
Add: Bond premium	4,817,058	-	429,201	4,387,857	-
Total bonds payable, long-term loans and capital leases	<u>270,649,453</u>	<u>-</u>	<u>13,464,757</u>	<u>257,184,696</u>	<u>13,502,521</u>
Compensated absences payable	28,653,582	8,102,994	6,550,611	30,205,965	7,551,491
Claims payable - Self-Insurance	25,271,131	5,550,664	5,039,477	25,782,318	7,450,000
Governmental activities					
Long-term liabilities	<u>\$ 324,574,166</u>	<u>\$ 13,653,658</u>	<u>\$ 25,054,845</u>	<u>\$ 313,172,979</u>	<u>\$ 28,504,012</u>
Business-type activities:					
Revenue bonds payable	\$ 20,110,000	\$ -	\$ 740,000	\$ 19,370,000	\$ 750,000
Certificate of participation (COP)	4,505,000	-	1,045,000	3,460,000	1,100,000
Refunding COP	13,085,000	-	1,340,000	11,745,000	1,425,000
Notes payable	2,009,567	-	130,668	1,878,899	135,282
Less: Deferred amounts	(1,240,091)	-	(120,133)	(1,119,958)	-
Total bonds payable and long-term notes payable	<u>38,469,476</u>	<u>-</u>	<u>3,135,535</u>	<u>35,333,941</u>	<u>3,410,282</u>
Compensated absences payable	1,519,967	1,957,535	1,500,206	1,977,296	494,325
Business-type activities					
long-term liabilities	<u>\$ 39,989,443</u>	<u>\$ 1,957,535</u>	<u>\$ 4,635,741</u>	<u>\$ 37,311,237</u>	<u>\$ 3,904,607</u>

Internal service funds predominantly serve the governmental funds. Accordingly, \$25.78 million of claims payable and \$0.22 million of capital lease liabilities for them are included as part of the above totals for governmental activities. At year-end, \$2.12 million of internal service funds compensated absences are included in the above amounts. Also for governmental activities, claims and judgments and compensated absences are generally liquidated by the General fund.

The governmental-wide statement of net assets includes \$3.90 million of long-term liabilities due within one year for business-type activities. The remaining amount of \$33.40 million is displayed as “noncurrent liabilities, due in over one year” on that same statement.

Outstanding
Balance
June 30, 2006

A description of each long-term debt obligation follows:

TAX ALLOCATION BONDS

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

\$ 19,990,000

Total Tax Allocation Bonds

\$ 19,990,000

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

Period ending June 30	Principal	Interest
2007	\$ 480,000	\$ 792,848
2008	490,000	784,348
2009	500,000	773,823
2010	510,000	761,185
2011	525,000	746,297
2012-2016	2,915,000	3,451,274
2017-2021	3,515,000	2,846,520
2022-2026	4,355,000	2,012,947
2027-2031	5,455,000	915,862
2032	1,245,000	28,012
Total	<u>\$ 19,990,000</u>	<u>\$ 13,113,116</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 \$34,145,000 to current refund the 1993 South Main Tax Allocation Refunding Bonds. The bonds mature serially starting on September 1, 2003 through 2019 in amounts ranging from \$1,820,000 to \$2,820,000 and pay interest at rates varying from 2 percent to 5 percent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

	Outstanding Balance <u>June 30, 2006</u>
Payment of the principal and interest on both Series A and B bonds is guaranteed by Financial Guaranty Insurance Company under a Municipal Bond New Issue Insurance Policy.	<u>\$ 29,320,000</u>
Total Tax Allocation Refunding Bonds	<u>\$ 29,320,000</u>

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

Period ending June 30	Principal	Interest
2007	\$ 1,560,000	\$ 1,331,975
2008	1,600,000	1,288,475
2009	1,660,000	1,229,200
2010	1,730,000	1,157,163
2011	1,810,000	1,084,200
2012-2016	10,475,000	3,983,125
2017-2020	10,485,000	1,081,125
Total	\$ 29,320,000	\$ 11,155,263

CAPITALIZED LEASE OBLIGATIONS

Phillips Hutton Building Project - In October 29, 2002, the City entered into a lease financing related to the renovation of the historical Philips Hutton Building with Zions First National Bank. The minimum lease payments required during the nine and half years term of the agreement are \$3,495,690. The lease payments discounted at an estimated rate of 4.2 percent provide a present value of \$2.8 million, which approximates the value of the asset and is the amount that will be capitalized after the completion of the project in the City's capital assets used in the operation of governmental funds. The future minimum lease payments required under the terms of the lease at June 30, 2006 totaled \$2,390,541. 2,073,000

Energy Conservation Project - In February 24, 2003, the City entered into a lease purchase agreement related to the upgrade of several buildings with lighting and HVAC improvements and direct digital control systems with SunTrust. The minimum lease payments required during the ten and half years term of the agreement are \$3,504,024. The lease payments discounted at an estimated interest rate of 3.4252 percent provide a present value of \$2,887,120, which approximates the value of the improvements and is the amount that will be capitalized after the completion of the project in the City's capital assets used in the operation of governmental funds. The future minimum lease payments required under the terms of the lease at June 30, 2006 totaled \$2,540,024. 2,221,253

Outstanding
Balance
June 30, 2006

In September 24, 2002, the City entered into a lease-purchase agreement to purchase additional computer equipment in accordance with the City’s Information System Strategic Plan. The minimum lease payments required during the five-year term of this agreement are \$2,209,092. The lease payment discounted at an estimated rate of 3.70 percent provide a present value of \$2,000,000 which approximates the value of the equipment and is the amount capitalized in the City’s Communications Internal Service Fund. The future minimum lease payments required under the terms of the lease at June 30, 2006 totaled \$220,909.

216,896

Total Capitalized Lease Obligations

\$ 4,511,149

The future minimum lease obligations and the net present value of these minimum leases payments as of June 30, 2006 were as follows:

Period ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 763,882	\$ 162,512
2008	568,536	137,295
2009	592,054	115,241
2010	613,903	92,288
2011	763,882	43,704
2012-2014	<u>1,208,892</u>	<u>89,285</u>
Total	<u>\$ 4,511,149</u>	<u>\$ 640,325</u>

CERTIFICATES OF PARTICIPATION (COP)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

	Outstanding Balance <u>June 30, 2006</u>
The City is required under the lease agreement (between the City and Authority) to make lease payments every year for the use and occupancy of the building, in an amount sufficient to pay the annual principal and interest on the Certificates. Payment of principal and interest represented by the Certificates is guaranteed by a municipal bond insurance policy issued by Financial Security Assurance Inc. (FSA). A reserve fund surety bond was issued by FSA in lieu of the reserve requirement of \$796,705.	<u>10,745,000</u>
Total Certificates of Participation	\$ <u>10,745,000</u>

COP debt service requirements to maturity are as follows:

Period ending June 30	Principal	Interest
2007	\$ 290,000	\$ 498,055
2008	305,000	484,218
2009	315,000	469,648
2010	330,000	454,490
2011	345,000	438,627
2012-2016	2,000,000	1,926,060
2017-2021	2,515,000	1,397,662
2022-2026	3,160,000	733,670
2027-2028	1,485,000	70,618
Total	\$ <u>10,745,000</u>	\$ <u>6,473,048</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: \$1.47 million Capital Appreciation Bonds with accreted values of \$270,000 due July 1, 2001, \$770,000 due July 1, 2002 and \$1,285,000 due July 1,

Outstanding
Balance
June 30, 2006

2003; \$17.63 million of Current Interest Serial Bonds are due in amounts ranging from \$1.82 million starting July 1, 2004 to \$3.61 million ending in July 1, 2009; \$21.2 million of Auction Inverse Rate Securities Term Bonds (AIRS), due in amounts ranging from \$3.8 million starting in July 1, 2010, to \$4.7 million ending July 1, 2014; \$28.5 million of noncallable Premium Serial Bonds due in amounts ranging from \$5.03 million starting July 1, 2015 to \$6.41 million ending July 1, 2019 and \$38.6 million of noncallable Premium Term Bonds due in amounts ranging from 6.815 million starting July 1, 2020, to \$8.7 million ending July 1, 2024.

In February 4, 2004, the SAFA issued the Lease Revenue Refunding Bonds, Series 2004 A to partial current refund \$38,830,000 of the Lease Revenue Bonds, Series 1994 A representing the Current Interest Serial Bonds and Auction Inverse Rate Securities Term Bonds (AIRS) maturing in July 1, 2004 through July 1, 2014. The face value of the Lease Revenue Refunding Bonds, Series 2004 A was \$38,845,000. The refunding was issued with interest rates ranging from 2.5% to 5%.

The bonds are payable from revenues of the Financing Authority, consisting principally of base rental payments by the City pursuant to a lease agreement between the City and the Authority. The City agreed to make all base rental payments sufficient to permit the Authority to pay principal and interest on all the bonds described in the preceding paragraph. The amount in the reserve account at June 30, 2006 is approximately \$5 million. Payment of principal and interest on the Bonds is covered by a municipal bond insurance policy issued by Municipal Bond Investors Assurance Company (MBIA).

\$ 100,195,000

Countywide Public Financing Authority. On August 1, 1996 the Countywide Public Financing Authority, a joint exercise of powers authority established by the cities of Brea, Buena Park, Fullerton, Garden Grove, Orange, Santa Ana, Seal Beach, Stanton and Tustin (the “Members”), issued 1996 Revenue Bonds in the gross amount of \$27.725 million to provide financing for the portions of a County-wide emergency communications system within Orange County allocable to the Members and to finance other capital projects for certain Members, to fund a reserve account and to pay the costs of issuance.

To provide for the repayment of the Bonds, each Member has agreed to lease certain real property and improvements to the Authority, then to lease back the same premises and agreed to pay installments of rent sufficient to pay the interest and principal on the Bonds when due. The Bonds are special obligations of the Authority payable solely from the revenues pledged under the respective lease agreements and each Member has covenanted to take such action necessary to include its lease payments in its budgets

Outstanding
Balance
June 30, 2006

during the term of the lease agreement and to make the necessary annual appropriations therefore.

The City of Santa Ana's share of the bond issue amounts to \$6.655 million. The bonds mature serially starting August 1, 1997 to August 1, 2006 in amounts ranging from \$540,000 to \$820,000 at rates of 4.10% to 5.30%. The amount in the reserve account at June 30, 2006 is \$225,355. Payment of principal and interest on the Bonds is covered by a municipal bond insurance policy issued by Municipal Bond Investors Assurance Company (MBIA).

820,000

Total Lease Revenue Bonds

\$ 101,015,000

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

Period ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,430,000	\$ 5,538,355
2008	3,755,000	5,372,225
2009	3,870,000	5,259,575
2010	4,030,000	5,085,425
2011	4,190,000	4,904,075
2012-2016	24,015,000	21,690,475
2017-2021	32,180,000	13,947,814
2022-2024	24,545,000	3,130,314
Total	<u>\$ 101,015,000</u>	<u>\$ 64,928,258</u>

REFUNDING REVENUE BONDS

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

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

Outstanding
Balance
June 30, 2006

Payment of the principal and interest on the bonds is guaranteed by a municipal bond guaranty insurance policy issued by Municipal Bond Investors Assurance Company (MBIA). \$ 51,750,000

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

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

Payment of the principal and interest on the bonds is guaranteed by a municipal bond guaranty insurance policy issued by Municipal Bond Investors Assurance Company (MBIA). 9,205,000

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

The Series C Bonds are limited obligations of the Authority and are payable solely from, and are secured by, a pledge and assignment under the Indenture of a portion of the Revenues, consisting of (i) all amounts derived from or in respect of the 1989 A Bonds purchased with the proceeds of the Bonds, including principal prepayments and other payments of principal thereof and interest thereon, other than Agency Surplus Payments, and (ii) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Surplus Account and the Costs of Issuance Fund. 6,445,000

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

15,450,000

Total Refunding Revenue Bonds

\$ 82,850,000

Period Ending		Principal		Interest
June 30				
2007	\$	4,155,000	\$	4,163,568
2008		4,360,000		3,956,673
2009		4,585,000		3,731,434
2010		4,820,000		3,487,701
2011		5,080,000		3,224,157
2012-2016		29,785,000		11,775,736
2017-2020		30,065,000		3,218,789
Total	\$	<u>82,850,000</u>	\$	<u>33,558,058</u>

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

Outstanding
Balance
June 30, 2006

LONG-TERM LOANS

Santa Ana Venture Loan. In April 1984, the Redevelopment Agency entered into a participation agreement with the Santa Ana Venture, a joint venture between JMB/Federated Realty Association and Henry Segerstrom (the “Participants”), to provide for the rehabilitation and redevelopment of the Main Place project. This agreement provided for the Redevelopment Agency to acquire land within the project area and to sell it to the Participants subject to restrictive terms, conditions, and provisions set forth in the agreement. To fund the Redevelopment Agency’s acquisition of land and other related costs above the funding level made available by the Agency the Participants agreed to advance the Participant’s purchase price and to make available an unsecured loan of up to \$13.5 million to the extent total Agency costs exceeded \$29 million. The loan accrues interest at 10 percent per annum and is to be repaid solely from the annual tax increment accruing to the Agency from the project site, each year that the increment is in excess of the tax increment accruing in fiscal 1984. As of June 30, 2006 the unpaid accrued interest for the Santa Ana Venture Loan is \$3,227,981. \$ 6,220,686

HUD Section 108 Guaranteed Loan. In July 1993, the City entered into an agreement with the Department of Housing and Urban Development (HUD), making available \$20 million to finance the right of way acquisitions for the Bristol Street Widening Project. Drawdowns made through June 30, 1995 amounted to \$20 million. Also, in fiscal year 1995-96, HUD approved, and the corresponding drawdown was made in the amount of \$13.9 million to partly fund the jail facility portion of the Police Building project. The loan has a fixed interest rate of 5.6688%. The loan is payable from the City’s Community Development Block Grant (CDBG) yearly allocation. The amortization schedule started on August 1, 1994 and ends August 1, 2006. Debt service for fiscal year 2005-06 is \$1,892,814 (representing principal of \$1,705,000 and interest of \$187,814). 1,820,000

CHFA Loan. On November 1, 1999, the Redevelopment Agency and the California Housing Finance Agency (CHFA) entered into a commitment and loan agreement for Housing Enabled by Local Partnership (HELP) loan program, in connection with the Cornerstone Village Façade Courtyard Improvement Project situated in the City of Santa Ana. CHFA has made available to the RDA, the amount of \$2.6 million. Interest accrues at 3% per annum on the balance outstanding, and repayment including accrued interest, is deferred for ten years. Currently, the loan outstanding at June 30, 2006 totaled \$742,645. 742,645

	Outstanding Balance <u>June 30, 2006</u>
<p><u>County of Orange Loan.</u> The Redevelopment Agency owes the County of Orange the balance of \$95,043, which bears interest of 7.5% as of June 30, 1998 for a property in the Downtown project area. The monthly payment of \$887 extends to the year 2021.</p>	95,043

Total Long-Term Loans	<u>\$ 8,878,376</u>
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Compensated Absences. Accrued vacation (\$16,124,600) represents total vested vacation benefits for all City employees in the governmental funds. Sick leave benefits (\$14,081,365) are payable to employees for illnesses during employment; or upon termination after 10 years, the employee is entitled to payment equal to 1/3 of up to 200 days of accrued sick leave. The sick leave liability included herein represents those amounts payable to employees with over 10 years of employment as of June 30, 2006. Also included herein is \$2,116,783 representing accrued vacation and sick leave benefits for employees in the Internal Service Funds.

	<u>\$ 30,205,965</u>
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LONG-TERM DEBT DEFEASED IN PRIOR YEARS

In prior years, the City has defeased various bond issues of which \$474,059 are outstanding as of June 30, 2006. The investments in U.S. government securities, which are held in various escrow funds, are sufficient to fully service the defeased bonds until the bonds are called or mature. For financial reporting purposes, the bonds are considered defeased and therefore, have been removed as a liability from the City's long-term debt.

- F. Water Revenue Bonds.** On February 5, 2004, the City through the Santa Ana Financing Authority (SAFA) issued the Water Revenue Refunding Bonds, Series 2004 with a face value of \$20,110,000 with maturities starting Sept. 1, 2005 through September 1, 2025 at interest rates ranging from 2% to 5%. The proceeds of the 2004 Bonds were used to current refund the 1994 Bonds. The remaining proceeds will be used to purchase the Reserve Surety Bond, finance certain capital improvements to the water system and to pay costs of issuance. The 2004 Bonds are payable solely from installment payments made by the City from net system revenues pursuant to the installment Purchase Agreement. Payment of principal and interest represented by the certificates is covered against nonpayment by a municipal bond insurance policy issued by the Municipal Bond Investors Assurance Corporation with principal offices at Armonk, New York, NY 10504.

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

Period ending June 30	Principal	Interest
2007	\$ 750,000	\$ 767,200
2008	770,000	749,137
2009	790,000	728,650
2010	810,000	708,169
2011	830,000	687,656
2012-2016	4,530,000	3,034,694
2017-2021	5,475,000	2,036,837
2022-2025	5,415,000	558,125
Total	<u>\$ 19,370,000</u>	<u>\$ 9,270,468</u>

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

Operating revenue	\$ 38,401,053
Operating expenses (net of depreciation expense of \$ 2,001,366)	<u>34,726,153</u>
Net revenue	3,674,900
Amount required for payment of principal and interest payable for the year ended June 30, 2007 (\$1,517,200 x 1.20)	<u>1,820,640</u>
Excess of net revenue over amount required	<u>\$ 1,854,260</u>

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

The agreement was entered into in June 19, 1991 and amended in May 11, 1995. After the project was completed, the City executed a promissory note in favor of OCWD for \$2,857,558, at an interest rate of 3.50 percent, payable semi-annually in the amount of \$99,935 beginning March 15, 1998 and ending September 15, 2017. The balance of the note as of June 30, 2006 is \$1,878,899. The note is a liability of the City’s Water Enterprise Fund.

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

Period ending June 30	Principal	Interest
2007	\$ 135,282	\$ 64,588
2008	140,058	59,812
2009	145,003	54,867
2010	150,122	49,747
2011	155,423	44,447
2012-2016	863,403	135,946
2017-2018	289,608	10,195
Total	\$ 1,878,899	\$ 419,602

G. Certificates of Participation (COP) - Refuse Enterprise Fund. On June 1, 1996, the California Environmental Finance Corporation for the account of the City of Santa Ana issued the 1996 Series A COP, in the amount of \$11.99 million with maturities starting May 1, 1997 through May 1, 2008 in amounts ranging from \$730,000 to \$2.36 million, with interest rates ranging from 3.9 percent to 5.7 percent. Interest and principal are payable semi-annually on May 1 and November 1. Proceeds from the sale of the certificates were used by the City to pay the costs of acquiring certain equipment to implement a fully automated curbside recycling program and to expand the City's bin service collection system. Part of the proceeds was used to fund a reserve account and to pay the cost of issuance. At June 30, 2006, the reserve balance is \$1,486,032.

The certificates represent proportionate interests in the right to receive Installment Payments to be made by the City under the Installment Purchase Contract. The obligation of the City to pay the installment payments is a special obligation payable from and secured solely by a pledge of and first lien on revenues of the City's refuse collection system. The installment purchase contract provides that the obligation of the City to make installment payments from revenues is absolute and unconditional. The balance outstanding as of June 30, 2006 is \$3,460,000.

Certificates of Participation (COP) - Parking Fund. On April 2, 2003, Certificates of Participation 2003 Series A amounting to \$16.985 million were issued to current refund the \$16,875,000 City of Santa Ana Certificates of Participation (Parking Facilities Refunding Project) Series 1993A, the \$1,945,000 City of Santa Ana Certificates of Participation (Commercial Facilities Refunding Project), Series 1993B and the \$5,005,000 City of Santa Ana Certificates of Participation (Mass Commuting Facility Refunding Project), Series 1993C. The Certificates mature serially through June 1, 2016 in amounts ranging from \$555,000 to \$1,895,000 and pay interest at rates varying from 2.5% to 5%. The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, Payments of the principal and interest is insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation. The balance outstanding as of June 30, 2006 is \$11,745,000.

COP debt service requirements to maturity are as follows:

Year ending June 30	REFUSE		PARKING		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,100,000	\$ 189,200	\$ 1,425,000	\$ 507,312	\$ 2,525,000	\$ 696,512
2008	2,360,000	129,800	835,000	464,563	3,195,000	594,363
2009			805,000	439,512	805,000	439,512
2010			925,000	407,313	925,000	407,313
2011			1,060,000	361,063	1,060,000	361,063
2012-2016			6,695,000	913,925	6,695,000	913,925
Total	<u>\$ 3,460,000</u>	<u>\$ 319,000</u>	<u>\$ 11,745,000</u>	<u>\$ 3,093,688</u>	<u>\$ 15,205,000</u>	<u>\$ 3,412,688</u>

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

Residential Mortgage Revenue Bond Programs:

Through June 30, 2006, the City and the Housing Authority of the City of Santa Ana issued residential mortgage revenue bonds totaling \$76,175,475. The proceeds of these bonds were used to purchase mortgage loans made to homeowners and developers for the purpose of financing single-family and multi-family dwellings.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>
July 12, 1985	5.75-9.5%	\$ 18,499,040
October 1, 1996	Variable	15,225,000
December 1, 1996	Variable	10,425,000
December 12, 1995	Variable	5,300,000
February 14, 1996	Variable	7,900,000
July 1, 2001	4.00-6.50%	4,159,250
November 1, 2001	6.05%	3,306,407
December 23, 2004	Variable	5,225,000
June 25, 2002	6.00%	1,035,778
November 1, 2003	5.24%	5,100,000
		<u>\$ 76,175,475</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.

Industrial Development Bond (IDB) Program:

The IDB Program encourages industrial and commercial development by arranging financing and assisting in the acquisition and development of authorized projects. The chief goals of the IDB Program are the creation and retention of jobs, and expansion of the tax base. The City has three avenues through which developers can pursue IDB financing: City Charter Authority, Health Facility Revenue Bonds, and Industrial Development Authority. This program has resulted in the retention or creation of 8,119 jobs in the City. As of June 30, 2006, fifteen issues totaling \$141,175,000 are outstanding:

<u>Issuing Authority</u>	<u>Number of Issues</u>	<u>Amount</u>
City Charter Authority	2	\$ 6,418,000
Health Facility Revenue Bond	2	48,800,000
Industrial Development Authority	<u>11</u>	<u>85,957,000</u>
	<u>15</u>	<u>\$141,175,000</u>

Commercial Rehabilitation Loan Program:

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

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

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

The City accounts for these programs in the Housing Rehabilitation Loan Program Agency Fund where amounts due to other governmental agencies of \$208,839 are reflected at June 30, 2006. The Fund's primary assets consist of the non-interest bearing deposits pledged as collateral, and participant note receivables, which originated from City and/or State funds. Loans to participants made by the outside lending institutions are not reflected in the financial statements.

Self-Funding Residential Rehabilitation Loan Program. During April 1983, the City Council implemented a self-funding residential loan program to replace the aforementioned interest rate buy-down programs implemented through banks and savings and loan associations. The program makes direct loans to qualifying persons for both single-family and multiple units in amounts up to \$30,000 at 5 to 8 percent interest amortized over 15 years for single-family units, and up to \$40,000 for 1 to 3 multiple units amortized over 10 years. Generally, all loans are due upon sale and are secured by a deed of trust. The program is funded by CDBG, HOME, other grant funds and property tax increment revenues in the redevelopment project areas, from which 20 percent of such revenues must be set aside for low and moderate income housing related activities per State law. At June 30, 2006 loans totaling \$22,972,715 and \$8,081,431 were recorded as "notes receivable" in the Grant Funds Special Revenue Fund and Community Redevelopment Agency Capital Projects Funds, respectively.

I. Commitments

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

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

The Lease Payment schedule was computed at 4.75% per annum on \$5,970,000 as follows:

Period Ending June 30	Principal Component	Interest Component	Total Lease Payment
2007	\$ 50,032	\$ 424,905	474,937
2008	198,415	276,521	474,937
2009	207,871	267,066	474,937
2010	217,777	257,160	474,937
2011	228,155	246,782	474,937
2012-2026	5,067,750	2,056,300	7,124,051
	<u>\$ 5,970,000</u>	<u>\$ 3,528,734</u>	<u>9,498,735</u>

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

J. Segment Information. The City issued Certificates of Participation for \$11.99 million of which \$3.5 million remains outstanding to finance the implementation of a fully automated recycling program and to expand the City's bin collection service. In this issue, investors rely solely on the revenue generated by the refuse activity for repayment. Summary financial information for the Refuse Collection Enterprise Fund as of June 30, 2006 is presented below.

CONDENSED STATEMENT OF NET ASSETS:

	Refuse Collection
Assets:	
Current assets	\$ 1,777,449
Noncurrent assets	1,486,032
Capital assets	341,592
Total assets	\$ 3,605,073
Liabilities:	
Current liabilities	\$ 1,172,858
Noncurrent liabilities	2,350,101
Total liabilities	\$ 3,522,959
Net assets:	
Invested in capital assets, net of related debt	\$ (3,087,291)
Restricted	1,486,032
Unrestricted	1,683,373
Total net assets	\$ 82,114

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Refuse Collection</u>
Operating revenues	\$ 13,872,262
Depreciation expense	(395,204)
Other operating expense	<u>(12,643,848)</u>
Operating income	<u>833,210</u>
Nonoperating revenues (expenses)	
Interest income	111,282
Interest expense	(235,354)
Other	<u>(41,489)</u>
Total nonoperating revenues (expenses)	<u>(165,561)</u>
Change in net assets	667,649
Net assets (deficit) - beginning	<u>(585,535)</u>
Net assets - ending	<u><u>\$ 82,114</u></u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Refuse Collection</u>
Net cash provided by (used for)	
Operating activities	\$ 1,082,627
Capital and related financing activities	(1,289,585)
Investing activities	<u>111,282</u>
Net increase (decrease)	(95,676)
Beginning cash and cash equivalents	<u>2,018,719</u>
Ending cash and cash equivalents	<u><u>\$ 1,923,043</u></u>

Note 4. OTHER INFORMATION

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

Under these programs, the City is self-insured for workers' compensation up to \$500,000 each occurrence and liability up to \$1 million each occurrence. Furthermore, the City is a member of the Big Independent Cities Excess Pool (BICEP), a public entity risk pool established to pool resources, share risks, and purchase excess insurance. BICEP's excess liability program began October 1, 1988. Each BICEP member city assumes the first \$1 million of each occurrence, as above mentioned. All BICEP members share risk starting with first layer of \$1 million to \$2 million and from \$22 million to \$25 million, BICEP's limit. Excess insurance covers amounts from \$2 million to \$22 million. In 1993, the City became a charter member of the Public Entity Property Insurance Program (PEPIP). Current PEPIP limits are \$750 million per occurrence for "all risks" and \$82.5 million for flood coverage. The City carries commercial insurance to cover claims of employees participating in the dental program. Also the City has contracted with the Public Employees Retirement System (PERS) Health Insurance Program to cover claims of employees participating in the HMO plans contracted by PERS. Settled claims have not exceeded commercial coverage during the last three years.

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current claims in the liability and workers' compensation programs. In the health and dental programs, contributions to the Self-Insurance Internal Service Fund represent estimated premiums payable to PERS and the dental insurance carriers.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The losses include an estimate of claims that have been incurred but not reported. At June 30, 2006, the outstanding losses for the workers' compensation and liability programs are reported at their discounted present value. The outstanding losses are discounted at a 3 percent annual interest rate to reflect future investment earnings. The present value computations were performed by an independent casualty actuary, in connection with their actuarial study of the City's self-insured workers' compensation and liability programs undertaken as of June 30, 2006. Changes in the balances of claims liabilities since July 1, 2003 resulted from the following:

	Workers' Compensation	Liability	Total
Net Unpaid Claims - June 30, 2004	\$ 19,509,740	\$ 8,743,423	\$ 28,253,163
Claims and Changes in Estimate	7,774,497	(1,911,649)	5,862,848
Claims Payments	<u>(5,169,947)</u>	<u>(885,033)</u>	<u>(6,054,980)</u>
Unpaid Claims - June 30, 2005	22,114,290	5,946,741	28,061,031
Less Discount Taken	<u>(2,432,453)</u>	<u>(357,447)</u>	<u>(2,789,900)</u>
Net Unpaid Claims - June 30, 2005	<u>\$ 19,681,837</u>	<u>\$ 5,589,294</u>	<u>\$ 25,271,131</u>

	Workers' Compensation	Liability	Total
Unpaid Claims - July 1, 2005	\$ 19,681,837	\$ 5,589,294	\$ 25,271,131
Claims and Changes in Estimate	7,488,347	890,274	8,378,621
Claims Payments	<u>(4,625,091)</u>	<u>(414,386)</u>	<u>(5,039,477)</u>
Unpaid Claims - June 30, 2006	22,545,093	6,065,182	28,610,275
Less Discount Taken	<u>(2,473,572)</u>	<u>(354,385)</u>	<u>(2,827,957)</u>
Net Unpaid Claims - June 30, 2006	<u>\$ 20,071,521</u>	<u>\$ 5,710,797</u>	<u>\$ 25,782,318</u>

- B. Related Party Transactions.** As explained in Note 1A., this report includes the accounts of the Redevelopment Agency, the Housing Authority, and the Financing Authority, each of which are considered component units of the primary government. Each of these units are operated by City employees, some of whom provide services for (or exert management influence over) more than one of these units. Charges to these units for labor, materials and overhead are made directly at the City's standard rate per formal agreements with the City. Real property transfers are executed at appraised value usually net of cost incurred by the acquiring unit. Projects performed by the City on behalf of the Redevelopment Agency are charged at cost, for which the Redevelopment Agency assumes a long-term obligation to pay from future tax increment revenues. During the year ended June 30, 2006 obligations for project costs totaling \$10,741,264 were assumed by the Redevelopment Agency. See also Note 3B.
- C. Contingent Liabilities. Commitments and Contingencies.** Numerous claims and suits have been filed against the City in the normal course of business. To the extent that information available indicates that it is probable a liability has been incurred as of June 30, 2006 and where the amount of loss could be reasonably estimated, the obligation has been accrued as an expense of the City's self-insurance program (see Note 4A).

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

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

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

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

CPFA shall be administered by a Board of nine (9) Directors, unless and until changed by amendment of the Agreement. One Director shall be appointed by the governing body of each of the Members. Each Director shall hold office until the governing body of his or her related Member shall have appointed a successor. All voting power of CPFA shall reside in the Board. The Agreement which became effective on June 19, 1996 will continue to be in full force and effect so long as any bonds remaining outstanding, or so long as CPFA shall own any interest in public capital improvements. Upon termination of the Agreement, all property of CPFA, both real and personal, shall be divided among the parties in such manner as shall be agreed upon by the Members.

Current financial information of CPFA is available at the office of BNY Western Trust Company at 700 South Flower St, Suite 500, Los Angeles, CA 90017-4104.

- E. Deferred Compensation Plans.** The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. On August 20, 1996 the provisions of IRC Section 457 were amended to require new plans to place all assets and income of the plans in trust for the exclusive benefit of participants and their beneficiaries. The City has placed its Deferred Compensation Plan assets and related income in trust as allowed by IRC Section 457. The plans financial information is no longer presented in these financial statements.

F. Defined Benefit Pension Plan.

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

(B) *Funding Policy.* Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. As an employer, the City is required to contribute an actuarially determined percentage rate of annual covered payroll. The fiscal year 2005-06 rate was 23.464% for the safety employees and 7.984% for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) *Annual Pension Cost.* For fiscal year 2005-06, the City's annual pension cost of \$17,281,740 for CalPERS was equal to the City's required and actual contributions. For fiscal year 2005-06, total member's contribution to CalPers, including contributions on behalf of employees, was \$26,660,813. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases from 3.25% to 13.15% that vary by duration of service, age and type of employment. Also included is an inflation component of 3% and payroll growth of 3.25%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends by June 30, 2034.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ 1,335	100%	0
06/30/05	12,338	100%	0
06/30/06	17,282	100%	0

G. Retirement Health Benefits. Article XIV, Section 6, of the Memorandum of Understanding between the City and the Santa Ana Firemen's Benevolent Association (FBA) through June 30, 2006 provides that the City shall administer a "flat rate" retiree Health Insurance Premium Reduction Program, available to retirees of the FBA. Employees who are members of the FBA retiring on or after July 1, 1989 are eligible to participate regardless of whether or not they are participating in a City-sponsored medical plan on their date of retirement. If retirees do not elect coverage on their date of retirement, they will not be eligible for coverage at any other time in the future. In addition, to be eligible, employees must have at least ten years of service on the date they retire. This requirement will be waived for any employees retiring due to disability.

The City's monthly contribution is based on a flat dollar amount per year of service. Beginning in 1989, the flat dollar levels were \$2.20 for single coverage and \$5.50 for family coverage. These amounts increase by 5% each year. When the employee dies, the City's contribution ceases regardless of whether or not the dependents are still living. Currently, there are seventy-six (76) retirees participating in the program. The program is advance funded and the City has annually made available (beginning October 1, 1990) an amount equal to one percent of the FBA unit's current salary base. Effective October 1, 2006 this amount will be increased to 1.75%. Contributions made to the fund in fiscal year 2005-06 totaled \$347,530. The balance available at June 30, 2006 totaled \$1,285,079, which is reported in the Retiree Health Insurance Subsidy Trust account.

During fiscal year 2001-02, the City expanded the post employment health and dental benefits to cover other represented associations such as the Police Management Association (PMA), the Fire Management Association (FMA), the Santa Ana City Employee's Chapter 1939/SEIU Local 347, the Mid/Administrative Managers' Association (MMA), and the Unclassified (UC) employees.

The respective programs are advanced funded and the City has annually made available an amount equal to one half percent of the respective bargaining units salary base. Eligibility and benefits varies depending upon the pertinent provisions as embodied in each bargaining units' Memorandum of Understanding (MOU) with the City. Contributions made by the City to each respective bargaining unit in fiscal year 2005-06 and the respective units' balances at June 30, 2006 were as follows:

	Contribution	Balance
PMA	\$ 11,679	\$ 56,791
SEIU	252,269	405,060
FMA	17,377	5,967
SAMA	74,118	205,119
UC	37,537	95,797
Total	<u>\$ 392,980</u>	<u>\$ 768,734</u>

The respective bargaining units funds are reported in the Retiree Health Insurance Subsidy Trust account. Currently there are 69 retirees receiving benefits in the SEIU program, 12 in PMA, 6 in the FMA, 7 in the SAMA and 2 in UC.

H. Restatement of Beginning Fund Balance/ Net Assets

The accompanying financial statements reflect a restatement of beginning net assets of the Water Enterprise Fund, the Sanitation Non-major Enterprise Fund, the Internal Service Funds and the governmental activities to correctly reflect the total amount of capital assets and total accumulated depreciation according to the capitalization threshold as indicated in Note 1-D. The following schedule summarizes the effect of the prior period adjustment to beginning net assets as of June 30, 2005:

	Water Enterprise Fund	Sanitation Nonmajor Enterprise Fund	Central Svs. Internal Service Fund	Building Maint. Internal Service Fund	Equipment Maint. & Repl. Internal Service Fund	Self-Insurance Internal Service Fund	Communications Internal Services	City Yard Internal Service Fund	Engineering & Admin. Svs. Internal Service Fund
Beginning Net Assets (Deficit) as Previously Reported	\$ 54,596,061	\$ 1,681,954	\$ 498,515	\$ 533,132	12,136,079	\$ (6,946,131)	\$ 10,615,705	\$ 219,986	\$ 165,558
Net Decrease in Capital Assets	(41,224)	(10,801)	(89,165)	(5,047)	(76,175)	(24,891)	(1,188,594)	(2)	(3,544)
Beginning Net Assets (Deficit) as Restated	<u>\$ 54,554,837</u>	<u>\$ 1,671,153</u>	<u>\$ 409,350</u>	<u>\$ 528,085</u>	<u>12,059,904</u>	<u>\$ (6,971,022)</u>	<u>\$ 9,427,111</u>	<u>\$ 219,984</u>	<u>\$ 162,014</u>

The beginning fund balance of the Capital Projects Redevelopment Agency was restated by \$4,720,770. This represents the adjustment to reclassify the offset account for the Housing Rehabilitation Loans and Commercial Loans as Deferred Revenues.

	Government - wide Financial Statements	
	Governmental Activities	Business-type Activities
Beginning net assets as previously reported	\$ 652,310,613	\$ 91,849,010
Net decrease in capital assets:		
Governmental Funds	(349,590)	
Enterprise Funds		(52,025)
Internal Service Funds	(1,387,418)	
RDA Deferred Revenue reclassification	(4,720,770)	
Beginning net assets as restated	<u>\$ 645,852,835</u>	<u>\$ 91,796,985</u>

I. Fund Balance Designations

As of June 30, 2006, the following governmental fund of the City had designations of fund balances as follows:

	General Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds
Designated for authorized projects	\$ 5,531,155	\$ 3,594,283	\$ 6,750,905
Designated for subsequent year expenditures	13,812,073	108,366	-
Designated for stabilizaton fund	23,546,407	-	-
	\$ 42,889,635	\$ 3,702,649	\$ 6,750,905

**General Fund
Budgetary Comparison Schedule
Year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 129,470,865	129,470,865	143,937,951	\$ 14,467,086
License and permits	4,992,900	5,072,900	4,172,102	(900,798)
Intergovernmental	2,747,955	2,747,955	3,664,005	916,050
Charges for services	8,711,850	9,719,715	11,653,514	1,933,799
Fines and forfeits	5,317,405	5,317,405	5,910,892	593,487
Investment income	15,579,960	15,615,960	17,870,654	2,254,694
Miscellaneous	16,685,735	18,827,511	12,321,303	(6,506,208)
Total revenues	183,506,670	186,772,311	199,530,421	12,758,110
Expenditures:				
Current:				
General Government:				
City Council	1,005,980	1,057,239	1,003,076	54,163
Clerk of the Council	652,235	654,118	562,030	92,088
City Attorney	2,227,795	2,228,281	2,005,529	222,752
City Manager	682,315	682,315	588,262	94,053
Nondepartmental	2,517,598	2,729,814	2,187,183	542,631
Total General Government	7,085,923	7,351,767	6,346,080	1,005,687
Human Resources	1,699,325	1,755,055	1,468,545	286,510
Finance and Management Services	5,921,080	6,130,235	4,324,845	1,805,390
Museum	1,582,375	2,532,375	1,735,954	796,421
Library	4,772,815	5,490,592	3,978,612	1,511,980
Recreation and Community Services	12,385,830	13,343,768	11,942,992	1,400,776
Police Department	92,748,740	93,585,366	90,989,656	2,595,710
Fire Department	43,284,590	44,697,586	42,718,359	1,979,227
Planning and Building	9,370,495	10,574,688	9,160,326	1,414,362
Public Works	5,201,870	6,233,441	4,761,052	1,472,389
Community Development	275,000	717,910	571,880	146,030
	177,242,120	185,061,016	171,652,221	13,408,795
Capital Outlay	6,098,760	11,641,996	1,387,718	10,254,278
Debt Service:				
Principal retirement	1,528,635	1,528,635	1,528,246	389
Interest and fiscal charges	907,206	907,206	907,206	-
Total expenditures	192,862,644	206,490,620	181,821,471	24,669,149
Excess (deficiency) of revenues over (under) expenditures	(9,355,974)	(19,718,309)	17,708,950	37,427,259
Other financing sources (uses):				
Transfers in	19,092,495	19,631,495	17,140,689	(2,490,806)
Transfers out	(20,637,095)	(20,756,934)	(20,756,934)	-
Total other financing sources (uses)	(1,544,600)	(1,125,439)	(3,616,245)	(2,490,806)
Net change in fund balances	(10,900,574)	(20,843,748)	14,092,705	34,936,453
Fund balances - beginning	38,256,211	38,256,211	38,256,211	-
Fund balances - ending	\$ 27,355,637	17,412,463	52,348,916	\$ 34,936,453

Housing Authority Special Revenue Fund
Budgetary Comparison Schedule
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 26,430,400	26,430,400	27,741,093	\$ 1,310,693
Investment income	-	-	176,005	176,005
Miscellaneous	90,300	90,300	224,439	134,139
Total revenues	<u>26,520,700</u>	<u>26,520,700</u>	<u>28,141,537</u>	<u>1,620,837</u>
Expenditures:				
Current:				
General Government:				
Community Development	26,752,375	26,938,683	24,797,672	2,141,011
Capital Outlay	29,895	39,895	-	39,895
Total expenditures	<u>26,782,270</u>	<u>26,978,578</u>	<u>24,797,672</u>	<u>2,180,906</u>
Net change in fund balances	(261,570)	(457,878)	3,343,865	3,801,743
Fund balance - beginning	<u>2,230,870</u>	<u>2,230,870</u>	<u>2,230,870</u>	-
Fund balance - ending	<u>\$ 1,969,300</u>	<u>1,772,992</u>	<u>5,574,735</u>	<u>\$ 3,801,743</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, YEAR ENDED JUNE 30, 2006

A. Budgetary Information

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

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

Budgets are prepared on a modified accrual basis. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All annual appropriations lapse at fiscal year-end to the extent that they have not been expended or lawfully encumbered. Expenditures may not legally exceed appropriations at the departmental level in the governmental funds, except that certain Special Revenue Funds and Capital Projects Funds are maintained at the project level.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes; and if proceeds of taxes exceed allowed appropriations, the excess must be returned to the taxpayers through revised tax rates or fee schedules within the next two years. For the fiscal year ended June 30, 2006, proceeds of taxes did not exceed related appropriations.

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

B. Defined Benefit Pension Plan

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

Plan	Actuarial Valuation Date	(a)	(b)	(a)-(b)=(c)	(b)/(a)	(d)	(c)/(d)
		Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Liability (UAAL)		Annual Covered Payroll	UAAL As a % of Covered Payroll
Miscellaneous	06/30/02	286,106	325,467	(39,361)	113.8%	64,749	(60.8%)
Safety	06/30/02	515,566	492,879	22,687	95.6%	48,203	47.1%
Miscellaneous	06/30/03	324,098	330,398	(6,300)	101.9%	65,619	(9.6%)
Safety	06/30/03	541,874	493,673	48,201	91.1%	50,403	95.6%
Miscellaneous	06/30/04	350,203	347,955	2,248	99.4%	66,017	3.4%
Safety	06/30/04	585,275	515,139	70,136	88.0%	51,998	134.9%

**Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Total
Assets			
Cash and investments	\$ 5,698,587	23,383,063	\$ 29,081,650
Receivables (net of allowance for uncollectibles):			
Interest	71,504	183,622	255,126
Intergovernmental	1,169,587	5,297,458	6,467,045
Due from other funds	-	15,463	15,463
Land held for resale	-	73,607	73,607
	<u>6,939,678</u>	<u>28,953,213</u>	<u>\$ 35,892,891</u>
Total assets	<u>\$ 6,939,678</u>	<u>28,953,213</u>	<u>\$ 35,892,891</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 315,894	1,950,908	\$ 2,266,802
Retention payable	26,989	572,151	599,140
Due to other funds	15,463	1,690,538	1,706,001
Deferred revenues	327,548	1,921,096	2,248,644
	<u>685,894</u>	<u>6,134,693</u>	<u>6,820,587</u>
Total liabilities	<u>685,894</u>	<u>6,134,693</u>	<u>6,820,587</u>
Fund balances:			
Reserved:			
For encumbrances and continuing appropriations	1,565,977	4,367,767	5,933,744
For land held for resale	-	73,607	73,607
Unreserved, designated for:			
Authorized projects	3,594,283	6,750,905	10,345,188
Subsequent year expenditures	108,366	-	108,366
Unreserved, undesignated for:			
Special revenue funds	985,158	-	985,158
Capital projects funds	-	11,626,241	11,626,241
	<u>6,253,784</u>	<u>22,818,520</u>	<u>29,072,304</u>
Total fund balances	<u>6,253,784</u>	<u>22,818,520</u>	<u>29,072,304</u>
Total liabilities and fund balances	<u>\$ 6,939,678</u>	<u>28,953,213</u>	<u>\$ 35,892,891</u>

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2006

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Taxes	\$ -	2,340,509	\$ 2,340,509
Intergovernmental	9,301,136	17,333,523	26,634,659
Charges for services	1,111,583	3,515,071	4,626,654
Investment income	1,552,686	561,443	2,114,129
Miscellaneous	422,556	936,000	1,358,556
Total revenues	<u>12,387,961</u>	<u>24,686,546</u>	<u>37,074,507</u>
Expenditures:			
Current:			
Human Resources	183,922	-	183,922
Recreation and Community Services	4,741,563	-	4,741,563
Police Department	430,940	-	430,940
Planning and Building	137,761	-	137,761
Capital Outlay	639,252	14,014,011	14,653,263
Total expenditures	<u>6,133,438</u>	<u>14,014,011</u>	<u>20,147,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,254,523</u>	<u>10,672,535</u>	<u>16,927,058</u>
Other financing sources (uses):			
Transfers in	1,909,640	4,402,099	6,311,739
Transfers out	<u>(7,998,196)</u>	<u>(10,625,643)</u>	<u>(18,623,839)</u>
Total other financing sources (uses)	<u>(6,088,556)</u>	<u>(6,223,544)</u>	<u>(12,312,100)</u>
Net change in fund balances	165,967	4,448,991	4,614,958
Fund balances - beginning	<u>6,087,817</u>	<u>18,369,529</u>	<u>24,457,346</u>
Fund balances - ending	<u>\$ 6,253,784</u>	<u>\$ 22,818,520</u>	<u>\$ 29,072,304</u>

Nonmajor Special Revenue Funds

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

Special Gas Tax - 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.

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 and 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, 2006

	Special Gas Tax	Sewer Connection Fee
Assets		
Cash and investments	\$ -	4,968,567
Receivables (net of allowance for uncollectibles):		
Interest	8,366	53,052
Intergovernmental	566,431	-
Total assets	<u>\$ 574,797</u>	<u>5,021,619</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	180,395
Retention payable	-	15,219
Due to other funds	15,463	-
Deferred revenues	-	-
Total liabilities	<u>15,463</u>	<u>195,614</u>
Fund balances:		
Reserved for		
Encumbrances and continuing appropriations	-	805,898
Unreserved, designated for:		
Authorized projects	-	3,594,283
Subsequent year expenditures	-	-
Unreserved, undesignated	559,334	425,824
Total fund balances	<u>559,334</u>	<u>4,826,005</u>
Total liabilities and fund balances	<u>\$ 574,797</u>	<u>5,021,619</u>

NONMAJOR SPECIAL REVENUE FUNDS

Civic Center & Maintenance	Inmate Welfare	Air Quality Improvement	Total
33,638	189,474	506,908 \$	5,698,587
-	2,300	7,786	71,504
493,173	-	109,983	1,169,587
<u>526,811</u>	<u>191,774</u>	<u>624,677 \$</u>	<u>6,939,678</u>
117,965	11,436	6,098 \$	315,894
11,770	-	-	26,989
-	-	-	15,463
217,565	-	109,983	327,548
<u>347,300</u>	<u>11,436</u>	<u>116,081</u>	<u>685,894</u>
179,511	71,972	508,596	1,565,977
-	-	-	3,594,283
-	108,366	-	108,366
-	-	-	985,158
<u>179,511</u>	<u>180,338</u>	<u>508,596</u>	<u>6,253,784</u>
<u>526,811</u>	<u>191,774</u>	<u>624,677 \$</u>	<u>6,939,678</u>

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2006

	Special Gas Tax	Sewer Connection Fee
Revenues:		
Intergovernmental	\$ 6,319,460	-
Charges for services	-	1,111,583
Investment income	1,346,291	178,702
Miscellaneous	-	-
Total revenues	<u>7,665,751</u>	<u>1,290,285</u>
Expenditures:		
Current:		
Human Resources	-	-
Recreation and Community Services	-	-
Police Department	-	-
Planning and Building	-	-
Capital Outlay	-	516,832
Total expenditures	<u>-</u>	<u>516,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,665,751</u>	<u>773,453</u>
Other financing sources (uses):		
Transfers in		-
Transfers out	<u>(7,962,514)</u>	<u>(35,682)</u>
Total other financing sources (uses)	<u>(7,962,514)</u>	<u>(35,682)</u>
Net change in fund balance	(296,763)	737,771
Fund balances - beginning	<u>856,097</u>	<u>4,088,234</u>
Fund balances - ending	<u>\$ 559,334</u>	<u>4,826,005</u>

NONMAJOR SPECIAL REVENUE FUNDS

Civic Center & Maintenance	Inmate Welfare	Air Quality Improvement	Total
2,557,354	-	424,322 \$	9,301,136
-	-	-	1,111,583
-	6,755	20,938	1,552,686
82,509	336,087	3,960	422,556
2,639,863	342,842	449,220	12,387,961
-	-	183,922	183,922
4,741,563	-	-	4,741,563
-	430,940	-	430,940
-	-	137,761	137,761
-	-	122,420	639,252
4,741,563	430,940	444,103	6,133,438
(2,101,700)	(88,098)	5,117	6,254,523
1,909,640	-	-	1,909,640
-	-	-	(7,998,196)
1,909,640	-	-	(6,088,556)
(192,060)	(88,098)	5,117	165,967
371,571	268,436	503,479	6,087,817
179,511	180,338	508,596 \$	6,253,784

Nonmajor Special Revenue Funds
Special Gas Tax
Budgetary Comparison Schedule
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,610,415	8,198,125	6,319,460	\$ (1,878,665)
Investment income	-	-	1,346,291	1,346,291
Total revenues	6,610,415	8,198,125	7,665,751	(532,374)
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	6,610,415	8,198,125	7,665,751	(532,374)
Other financing sources (uses):				
Transfers out	(6,610,415)	(9,054,222)	(7,962,514)	1,091,708
Total other financing sources (uses)	(6,610,415)	(9,054,222)	(7,962,514)	1,091,708
Net change in fund balances	-	(856,097)	(296,763)	559,334
Fund balances - beginning	856,097	856,097	856,097	-
Fund balances - ending	\$ 856,097	-	559,334	\$ 559,334

**Nonmajor Special Revenue Funds
Sewer Connection Fee
Budgetary Comparison Schedule
Year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 511,600	511,600	1,111,583	\$ 599,983
Investment income	64,900	64,900	178,702	113,802
Total revenues	576,500	576,500	1,290,285	713,785
Expenditures:				
Capital Outlay	2,320,000	2,320,000	552,514	1,767,486
Total expenditures	2,320,000	2,320,000	552,514	1,767,486
Excess (deficiency) of revenues over (under) expenditures	(1,743,500)	(1,743,500)	737,771	2,481,271
Net change in fund balances	(1,743,500)	(1,743,500)	737,771	2,481,271
Fund balances - beginning	4,088,234	4,088,234	4,088,234	-
Fund balances - ending	\$ 2,344,734	2,344,734	4,826,005	\$ 2,481,271

**Nonmajor Special Revenue Funds
Civic Center & Maintenance
Budgetary Comparison Schedule
Year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,317,810	3,317,810	2,557,354	\$ (760,456)
Miscellaneous	35,000	35,000	82,509	47,509
Total revenues	<u>3,352,810</u>	<u>3,352,810</u>	<u>2,639,863</u>	<u>(712,947)</u>
Expenditures:				
Current:				
Recreation and Community Services	4,783,890	4,783,890	4,741,563	42,327
Capital Outlay	528,978	528,978	-	528,978
Total expenditures	<u>5,312,868</u>	<u>5,312,868</u>	<u>4,741,563</u>	<u>571,305</u>
	<u>(1,960,058)</u>	<u>(1,960,058)</u>	<u>(2,101,700)</u>	<u>(141,642)</u>
Other financing sources (uses):				
Transfers in	<u>1,909,640</u>	<u>1,909,640</u>	<u>1,909,640</u>	<u>-</u>
Total other financing sources	<u>1,909,640</u>	<u>1,909,640</u>	<u>1,909,640</u>	<u>-</u>
Net change in fund balances	(50,418)	(50,418)	(192,060)	(141,642)
Fund balances - beginning	<u>371,571</u>	<u>371,571</u>	<u>371,571</u>	<u>-</u>
Fund balances - ending	<u>\$ 321,153</u>	<u>321,153</u>	<u>179,511</u>	<u>\$ (141,642)</u>

Nonmajor Special Revenue Funds
Inmate Welfare Fund
Budgetary Comparison Schedule
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 5,000	5,000	6,755	\$ 1,755
Miscellaneous	557,300	557,300	336,087	(221,213)
Total revenues	562,300	562,300	342,842	(219,458)
Expenditures:				
Current:				
Police Department	654,873	654,873	430,940	223,933
Total expenditures	654,873	654,873	430,940	223,933
Excess (deficiency) of revenues over (under) expenditures	(92,573)	(92,573)	(88,098)	4,475
Net change in fund balances	(92,573)	(92,573)	(88,098)	4,475
Fund balances - beginning	268,436	268,436	268,436	-
Fund balances - ending	\$ 175,863	175,863	180,338	\$ 4,475

Nonmajor Special Revenue Funds
Air Quality Improvement
Budgetary Comparison Schedule
Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 368,600	368,600	424,322	\$ 55,722
Investment income	6,440	6,440	20,938	14,498
Miscellaneous	3,740	3,740	3,960	220
Total revenues	<u>378,780</u>	<u>378,780</u>	<u>449,220</u>	<u>70,440</u>
Expenditures:				
Current:				
Human Resources	376,197	376,197	183,922	192,275
Finance and Management Services	16,700	16,700	-	16,700
Planning and Building	169,770	169,770	137,761	32,009
Public Works	28,110	28,110	-	28,110
Capital Outlay	287,550	287,550	122,420	165,130
Total expenditures	<u>878,327</u>	<u>878,327</u>	<u>444,103</u>	<u>434,224</u>
Excess (deficiency) of revenues over expenditures	(499,547)	(499,547)	5,117	(504,664)
Fund balances - beginning	<u>503,479</u>	<u>503,479</u>	<u>503,479</u>	-
Fund balances - ending	<u>\$ 3,932</u>	<u>3,932</u>	<u>508,596</u>	<u>\$ (504,664)</u>

Nonmajor Capital Projects Funds

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

Street Construction – 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.

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

Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2006

	Street Construction	Capital Grants
Assets		
Cash and investments	\$ 15,223,093	-
Receivables (net of allowance for uncollectibles):		
Interest	126,274	-
Intergovernmental	3,386,931	1,910,527
Due from other funds	15,463	-
Land held for resale	73,607	-
	<u>18,825,368</u>	<u>1,910,527</u>
Total assets	\$ <u>18,825,368</u>	<u>1,910,527</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,755,467	195,441
Retention payable	547,603	24,548
Due to other funds	-	1,690,538
Deferred revenues	-	1,921,096
	<u>2,303,070</u>	<u>3,831,623</u>
Total liabilities	2,303,070	3,831,623
Fund balances (deficit):		
Reserved for:		
Encumbrances and continuing appropriations	4,367,767	-
Land held for resale	73,607	-
Unreserved, designated for:		
Authorized projects	-	-
Unreserved, undesignated	12,080,924	(1,921,096)
Total fund balances (deficit)	<u>16,522,298</u>	<u>(1,921,096)</u>
Total liabilities and fund balances	\$ <u>18,825,368</u>	<u>1,910,527</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Drainage Construction	Park Acquisitions & Development	Total
3,855,052	4,304,918	\$ 23,383,063
45,632	11,716	183,622
-	-	5,297,458
-	-	15,463
-	-	73,607
3,900,684	4,316,634	\$ 28,953,213
-	-	\$ 1,950,908
-	-	572,151
-	-	1,690,538
-	-	1,921,096
-	-	6,134,693
-	-	4,367,767
-	-	73,607
2,434,271	4,316,634	6,750,905
1,466,413		11,626,241
3,900,684	4,316,634	22,818,520
3,900,684	4,316,634	\$ 28,953,213

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2006

	Street Construction	Capital Grants
Revenues:		
Taxes	\$ 1,874,908	-
Intergovernmental	17,214,980	118,543
Charges for services	-	-
Investment income	392,768	-
Miscellaneous	920,000	16,000
Total revenues	<u>20,402,656</u>	<u>134,543</u>
Expenditures:		
Capital Outlay	<u>12,310,129</u>	<u>1,075,844</u>
Total expenditures	<u>12,310,129</u>	<u>1,075,844</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,092,527</u>	<u>(941,301)</u>
Other financing sources (uses):		
Transfers in	4,402,099	-
Transfers out	<u>(10,594,415)</u>	<u>(12,017)</u>
Total other financing sources (uses)	<u>(6,192,316)</u>	<u>(12,017)</u>
Net change in fund balances	1,900,211	(953,318)
Fund balances (deficit) - beginning	<u>14,622,087</u>	<u>(967,778)</u>
Fund balances (deficit) - ending	<u>\$ 16,522,298</u>	<u>(1,921,096)</u>

NONMAJOR CAPITAL PROJECTS FUNDS

Drainage Construction	Park Acquisitions & Development	Total
465,601	-	2,340,509
-	-	17,333,523
-	3,515,071	3,515,071
127,289	41,386	561,443
-	-	936,000
592,890	3,556,457	24,686,546
-	628,038	14,014,011
-	628,038	14,014,011
592,890	2,928,419	10,672,535
-	-	4,402,099
(19,211)	-	(10,625,643)
(19,211)	-	(6,223,544)
573,679	2,928,419	4,448,991
3,327,005	1,388,215	18,369,529
3,900,684	4,316,634	22,818,520

Nonmajor Enterprise Funds

To account for the operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has determined that revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other services.

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

Refuse Collections Enterprise Fund

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

Transportation Center Enterprise Fund

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

Sewer Enterprise Fund

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

Sanitation Enterprise Fund

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

Federal Clean Water Protection Enterprise Fund

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

Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2006

	<u>Refuse Collections</u>	<u>Transportation Center</u>
Assets:		
Current assets:		
Cash and investments	\$ 437,011	301,647
Receivables (net of allowance for uncollectibles):		
Accounts	1,340,438	49,636
Interest	-	1,289
Total current assets	<u>1,777,449</u>	<u>352,572</u>
Noncurrent assets:		
Restricted cash and investments with fiscal agents	1,486,032	-
Capital assets:		
Land	-	3,792,491
Buildings	-	8,607,909
Improvements other than buildings	-	3,462,518
Equipment	9,249,948	28,337
Parking structures	-	4,817,295
Construction work in progress	-	-
Less accumulated depreciation	<u>(8,908,356)</u>	<u>(7,131,031)</u>
Total capital assets (net of accumulated depreciation)	<u>341,592</u>	<u>13,577,519</u>
Total noncurrent assets	<u>1,827,624</u>	<u>13,577,519</u>
Total assets	<u>\$ 3,605,073</u>	<u>13,930,091</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 34,253	117,328
Retention payable	-	-
Compensated absences payable (current portion)	7,072	3,699
Interest payable	31,533	-
Deposits payable	-	11,000
Certificates of participation payable (current portion)	<u>1,100,000</u>	<u>-</u>
Total current liabilities	<u>1,172,858</u>	<u>132,027</u>
Noncurrent liabilities:		
Compensated absences payable	21,218	11,096
Certificate of participation payable, net of deferred charges	<u>2,328,883</u>	<u>-</u>
Total noncurrent liabilities	<u>2,350,101</u>	<u>11,096</u>
Total liabilities	<u>\$ 3,522,959</u>	<u>143,123</u>
Net assets:		
Invested in capital assets, net of related debt	\$ (3,087,291)	13,577,519
Restricted for:		
Debt service	1,486,032	-
Unrestricted	<u>1,683,373</u>	<u>209,449</u>
Total net assets	<u>\$ 82,114</u>	<u>13,786,968</u>

NONMAJOR ENTERPRISE FUNDS

Sewer	Sanitation	Federal Clean Water Protection	Total
682,649	1,013,180	1,573,759	\$ 4,008,246
437,281	1,133,009	82,454	3,042,818
8,255	-	16,320	25,864
<u>1,128,185</u>	<u>2,146,189</u>	<u>1,672,533</u>	<u>7,076,928</u>
-	-	-	1,486,032
-	-	-	3,792,491
-	-	-	8,607,909
36,083,852	-	-	39,546,370
-	51,630	-	9,329,915
-	-	-	4,817,295
45,889	-	-	45,889
(18,440,259)	(3,012)	-	(34,482,658)
<u>17,689,482</u>	<u>48,618</u>	<u>-</u>	<u>31,657,211</u>
<u>17,689,482</u>	<u>48,618</u>	<u>-</u>	<u>33,143,243</u>
<u>18,817,667</u>	<u>2,194,807</u>	<u>1,672,533</u>	<u>\$ 40,220,171</u>
81,045	204,667	32,636	\$ 469,929
2,388	-	-	2,388
40,956	138,132	24,806	214,665
-	-	-	31,533
-	-	-	11,000
-	-	-	1,100,000
<u>124,389</u>	<u>342,799</u>	<u>57,442</u>	<u>1,829,515</u>
122,870	414,392	74,418	643,994
-	-	-	2,328,883
<u>122,870</u>	<u>414,392</u>	<u>74,418</u>	<u>2,972,877</u>
<u>247,259</u>	<u>757,191</u>	<u>131,860</u>	<u>\$ 4,802,392</u>
17,689,482	48,618	-	\$ 28,228,328
-	-	-	1,486,032
880,926	1,388,998	1,540,673	5,703,419
<u>18,570,408</u>	<u>1,437,616</u>	<u>1,540,673</u>	<u>\$ 35,417,779</u>

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2006

	Refuse Collections	Transportation Center
Operating revenues:		
Charges for services	\$ 7,647,224	892,679
Miscellaneous	6,225,038	12,030
Total operating revenues	<u>13,872,262</u>	<u>904,709</u>
Operating expenses:		
Personal services	158,133	83,626
Contractual services	6,516,602	202,405
Materials and supplies	1,790	40,219
Other services and charges	5,967,323	491,779
Depreciation	395,204	523,758
Total operating expenses	<u>13,039,052</u>	<u>1,341,787</u>
Operating income (loss)	<u>833,210</u>	<u>(437,078)</u>
Nonoperating revenues (expenses):		
Interest income	111,282	3,950
Interest expense	(235,354)	-
Amortization of bond discount and issuance costs	(41,489)	-
Total nonoperating revenues (expenses)	<u>(165,561)</u>	<u>3,950</u>
Income (loss) before capital contributions and transfers	667,649	(433,128)
Transfers out	-	-
Change in net assets	667,649	(433,128)
Net assets (deficit) - beginning as restated (Note 4H)	<u>(585,535)</u>	<u>14,220,096</u>
Net assets - ending	<u>\$ 82,114</u>	<u>13,786,968</u>

NONMAJOR ENTERPRISE FUND

Sewer	Sanitation	Federal Clean Water Protection	Total
-	7,796,291	-	\$ 16,336,194
2,683,772	151,912	2,724,838	11,797,590
<u>2,683,772</u>	<u>7,948,203</u>	<u>2,724,838</u>	<u>28,133,784</u>
1,180,521	3,999,870	609,657	6,031,807
606,453	1,253,556	964,236	9,543,252
55,655	177,805	1,140	276,609
468,896	2,778,109	368,452	10,074,559
506,449	3,012	-	1,428,423
<u>2,817,974</u>	<u>8,212,352</u>	<u>1,943,485</u>	<u>27,354,650</u>
<u>(134,202)</u>	<u>(264,149)</u>	<u>781,353</u>	<u>779,134</u>
23,756	30,612	48,766	218,366
-	-	-	(235,354)
-	-	-	(41,489)
<u>23,756</u>	<u>30,612</u>	<u>48,766</u>	<u>(58,477)</u>
(110,446)	(233,537)	830,119	720,657
-	-	(200,000)	(200,000)
<u>(110,446)</u>	<u>(233,537)</u>	<u>630,119</u>	<u>520,657</u>
<u>18,680,854</u>	<u>1,671,153</u>	<u>910,554</u>	<u>34,897,122</u>
<u>18,570,408</u>	<u>1,437,616</u>	<u>1,540,673</u>	<u>\$ 35,417,779</u>

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2006

	Refuse Collections	Transportation Center
Cash flows from operating activities:		
Cash received from customers	\$ 13,896,762	907,338
Cash received from other operating sources	-	12,030
Cash payments to suppliers for goods and services	(12,655,209)	(655,639)
Cash payments to employees	(158,926)	(79,249)
Net cash provided by (used for) operating activities	<u>1,082,627</u>	<u>184,480</u>
Cash flows from noncapital financing activities:		
Transfer out	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	-
Retirement of long-term liabilities	(1,045,000)	-
Interest paid	(244,585)	-
Net cash used for capital and related financing activities	<u>(1,289,585)</u>	<u>-</u>
Cash flows from investing activities:		
Receipt of interest	111,282	3,828
Net cash provided by investing activities	<u>111,282</u>	<u>3,828</u>
Net increase (decrease) in cash and cash equivalents	(95,676)	188,308
Cash and cash equivalents - beginning	<u>2,018,719</u>	<u>113,339</u>
Cash and cash equivalents - ending (Includes Restricted cash and investments)	<u>\$ 1,923,043</u>	<u>301,647</u>

Sewer	Sanitation	Federal Clean Water Protection	Total
2,637,422	8,028,531	2,788,463	\$ 28,258,516
-	-	-	12,030
(1,116,531)	(4,111,248)	(1,653,273)	(20,191,900)
(1,201,007)	(4,010,724)	(596,434)	(6,046,340)
319,884	(93,441)	538,756	2,032,306
-	-	(200,000)	(200,000)
-	-	(200,000)	(200,000)
(97,780)	(51,630)	-	(149,410)
-	-	-	(1,045,000)
-	-	-	(244,585)
(97,780)	(51,630)	-	(1,438,995)
23,756	30,612	40,466	209,944
23,756	30,612	40,466	209,944
245,860	(114,459)	379,222	603,255
436,789	1,127,639	1,194,537	4,891,023
682,649	1,013,180	1,573,759	\$ 5,494,278

Continued

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2006

	<u>Refuse Collections</u>	<u>Transportation Center</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 833,210	(437,078)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	395,204	523,758
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	24,500	15,659
Decrease (increase) in interest receivable	-	-
Increase (decrease) in accounts payable	(169,494)	78,764
Increase (decrease) in compensated absences payable	(793)	4,377
Increase (decrease) in retention payable	-	-
Decrease (increase) in deferred charges	-	(1,000)
Net cash provided by (used for) operating activities	<u>\$ 1,082,627</u>	<u>184,480</u>
Noncash investing, capital, and financing activities:		
None for fiscal year ended June 30, 2006.		

<u>Sewer</u>	<u>Sanitation</u>	<u>Federal Clean Water Protection</u>	<u>Total</u>
(134,202)	(264,149)	781,353	\$ 779,134
506,449	3,012	-	1,428,423
(40,855)	-	63,625	62,929
(5,495)	80,328	-	74,833
12,085	98,222	(319,445)	(299,868)
(20,486)	(10,854)	13,223	(14,533)
2,388	-	-	2,388
-	-	-	(1,000)
<u>319,884</u>	<u>(93,441)</u>	<u>538,756</u>	<u>\$ 2,032,306</u>

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 Fund

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

Building Maintenance Fund

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

Equipment Maintenance and Replacement Fund

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

Self-Insurance Fund

For the administration of the City's self-insurance programs and the payment of health and dental benefits, workers' compensation and liability claims.

Communications Services Fund

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

City Yard Operations Fund

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

Engineering and Administrative Services Fund

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 Fund

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

Internal Service Funds
Combining Statement of Net Assets
June 30, 2006

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Assets:			
Current assets:			
Cash and investments	\$ 364,259	96,215	3,680,110
Receivables:			
Interest	4,060	6,433	40,944
Inventory of supplies	19,652	-	1,049,854
Total current assets	<u>387,971</u>	<u>102,648</u>	<u>4,770,908</u>
Noncurrent assets:			
Advances to other funds	-	-	220,000
Capital assets:			
Improvements other than buildings	-	602,886	-
Equipment	485,629	-	24,432,368
Less accumulated depreciation	<u>(336,515)</u>	<u>(219,802)</u>	<u>(16,844,571)</u>
Total capital assets (net of accumulated depreciation)	<u>149,114</u>	<u>383,084</u>	<u>7,587,797</u>
Total noncurrent assets	<u>149,114</u>	<u>383,084</u>	<u>7,807,797</u>
Total assets	<u>\$ 537,085</u>	<u>485,732</u>	<u>12,578,705</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 7,785	92,349	213,547
Due to other funds	-	-	-
Compensated absences payable (current portion)	4,079	48,503	125,386
Claims payable (current portion)	-	-	-
Capital lease payable (current portion)	-	-	-
Total current liabilities	<u>11,864</u>	<u>140,852</u>	<u>338,933</u>
Noncurrent liabilities:			
Compensated absences payable	12,237	145,508	376,157
Claims payable	-	-	-
Total noncurrent liabilities	<u>12,237</u>	<u>145,508</u>	<u>376,157</u>
Total liabilities	<u>\$ 24,101</u>	<u>286,360</u>	<u>715,090</u>
Net assets (deficit):			
Invested in capital assets, net of related debt	\$ 149,114	383,084	7,587,798
Unrestricted	<u>363,870</u>	<u>(183,712)</u>	<u>4,275,817</u>
Total net assets (deficit)	<u>\$ 512,984</u>	<u>199,372</u>	<u>11,863,615</u>

Self-Insurance	Communications Services	City Yard Operations	Engineering and Administrative Services	Quality Service Training	Total
22,756,941	11,951,692	308,260	2,454,325	127,825	\$ 41,739,627
258,537	148,275	3,877	29,958	1,657	493,741
-	-	-	-	-	1,069,506
<u>23,015,478</u>	<u>12,099,967</u>	<u>312,137</u>	<u>2,484,283</u>	<u>129,482</u>	<u>43,302,874</u>
2,920,000	-	-	-	-	3,140,000
-	-	256,131	-	-	859,017
64,059	6,359,521	17,861	148,650	-	31,508,088
(64,059)	(6,046,499)	(25,350)	(91,590)	-	(23,628,386)
-	313,022	248,642	57,060	-	8,738,719
<u>2,920,000</u>	<u>313,022</u>	<u>248,642</u>	<u>57,060</u>	<u>-</u>	<u>11,878,719</u>
<u>25,935,478</u>	<u>12,412,989</u>	<u>560,779</u>	<u>2,541,343</u>	<u>129,482</u>	<u>\$ 55,181,593</u>
53,510	400,266	10,577	85,503	-	\$ 863,537
-	-	-	-	-	-
72,167	38,955	-	237,189	2,917	529,196
7,450,000	-	-	-	-	7,450,000
-	216,897	-	-	-	216,897
<u>7,575,677</u>	<u>656,118</u>	<u>10,577</u>	<u>322,692</u>	<u>2,917</u>	<u>9,059,630</u>
216,501	116,864	-	711,570	8,750	1,587,587
18,332,318	-	-	-	-	18,332,318
<u>18,548,819</u>	<u>116,864</u>	<u>-</u>	<u>711,570</u>	<u>8,750</u>	<u>19,919,905</u>
<u>26,124,496</u>	<u>772,982</u>	<u>10,577</u>	<u>1,034,262</u>	<u>11,667</u>	<u>\$ 28,979,535</u>
-	96,124	248,642	57,060	-	\$ 8,521,822
(189,018)	11,543,883	301,560	1,450,021	117,815	17,680,236
<u>(189,018)</u>	<u>11,640,007</u>	<u>550,202</u>	<u>1,507,081</u>	<u>117,815</u>	<u>\$ 26,202,058</u>

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2006

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Operating revenues:			
Charges for services	\$ 979,145	3,129,725	9,026,605
Miscellaneous	24,190	-	188,738
Total operating revenues	<u>1,003,335</u>	<u>3,129,725</u>	<u>9,215,343</u>
Operating expenses:			
Cost of goods sold	-	-	1,216,045
Personal services	245,712	1,391,061	2,559,975
Contractual services	137,243	1,492,510	550,972
Materials and supplies	351,385	92,953	2,114,742
Other services and charges	119,209	230,142	913,710
Administration	-	-	-
Insurance	-	-	-
Provision for self-insured losses	-	-	-
Depreciation	56,516	75,361	1,789,324
Total operating expenses	<u>910,065</u>	<u>3,282,027</u>	<u>9,144,768</u>
Operating income (loss)	<u>93,270</u>	<u>(152,302)</u>	<u>70,575</u>
Nonoperating revenues (expenses):			
Interest income	10,366	16,674	114,253
Interest expense	-	-	-
Gain (loss) on disposal of capital assets	(2)	-	(193,710)
Total nonoperating revenues (expenses)	<u>10,364</u>	<u>16,674</u>	<u>(79,457)</u>
Income (loss) before capital contributions and transfers	103,634	(135,628)	(8,882)
Capital contributions	-	-	97,593
Transfers in	-	-	-
Transfers out	-	(193,085)	(285,000)
Change in net assets	103,634	(328,713)	(196,289)
Net assets (deficit) - beginning as restated (Note 4H)	<u>409,350</u>	<u>528,085</u>	<u>12,059,904</u>
Net assets (deficit) - ending	<u>\$ 512,984</u>	<u>199,372</u>	<u>11,863,615</u>

INTERNAL SERVICE FUNDS

Self-Insurance	Communications Services	City Yard Operations	Engineering and Administrative Services	Quality Service Training	Total
31,702,405	4,833,716	840,180	10,619,782	261,273	\$ 61,392,831
2,652,021	95,400	-	453,323	-	3,413,672
<u>34,354,426</u>	<u>4,929,116</u>	<u>840,180</u>	<u>11,073,105</u>	<u>261,273</u>	<u>64,806,503</u>
-	-	-	-	-	1,216,045
-	1,062,816	31,267	7,188,883	145,443	12,625,157
-	4,278,352	208,972	523,766	4,539	7,196,354
-	954,932	11,798	154,783	21,250	3,701,843
-	119,278	540,644	946,546	22,442	2,891,971
5,066,885	-	-	-	-	5,066,885
16,329,302	-	-	-	-	16,329,302
6,929,100	-	-	-	-	6,929,100
2,551	344,451	8,189	9,927	-	2,286,319
<u>28,327,838</u>	<u>6,759,829</u>	<u>800,870</u>	<u>8,823,905</u>	<u>193,674</u>	<u>58,242,976</u>
<u>6,026,588</u>	<u>(1,830,713)</u>	<u>39,310</u>	<u>2,249,200</u>	<u>67,599</u>	<u>6,563,527</u>
755,416	401,154	5,998	81,667	4,139	1,389,667
-	(19,774)	-	-	-	(19,774)
-	(1)	-	-	-	(193,713)
<u>755,416</u>	<u>381,379</u>	<u>5,998</u>	<u>81,667</u>	<u>4,139</u>	<u>1,176,180</u>
6,782,004	(1,449,334)	45,308	2,330,867	71,738	7,739,707
-	-	-	-	-	97,593
-	3,662,230	285,000	10,000	-	3,957,230
-	-	-	(995,800)	-	(1,473,885)
<u>6,782,004</u>	<u>2,212,896</u>	<u>330,308</u>	<u>1,345,067</u>	<u>71,738</u>	<u>10,320,645</u>
<u>(6,971,022)</u>	<u>9,427,111</u>	<u>219,894</u>	<u>162,014</u>	<u>46,077</u>	<u>15,881,413</u>
<u>(189,018)</u>	<u>11,640,007</u>	<u>550,202</u>	<u>1,507,081</u>	<u>117,815</u>	<u>\$ 26,202,058</u>

Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2006

	Central Services	Building Maintenance	Equipment Maintenance and Replacement
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 979,145	3,129,725	9,026,605
Cash received from other operating sources	24,190	-	188,738
Cash payments to suppliers for goods and services	(546,742)	(1,600,781)	(4,055,731)
Payments for interfund services used	(119,209)	(230,142)	(913,710)
Cash payments to employees	(247,156)	(1,406,545)	(2,634,182)
Net cash provided by (used for) operating activities	<u>90,228</u>	<u>(107,743)</u>	<u>1,611,720</u>
Cash flows from noncapital financing activities:			
Repayment of advances from other funds	-	-	-
Transfers in	-	-	-
Transfers out	-	(193,085)	(285,000)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(193,085)</u>	<u>(285,000)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(30,403)	-	(1,121,162)
Proceeds from sale of capital assets	-	-	49,149
Payments on capital leases	-	-	-
Net cash used for capital and related financing activities	<u>(30,403)</u>	<u>-</u>	<u>(1,072,013)</u>
Cash flows from investing activities:			
Receipt of interest	7,892	14,683	98,976
Net cash provided by investing activities	<u>7,892</u>	<u>14,683</u>	<u>98,976</u>
Net increase (decrease) in cash and cash equivalents	67,717	(286,145)	353,683
Cash and cash equivalents - beginning	296,542	382,360	3,326,427
Cash and cash equivalents - ending	<u>\$ 364,259</u>	<u>96,215</u>	<u>3,680,110</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 93,270	(152,302)	70,575
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	56,516	75,361	1,789,324
Change in assets and liabilities:			
Increase (decrease) in accounts payable	(59,467)	(15,318)	(15,308)
Increase (decrease) in inventory of supplies	1,353	-	(158,664)
Increase (decrease) in compensated absences payable	(1,444)	(15,484)	(74,207)
Increase (decrease) in claims payable	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 90,228</u>	<u>(107,743)</u>	<u>1,611,720</u>
Noncash investing, capital, and financing activities:			
Capital contribution received - \$97,593			

Self- Insurance	Communications Services	City Yard Operations	Engineering and Administrative Services	Quality Service Training	Total
31,702,405	4,833,716	840,180	10,619,782	261,273	\$ 61,392,831
2,652,021	95,400	-	453,323	-	3,413,672
(25,332,552)	(5,141,279)	(219,155)	(631,708)	(28,077)	(37,556,025)
(936,996)	(119,278)	(540,644)	(946,546)	(22,441)	(3,828,966)
(1,494,537)	(1,042,526)	(31,267)	(7,333,123)	(149,163)	(14,338,499)
<u>6,590,341</u>	<u>(1,373,967)</u>	<u>49,114</u>	<u>2,161,728</u>	<u>61,592</u>	<u>9,083,013</u>
-	-	(27,975)	-	-	(27,975)
-	3,662,230	285,000	-	-	3,947,230
-	-	-	(985,800)	-	(1,463,885)
<u>-</u>	<u>3,662,230</u>	<u>257,025</u>	<u>(985,800)</u>	<u>-</u>	<u>2,455,370</u>
-	(216,236)	-	-	-	(1,367,801)
-	-	-	-	-	49,149
-	(441,820)	-	-	-	(441,820)
<u>-</u>	<u>(658,056)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,760,472)</u>
<u>610,247</u>	<u>329,761</u>	<u>2,121</u>	<u>64,806</u>	<u>3,053</u>	<u>1,131,539</u>
<u>610,247</u>	<u>329,761</u>	<u>2,121</u>	<u>64,806</u>	<u>3,053</u>	<u>1,131,539</u>
7,200,588	1,959,968	308,260	1,240,734	64,645	10,909,450
15,556,353	9,991,724	-	1,213,591	63,180	30,830,177
<u>22,756,941</u>	<u>11,951,692</u>	<u>308,260</u>	<u>2,454,325</u>	<u>127,825</u>	<u>\$ 41,739,627</u>
6,026,588	(1,830,713)	39,310	2,249,200	67,599	\$ 6,563,527
2,551	344,451	8,189	9,927	-	2,286,319
(2,688)	92,005	1,615	46,841	(2,287)	45,393
-	-	-	-	-	(157,311)
52,703	20,290	-	(144,240)	(3,720)	(166,102)
511,187	-	-	-	-	511,187
<u>6,590,341</u>	<u>(1,373,967)</u>	<u>49,114</u>	<u>2,161,728</u>	<u>61,592</u>	<u>\$ 9,083,013</u>

Agency Funds

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

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

Treasurer's Trust Fund – 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 deposition of funds charged to departments for the payment of retirees health insurance under the terms of the Memorandum of Understanding between the City of Santa Ana and different represented employees unions.

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

Transportation Corridor Fund – 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 Funds – For the receipt and disbursement of funds under the terms of the joint exercise of powers agreement between the City of Santa Ana and the City of Tustin.

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

Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2006

	Payroll	Treasurer's Trust	Retirees Health Insurance Subsidy
Assets			
Cash and investments	\$ 6,702,808	5,551,642	2,037,297
Receivables:			
Loans and notes	-	-	-
Interest	-	-	16,516
Total assets	<u>\$ 6,702,808</u>	<u>5,551,642</u>	<u>2,053,813</u>
Liabilities			
Accounts payable	-	-	-
Due to City employees	\$ 4,450,555	-	-
Due to governmental agencies	<u>2,252,253</u>	<u>5,551,642</u>	<u>2,053,813</u>
Total liabilities	<u>\$ 6,702,808</u>	<u>5,551,642</u>	<u>2,053,813</u>

<u>Housing Rehabilitation Loan Program</u>	<u>Transportation Corridor</u>	<u>TSIA Santa Ana- Tustin</u>	<u>School Districts' Trust</u>	<u>Total</u>
-	626,455	8,185,147	482,966 \$	23,586,315
208,839	-	-	-	208,839
-	-	94,059	6,732	117,307
<u>208,839</u>	<u>626,455</u>	<u>8,279,206</u>	<u>489,698 \$</u>	<u>23,912,461</u>
-	-	11,635	- \$	11,635
-	-	-	-	4,450,555
<u>208,839</u>	<u>626,455</u>	<u>8,267,571</u>	<u>489,698</u>	<u>19,450,271</u>
<u>208,839</u>	<u>626,455</u>	<u>8,279,206</u>	<u>489,698 \$</u>	<u>23,912,461</u>

Agency Funds
Combining Statement of Changes with Fiduciary Assets and Liabilities
Year ended June 30, 2006

Page 1 of 3

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
PAYROLL FUND				
Assets				
Cash and investments	\$ 6,314,518	\$ 158,729,331	\$ 158,341,041	\$ 6,702,808
Total assets	<u>\$ 6,314,518</u>	<u>\$ 158,729,331</u>	<u>\$ 158,341,041</u>	<u>\$ 6,702,808</u>
Liabilities				
Due to City employees	\$ 4,241,649	\$ 135,693,543	\$ 135,484,637	\$ 4,450,555
Due to other governmental agencies	2,072,869	17,441,702	17,262,318	2,252,253
Total liabilities	<u>\$ 6,314,518</u>	<u>\$ 153,135,245</u>	<u>\$ 152,746,955</u>	<u>\$ 6,702,808</u>
TREASURER'S TRUST FUND				
Assets				
Cash and investments	\$ 2,972,624	\$ 6,921,216	\$ 4,342,198	\$ 5,551,642
Total assets	<u>\$ 2,972,624</u>	<u>\$ 6,921,216</u>	<u>\$ 4,342,198</u>	<u>\$ 5,551,642</u>
Liabilities				
Due to other governmental agencies	\$ 2,972,624	\$ 6,921,216	\$ 4,342,198	\$ 5,551,642
Total liabilities	<u>\$ 2,972,624</u>	<u>\$ 6,921,216</u>	<u>\$ 4,342,198</u>	<u>\$ 5,551,642</u>
RETIREES HEALTH INSURANCE SUBSIDY				
Assets				
Cash and investments	\$ 1,841,782	\$ 1,484,986	\$ 1,289,471	\$ 2,037,297
Interest receivable	8,020	16,516	8,020	16,516
Total assets	<u>\$ 1,849,802</u>	<u>\$ 1,501,502</u>	<u>\$ 1,297,491</u>	<u>\$ 2,053,813</u>
Liabilities				
Due to other governmental agencies	\$ 1,849,802	\$ 1,501,502	\$ 1,297,491	\$ 2,053,813
Total liabilities	<u>\$ 1,849,802</u>	<u>\$ 1,501,502</u>	<u>\$ 1,297,491</u>	<u>\$ 2,053,813</u>

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
HOUSING REHABILITATION LOAN PROGRAM				
Assets				
Loans and notes receivable	\$ 221,557	\$ -	\$ 12,718	\$ 208,839
Total assets	<u>\$ 221,557</u>	<u>\$ -</u>	<u>\$ 12,718</u>	<u>\$ 208,839</u>
Liabilities				
Due to other governmental agencies	\$ 221,557	\$ -	\$ 12,718	\$ 208,839
Total liabilities	<u>\$ 221,557</u>	<u>\$ -</u>	<u>\$ 12,718</u>	<u>\$ 208,839</u>
TRANSPORTATION CORRIDOR FUND				
Assets				
Cash and investments	\$ 68,626	\$ 734,772	\$ 176,943	\$ 626,455
Total assets	<u>\$ 68,626</u>	<u>\$ 734,772</u>	<u>\$ 176,943</u>	<u>\$ 626,455</u>
Liabilities				
Due to other governmental agencies	\$ 68,626	\$ 734,772	\$ 176,943	\$ 626,455
Total liabilities	<u>\$ 68,626</u>	<u>\$ 734,772</u>	<u>\$ 176,943</u>	<u>\$ 626,455</u>
TRANSPORTATION SYSTEM IMPROVEMENT AUTHORITY SANTA-ANA - TUSTIN				
Assets				
Cash and investments	\$ 6,736,009	\$ 1,611,505	\$ 162,367	\$ 8,185,147
Interest receivable	51,213	94,059	51,213	94,059
Total assets	<u>\$ 6,787,222</u>	<u>\$ 1,705,564</u>	<u>\$ 213,580</u>	<u>\$ 8,279,206</u>
Liabilities				
Accounts payable	\$ 5,235	\$ 11,635	\$ 5,235	\$ 11,635
Due to other governmental agencies	6,781,987	1,485,584	-	8,267,571
Total liabilities	<u>\$ 6,787,222</u>	<u>\$ 1,497,219</u>	<u>\$ 5,235</u>	<u>\$ 8,279,206</u>

Agency Funds
Combining Statement of Changes with Fiduciary Assets and Liabilities
Year ended June 30, 2006

Page 3 of 3

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
SCHOOL DISTRICTS'				
TRUST FUND				
Assets				
Cash and investments	\$ 150,933	\$ 332,033	\$ -	\$ 482,966
Interest receivable	1,146	6,732	1,146	6,732
Total assets	<u>\$ 152,079</u>	<u>\$ 338,765</u>	<u>\$ 1,146</u>	<u>\$ 489,698</u>
Liabilities				
Due to other governmental agencies	\$ 152,079	\$ 338,765	\$ 1,146	\$ 489,698
Total liabilities	<u>\$ 152,079</u>	<u>\$ 338,765</u>	<u>\$ 1,146</u>	<u>\$ 489,698</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 18,084,492	\$ 169,813,843	\$ 164,312,020	\$ 23,586,315
Receivables:				
Loans and notes	221,557	-	12,718	208,839
Interest	60,379	117,307	60,379	117,307
Total assets	<u>\$ 18,366,428</u>	<u>\$ 169,931,150</u>	<u>\$ 164,385,117</u>	<u>\$ 23,912,461</u>
Liabilities				
Accounts payable	\$ 5,235	\$ 11,635	\$ 5,235	\$ 11,635
Due to City employees	4,241,649	135,693,543	135,484,637	4,450,555
Due to other governmental agencies	14,119,544	28,423,541	23,092,814	19,450,271
Total liabilities	<u>\$ 18,366,428</u>	<u>\$ 164,128,719</u>	<u>\$ 158,582,686</u>	<u>\$ 23,912,461</u>

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

SCHEDULE 1

	Fiscal Year				
	2006	2005	2004	2003	2002
Governmental Activities:					
Investment in capital assets, net of related debt	\$ 658,414	\$ 644,474	\$ 646,755	\$ 644,080	\$ 545,893
Restricted	164,332	144,464	147,433	139,892	100,408
Unrestricted	<u>(122,359)</u>	<u>(136,627)</u>	<u>(170,248)</u>	<u>(168,784)</u>	<u>(82,670)</u>
Total governmental activities net assets	<u>\$ 700,387</u>	<u>\$ 652,311</u>	<u>\$ 623,940</u>	<u>\$ 615,188</u>	<u>\$ 563,631</u>
Business-type activities:					
Investment in capital assets, net of related debt	\$ 69,031	\$ 69,906	\$ 69,554	\$ 67,517	\$ 62,022
Restricted	9,579	9,066	8,948	6,843	12,467
Unrestricted	<u>15,774</u>	<u>12,877</u>	<u>10,917</u>	<u>9,028</u>	<u>8,199</u>
Total business-type activities net assets	<u>\$ 94,384</u>	<u>\$ 91,849</u>	<u>\$ 89,419</u>	<u>\$ 83,388</u>	<u>\$ 82,688</u>
Primary government:					
Investment in capital assets, net of related debt	\$ 727,445	\$ 714,380	\$ 716,309	\$ 711,597	\$ 607,915
Restricted	173,911	153,530	156,381	146,735	112,875
Unrestricted	<u>(106,585)</u>	<u>(123,750)</u>	<u>(159,331)</u>	<u>(159,756)</u>	<u>(74,471)</u>
Total primary government net assets	<u>\$ 794,771</u>	<u>\$ 744,160</u>	<u>\$ 713,359</u>	<u>\$ 698,576</u>	<u>\$ 646,319</u>

Source: City of Santa Ana 2002 - 2006 CAFRS

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

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

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

	Fiscal Year					Page 1 of 3
	2006	2005	2004	2003	2002	
Expenses:						
Governmental activities:						
General government (1)	\$ 16,137	\$ 14,146	\$ 15,459	\$ 14,533	\$ 16,303	
Cultural recreation and community services (2)	23,407	21,766	26,325	26,183	29,803	
Public safety (3)	135,530	129,507	130,369	118,392	116,905	
Developmental services (4)	16,735	27,439	26,225	28,034	34,815	
Community development	70,235	67,561	59,321	46,813	54,170	
Interest on long-term debt	13,918	13,903	15,979	16,090	14,634	
Total governmental activities expenses	\$ 275,962	\$ 274,322	\$ 273,678	\$ 250,045	\$ 266,630	
Business-type activities:						
Water	\$ 37,609	\$ 35,671	\$ 32,530	\$ 30,757	\$ 30,514	
Parking	2,949	2,952	2,663	2,656	12,344	
Refuse collections	13,316	12,126	11,784	11,611	2,604	
Transportation center	1,342	1,256	1,518	1,192	1,296	
Sewer	2,818	2,373	2,157	2,050	695	
Sanitation	8,213	7,615	7,518	7,418	7,714	
Federal clean water protection	1,943	1,853	1,327	624	-	
Total business-type expenses	68,190	63,846	59,497	56,308	55,167	
Total primary government expenses	\$ 344,152	\$ 338,168	\$ 333,175	\$ 306,353	\$ 321,797	

Continued

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

Source: City of Santa Ana 2002 - 2006 CAFRS

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

	Fiscal Year				
	2006	2005	2004	2003	2002
Program revenues:					
Governmental activities:					
Charges for services:					
General government (1)	\$ 4,673	\$ 6,028	\$ 5,221	\$ 5,618	\$ 5,810
Cultural recreation and community services (2)	5,515	3,847	2,382	2,104	1,364
Public safety (3)	19,486	21,468	21,385	17,679	15,151
Developmental services (4)	11,299	7,586	7,828	6,821	7,367
Community development	3,867	5,035	893	64	2
Operating grants and contributions	62,431	67,327	57,317	67,656	68,021
Capital grants and contributions	27,749	12,990	21,333	16,460	17,210
Total governmental activities program revenues	\$ 135,020	\$ 124,281	\$ 116,359	\$ 116,402	\$ 114,925
Business-type activities:					
Charges for services:					
Water	\$ 38,401	\$ 35,991	\$ 35,040	\$ 31,181	\$ 30,899
Parking	3,639	3,115	3,439	2,774	6,959
Refuse collections	7,647	7,389	7,252	7,000	2,647
Transportation center	905	720	1,252	1,479	1,415
Sewer	2,684	2,318	2,344	2,214	1,409
Sanitation	7,948	7,926	7,746	7,777	7,805
Federal clean water protection	2,725	2,041	1,941	702	-
Operating grants and contributions	6,225	5,721	5,525	5,121	4,361
Capital grants and contributions	-	-	714	579	366
Total business-type activities Program revenues	70,174	65,221	65,253	58,827	55,861
Total primary government Program revenues	\$ 205,193	\$ 189,502	\$ 181,612	\$ 175,229	\$ 170,786
Net (expense) revenue					
Governmental activities	(140,942)	(150,041)	(157,319)	(133,643)	(151,705)
Business-type activities	1,983	1,375	5,756	2,519	694
Total primary government net (expense) revenue	\$ (138,959)	\$ (148,666)	\$ (151,563)	\$ (131,124)	\$ (151,011)

Continued

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

	Fiscal Year					Page 3 of 3
	2006	2005	2004	2003	2002	
General revenues and other changes in net assets						
Government activates:						
General government (1)	\$ (11,086)	\$ (11,086)	\$ (9,627)	\$ (8,423)	\$ (8,688)	
Cultural recreation and community services (2)	(11,366)	(11,366)	(18,111)	(17,165)	(19,085)	
Public safety (3)	(103,069)	(103,069)	(105,523)	(93,764)	(96,304)	
Developmental services (4)	19,210	19,210	8,671	2,484	(7,848)	
Community development	(20,713)	(20,713)	(16,749)	(684)	(5,144)	
Interest on long -term debt	(13,918)	(13,918)	(15,979)	(16,091)	(14,634)	
General revenues:						
Property taxes	82,624	74,874	56,340	53,088	50,389	
Sales Taxes	45,094	43,973	41,865	40,383	39,059	
Hotels visitors' Taxes	7,187	5,470	4,656	3,993	3,899	
Utility users taxes	27,565	26,666	25,874	24,958	24,335	
Business taxes	9,829	8,180	7,792	7,637	7,576	
Franchise taxes	7,107	5,673	5,422	5,141	5,403	
Other taxes	5,188	2,174	3,352	5,851	20,982	
Intergovernmental, unrestricted	2,904	7,726	15,905	-	-	
Investment income	7,468	7,085	4,572	5,915	5,239	
Other revenues	310	323	285	20,332	533	
Transfers	200	(581)	7	(4,576)	-	
Total Governmental activities	<u>54,534</u>	<u>40,621</u>	<u>8,752</u>	<u>29,079</u>	<u>5,712</u>	
Business-type activities:						
Water	792	321	2,511	1,003	385	
Parking	690	787	1,147	119	43	
Refuse collections	556	359	622	510	(1,023)	
Transportation center	(437)	(536)	(266)	287	438	
Sewer	(134)	(54)	902	164	736	
Sanitation	(264)	311	227	358	115	
Federal clean water protection	781	188	614	78	-	
General revenues:						
Investment income	803	473	281	441	755	
Transfers	(200)	581	(7)	4,576	-	
Total business -type activities	<u>2,587</u>	<u>2,430</u>	<u>6,031</u>	<u>7,536</u>	<u>1,449</u>	
Total primary government	<u>57,121</u>	<u>43,051</u>	<u>14,783</u>	<u>36,615</u>	<u>7,161</u>	
Changes in net assets						
Government activates	54,534	40,621	8,752	29,079	5,712	
Business-type activities	2,587	2,430	6,031	7,536	1,449	
Total primary government	<u>\$ 57,121</u>	<u>\$ 43,051</u>	<u>\$ 14,783</u>	<u>\$ 36,615</u>	<u>\$ 7,161</u>	

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

SCHEDULE 3

	2006	2005	2004	2003	2002
General Fund					
Reserved	\$ 9,459	\$ 5,577	\$ 7,659	\$ 10,645	\$ 12,714
Unreserved	42,890	32,679	12,422	11,961	13,925
Total General Fund	<u>\$ 52,349</u>	<u>\$ 38,256</u>	<u>\$ 20,081</u>	<u>\$ 22,606</u>	<u>\$ 26,639</u>
All Other Governmental Funds					
Reserved	\$ 80,941	\$ 93,205	\$ 101,638	\$ 94,624	\$ 64,167
Unreserved, Reported in:					
Special Revenue	4,668	5,918	10,030	7,604	8,738
Capital Projects	18,377	15,305	9,931	5,630	14,788
Total all other governmental funds	<u>\$ 103,986</u>	<u>\$ 114,428</u>	<u>\$ 121,599</u>	<u>\$ 107,858</u>	<u>\$ 87,693</u>

Source: City of Santa Ana 2002 - 2006 CAFRS

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

CITY OF SANTA ANA

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

	Fiscal Year			
	2006	2005	2004	2003
Revenues:				
Taxes	\$ 190,891	\$ 173,009	\$ 149,350	\$ 141,502
License and permits	4,172	3,822	3,853	3,144
Intergovernmental	87,718	85,023	94,229	98,861
Charges for services	16,280	13,570	11,960	10,913
Fines and forfeits	5,911	5,005	3,943	3,615
Investment income	29,696	26,203	23,002	21,397
Miscellaneous	15,487	9,111	8,798	10,593
Total revenues	350,155	315,743	295,135	290,025
Expenditures:				
General government (1)	15,022	13,107	11,796	13,024
Cultural recreation and community services (2)	24,636	22,917	21,370	23,525
Public safety (3)	141,660	134,747	120,150	113,407
Developmental services (4)	17,769	15,493	17,363	19,631
Community development	38,608	43,220	39,551	44,265
Capital outlay	48,385	40,708	40,801	49,110
Debt service:				
Principal	11,350	9,641	7,429	8,376
Interest	20,142	21,518	21,596	24,573
Other charges	9,465	6,397	4,787	3,450
Total expenditures	327,037	307,748	284,843	299,361
Excess of revenues Over (under) expenditures	23,117	7,995	10,292	(9,336)
Other Financing Sources (uses)				
Loss on sale of land held for resale	(2,360)	-	-	-
Transfers in	67,313	67,470	58,988	84,723
Transfers out	(69,597)	(64,461)	(59,094)	(87,219)
Bond premium	-	-	2,383	-
Bond discount and fiscal charges	-	-	-	(274)
Capital lease agreement	-	-	-	5,687
Issuance and other costs	-	-	-	-
Loan proceeds	-	-	-	-
OCIP investment loss	-	-	-	-
Payment to refund bond escrow agent	-	-	(40,535)	(36,456)
Proceeds from COP	-	-	-	-
Proceeds from issuance of bonds	-	-	-	20,945
Proceeds from lease revenue bonds	-	-	-	-
Proceeds from refunding bonds	-	-	38,845	37,199
Proceeds from state (CHFA) loan	-	-	335	865
Total other financing sources (uses)	(4,644)	3,009	922	25,470
Net change in fund balance	\$ 18,474	\$ 11,004	\$ 11,214	\$ 16,134
Debt service as a percent of noncapital expenditures	14.7%	14.1%	13.9%	14.5%

Source: City of Santa Ana 1997 - 2006 CAFRS

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

STATISTICAL SECTION

SCHEDULE 4

	2002	2001	2000	1999	1998	1997
\$	134,391	\$ 133,322	\$ 128,451	\$ 115,979	\$ 110,937	\$ 104,454
	2,455	3,667	2,850	2,539	2,160	2,174
	95,628	83,802	73,261	76,268	66,719	66,868
	10,340	10,969	10,738	8,641	8,154	6,155
	3,814	3,928	4,182	3,717	2,831	2,552
	23,264	27,297	28,209	25,529	19,742	11,355
	7,349	8,341	7,200	7,234	8,706	8,811
	<u>277,241</u>	<u>271,326</u>	<u>254,891</u>	<u>239,907</u>	<u>219,249</u>	<u>202,369</u>
	14,092	12,839	11,409	10,621	9,738	9,259
	26,715	20,953	20,198	18,338	17,568	16,146
	110,000	105,328	99,642	96,462	93,417	89,030
	21,421	18,168	18,498	16,381	16,603	13,808
	40,958	32,164	30,432	32,071	28,166	26,336
	40,857	35,961	30,975	50,159	38,097	37,771
	6,871	8,190	4,887	4,393	3,969	3,703
	21,699	21,958	23,088	21,563	17,663	17,510
	2,186	-	-	-	-	-
	<u>284,799</u>	<u>255,561</u>	<u>239,129</u>	<u>249,988</u>	<u>225,221</u>	<u>213,563</u>
	(7,558)	15,765	15,762	(10,081)	(5,972)	(11,194)
	-	-	-	-	-	-
	59,067	50,260	45,148	51,929	41,239	37,806
	(63,069)	(53,633)	(50,400)	(53,415)	(42,371)	(36,623)
	-	-	-	-	-	-
	-	-	-	1,400	12	1,325
	-	-	-	-	(3,032)	(173)
	-	-	-	-	-	100
	-	-	(7,776)	-	-	-
	-	-	-	-	12,450	-
	-	-	-	-	-	-
	-	-	-	-	-	6,655
	-	-	10,647	18,829	73,430	-
	1,143	258	-	-	-	-
	<u>(2,859)</u>	<u>(3,115)</u>	<u>(2,381)</u>	<u>18,743</u>	<u>81,728</u>	<u>9,090</u>
\$	<u>(10,417)</u>	<u>\$ 12,650</u>	<u>\$ 13,381</u>	<u>\$ 8,662</u>	<u>\$ 75,756</u>	<u>\$ (2,104)</u>
	12.6%	13.7%	13.4%	13.0%	11.6%	12.1%

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

Fiscal Year Ended June 30	City			Less: Exemptions ¹	Taxable Assessed Value
	Secured	Unsecured			
2006	\$ 16,039,774	\$ 1,415,202	\$	(186,041)	\$ 17,268,935
2005	14,530,607	1,449,024		(187,232)	15,792,399
2004	13,388,870	1,467,731		(187,564)	14,669,037

1. Includes tax-exempt property

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

Source: County of Orange Auditor-Controller's Office

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

Redevelopment Agency

	<u>Secured</u>		<u>Unsecured</u>		<u>Less: Exemptions¹</u>		<u>Taxable Assessed Value</u>
\$	3,957,501	\$	909,681	\$	(3,242)	\$	4,863,940
	3,705,383		910,600		(3,132)		4,612,851
	3,527,810		956,067		(2,917)		4,480,960

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

SCHEDULE 6

	2006	2005	2004
City direct rates:			
City basic rate	\$ (2)	(2)	(2)
Redevelopment agency			
Total City direct rate	-	-	-
Overlapping Rates:			
Santa Ana Unified School			
District bonds	0.04353	0.04961	0.03871
Rancho Santiago Community			
College District bonds	0.01691	0.02726	0.01776
Metropolitan Water District	0.00520	0.00580	0.00610
County of Orange	1.00000	1.00000	1.00000
Total direct rate	\$ <u>1.06564</u>	<u>1.08267</u>	<u>1.06257</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. Includes County Improvement Bonds
2. Basic levy (Prop. 13) for county, city, schools, and districts (apportioned by County Auditor). Proposition 13 in effect eliminated the property rates for cities, exclusive of voted authorizations for which a rate may be established for debt service on debt authorized by the voters prior to July 1, 1978.

Source: County of Orange Auditor-Controller's Office

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

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 28,514,594	\$ 24,929,393	87.4%	\$ 971,194	\$ 25,900,587	90.8%
2005	23,876,714	21,658,397	90.7%	524,437	22,182,834	92.9%
2004	22,192,001	21,061,515	94.9%	601,509	21,663,024	97.6%
2003	20,950,375	19,827,124	94.6%	577,022	20,404,146	97.4%
2002	20,070,931	19,149,489	95.4%	517,802	19,667,291	98.0%
2001	19,018,727	18,368,954	96.6%	501,106	18,870,060	99.2%
2000	17,505,075	16,913,581	96.6%	417,741	17,331,322	99.0%
1999	16,189,682	15,870,477	98.0%	428,423	16,298,900	100.7%
1998	15,563,576	14,809,394	95.2%	840,338	15,649,732	100.6%
1997	15,977,027	14,566,163	91.2%	734,539	15,300,702	95.8%

Source: County of Orange Auditor-Controller's Office

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

Category	Fiscal Year	
	2006	2005
General Retail	\$ 40,966	39,059
Business to Business	38,206	38,719
Transportation	35,862	34,188
Food Products	21,875	20,967
Construction	20,147	18,342
Miscellaneous ¹	1,655	1,059
Total	\$ 158,711	152,334

1. Miscellaneous category includes health & government

The County of Orange has a 7.75% tax rate,

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

Source: MBIA Muniservices

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

Information prior to the implementation of GASB 44 is not available.

Principal Property Tax and Sales Tax Remitters
Fiscal Year 2006
(in alphabetical order)

Principal Property Tax Remitters

First American Title
Freedom Newspapers Inc
GLL US Office LP
Greenville Ranch LLC
KPERS Realty Holding
Lapco Industrial Parks
Mainplace Shoppingtown
NNN Xerox Centre 19 LLC
Spieker Griffin W 9
UWMC Hospital Corp

Principal Sales Tax Remitters

Crevier BMW
Financial SVCS Vehicle Trust
Home Depot
Honda Santa Ana
Nordstrom Department Store
Orange County Register
Robinsons May Department Store
Target Stores
Wal Mart Stores
Xerox Corp.

Source: MBIA Muniservices

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

Water Sold by Type of Customer
Last Four Fiscal Years
(in thousands of units)²

SCHEDULE 10

Type of Customer	Fiscal Year			
	2006	2005	2004	2003
Residential	9,221,423.3	9,477,817.4	9,825,891.1	9,944,399.6
Commercial	2,895,335.2	2,767,566.3	2,756,922.3	2,586,620.7
Industrial	971,067.8	994,549.0	1,089,612.3	1,248,816.7
Wholesale food	124,716.3	129,422.0	135,905.6	146,190.6
Government	102,283.7	319,429.7	344,377.7	328,247.1
Others ¹	481,370.2	504,001.7	532,953.0	530,480.1
Total	13,796,196.5	14,192,786.1	14,685,662.0	14,784,754.8
Total direct rate per unit ²	\$ 1.760	1.608	1.452	1.283

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

2. A unit is 748 gallons

Source: City of Santa Ana Finance Department, Water Division

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

**Water Rates
Last Four Fiscal Years**

Fiscal Year Ended June 30	Monthly base Rate ¹	Rate per Unit ²
2006	\$ 7.00	1.76
2005	7.00	1.61
2004	7.00	1.45
2003	7.00	1.28

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

2. A unit is 748 gallons

Source: City of Santa Ana Finance Department, Water Division

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

**Principal Water Customers
Fiscal Year 2006**

Water Customer	2006	
	Taxable Water Charges	Percentage of Total Water Revenues
Chroma Systems	\$ 421,350	1.11%
Adohr Farms Inc	217,089	0.57%
Fairview Villas	266,655	0.70%
Power Circuits Inc.	148,461	0.39%
County of Orange	139,529	0.37%
Warwick Square Assoc. Inc.	535,438	1.41%
MacArthur Village	753,323	1.98%
County of Orange	123,361	0.32%
Town Square Owners	186,338	0.49%
Far West Management Corp	181,921	0.48%
Total	\$ <u>2,973,465</u>	<u>7.81%</u>

Source: City of Santa Ana Finance Department, Water Division

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

Ratios of Outstanding Debt by Type¹
Fiscal Year 2006

Other Governmental Activities Debt							
Fiscal Year	Tax Allocation Bonds	Tax Allocation Refunding Bonds	Capital Leases	Certificates of Participation	Lease Revenue Bonds	Refunding Revenue Bonds	Long Term Loans
2006	\$ 19,990,000	\$ 29,320,000	\$ 4,511,149	\$ 10,745,000	\$ 101,015,000	\$ 82,850,000	\$ 8,878,375
2005	20,945,000	32,325,000	7,107,587	11,285,000	108,280,000	90,605,000	12,189,685
2004	20,945,000	34,145,000	9,012,536	11,540,000	108,970,000	94,210,000	13,815,318

Business-type Activities							
Fiscal Year	Revenue Bonds Payable	Certificates of Participation	Refunding Refunding COP	Notes Payable	Total Primary Government	Percentage of Personal Income ²	Debt Per Capital ²
2006	\$ 19,370,000	\$ 3,460,000	\$ 11,745,000	\$ 1,878,899	\$ 293,763,423	0.06%	\$ 7,957
2005	20,110,000	5,500,000	14,355,000	2,135,779	324,838,051	0.07%	9,232
2004	18,400,000	6,445,000	15,565,000	2,257,687	335,305,541	0.08%	10,118

Notes:

Source: City of Santa Ana 2004 - 2006 CAFRS

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

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

Ratios are calculated using prior calendar year.

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

Information prior to FY 2004 is unavailable.

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

	Fiscal Year			
	2006	2005	2004	2003
Debt limit	\$ 436,374,410	333,262,607	280,586,375	266,029,957
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 436,374,410</u>	<u>333,262,607</u>	<u>280,586,375</u>	<u>266,029,957</u>

Legal Debt Margin Calculation fo Fiscal Year 2006:

Assessed value	\$ 17,454,976,388
Debt Limit (2.5 percent of assessed value) ¹	<u>436,374,410</u>
Debt applicable to limit:	
General obligation bonds	None
Legal debt margin	<u>\$ 436,374,410</u>

Source: County of Orange Auditor-Controller's Office

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

2002	2001	2000	1999	1998	1997
252,587,891	236,397,923	221,981,748	205,889,837	205,889,837	204,577,300
-	-	-	-	-	-
<u>252,587,891</u>	<u>236,397,923</u>	<u>221,981,748</u>	<u>205,889,837</u>	<u>205,889,837</u>	<u>204,577,300</u>

Direct and Overlapping Debt Fiscal Year 2006

City of Santa ana

2005-06 Assessed Valuation	\$	17,454,976,388			
Redevelopment Incremental Valuation:		4,124,472,112			
	\$	<u>13,330,504,276</u>			
			Total Debt		City's Share of
<u>Overlapping Tax and Assessment Debt:</u>			<u>06/30/06</u>	<u>% Applicable</u>	<u>(1) Debt 06/30/06</u>
Orange County Teeter Plan Obligations	\$	123,725,000		4.328%	\$ 5,354,818
Metropolitan Water District		389,565,000		0.908	3,537,250
Coast Community College District		102,718,867		0.287	294,803
Rancho Santiago Community College District		210,699,166		28.544	60,141,970
Santa Ana Unified School District		135,923,187		56.681	77,042,622
Tustin Unified District School Facilities Improvement District No 2002-1		28,684,947		12.540	<u>3,597,092</u>
Total Overlapping Tax and Assessment Debt:					<u>149,968,555</u>
<u>Direct and Overlapping General Fund Debt:</u>					
Orange County General Fund Obligations	\$	630,022,000		4.328%	\$ 27,267,352
Orange County Pension Fund Obligations		99,716,298		4.328	4,315,721
Orange County Board of Education Certificates of Participation		19,820,000		4.328	857,810
Orange County Transit Authority		2,470,000		4.328	106,902
Community College District Certificates of Participation		45,485,000		0.287-0.835	343,112
Orange Unified School District Certificates of Participation		51,960,000		2.596	1,348,882
Santa Ana Unified School District Certificates of Participation		44,699,711		56.681	25,336,243
Tustin Unified School District Certificates of Participation		6,790,000		7.74	525,546
City of Santa Ana General Fund Obligations		128,149,066		100.	128,149,066
Irvine Ranch Water District Certificates of Participation		44,200,000		0.579	255,918
Orange County Sanitation District Certificates of Participation		130,370,000		6.015	<u>7,841,756</u>
Total Gross Direct and Overlapping					\$ <u>196,348,308</u>
Less: Orange County Transit Authority (80% self-supporting)					<u>85,521</u>
Total Net Direct and Overlapping General Fund Debt					\$ <u>196,262,787</u>
Gross Combined Total Debt					346,316,863 (2)
Net Combined Total Debt					346,231,342

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

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and assessment Debt..... 0.86%

Ratios to adjust Assessed Valuation:

Combined Direct Deb (\$128,149,066)..... 0.96%

Gross Combined Debt..... 2.60%

Net Combined Total Debt..... 2.60%

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

Source: California Municipal Statistics, Inc.

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

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 38,401	\$ 32,810	\$ 5,591	131	69	5.21
2005	35,992	32,846	3,146	126	74	5.56
2004	35,040	29,500	5,540	122	78	5.71
2003	31,181	27,679	3,502	118	82	6.41

Source: City of Santa Ana 2003 - 2006 CAFRS

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

Operating expenses do not include interest or depreciation.

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

Information prior to FY 2003 is not available.

Demographic and Economic Statistics Last Calendar Year

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2005	351,322	\$ 477,101,000	36,917	5.4%
2004	351,697	453,902,000	35,188	6.2%
2003	347,237	427,041,000	33,138	3.5%

Sources:

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

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

**Principal Employers
Fiscal Year 2006**

<u>Employer</u>	2006	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
New Century Mortgage	3,500	2.37%
First American Title Co.	2,395	1.62%
Orange County Register	1,770	1.20%
Integrated Healthcare Holdings	1,629	1.10%
Ingram Micro	1,350	0.91%
Diversified Maintenance Services Inc.	1,100	0.75%
Superior Court of County of Orange	1,000	0.68%
United Building Services	800	0.54%
One Source	800	0.54%
Orange County Public Facilities	700	0.47%

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

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

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

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

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

1. Includes Human Resources and Finance

2. Includes Library

3. Includes Police and Fire

4. Includes Planning and Building, and Public Works

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

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

Information prior to FY 2000 is not available.

Operating Indicators by Function

Fiscal Year 2006

	2006
Police:	
Physical arrests	12,219
Parking citations issued	95,299
Traffic citations issued	34,028
Responses to 911 calls	22,301
Fire:	
Number of emergency calls	19,960
Inspections	4,106
Public Works:	
Streets:	
-Street resurfacing (miles)	3,477
-Pot holes repaired	26,570
Sanitation:	
-Refuse collected (tons/day)	970,000
-Recyclables collected (tons/day)	580,000
Water:	
-New connections	107
-Water mains breaks	13
-Average daily consumption (thousands of gallons)	42,000
Parks, recreation and community services:	
Athletic field permits issued	9,855
Number of recreation classes (subjects)	91
Number of facility rentals	1,812
Planning and Building:	
Number of building permits issued	4,581
Number of plan checks	2,574
Number of inspections	41,659
Number of demolition building permits	48
Value of construction (in thousands):	
-Commercial and industrial construction	7,374
-Residential construction	122,060
-Other additions and alterations	93,717

Source: City of Santa Ana

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

Capital Assets Statistics by Function
Fiscal Year 2006

	2006
Police:	
Stations	2
	2
Fire:	
Fire stations	10
Public Works:	
Street (miles)	400
Streetlights	1582
Traffic Signals	275
Parks, Recreation and community services	
Number of parks	40
Number of libraries	2
Number of community centers	8
Number of municipal swimming pools	5
Number of municipal tennis centers	2 WITH 25 COURTS
Number of miles of bike trails	11
Water:	
Water mains (miles)	488
Maximum daily capacity (thousands of gallons)	157,000
Number of water wells	19
Number of reservoirs	10
Number of hydrants	4,901
Sewer:	
Sewer mains (miles)	389

Source: City of Santa Ana

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