

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2010 TO JUNE 30, 2011

Comprehensive Annual Financial Report

City of Santa Fe Springs, CA
Year Ended June 30, 2011



Santa Fe Springs City Council

Joseph D. Serrano, Sr., Mayor
William K. Rounds, Mayor Pro-Tem
Luis M. González, Councilmember
Richard J. Moore, Councilmember
Juanita Trujillo, Councilmember

Planning Commissioners

Frank Ibarra
Susie Johnston
Michael Madrigal
Laurie Rios
Manuel Zavallós

Traffic Commissioners

Greg Berg
Sally Gaitan
Ruben Madrid
Lillian Puentes
Ted Radoumis

Executive Management Team

Thaddeus McCormack, City Manager
Steve Skolnik, City Attorney
Paul R. Ashworth, Dir. of Planning and Dev.
Jose Gomez, Dir. of Finance & Admin. Svcs.
Donald K. Jensen, Director of Public Works
Alex C. Rodriguez, Fire Chief
Dino Torres, Director of Police Services

Prepared by:

Jose Gomez, Dir. of Finance & Admin. Svcs.
Travis Hickey, Asst. Dir. of Finance & Admin Svcs.
Donna Mack, Accountant
Erlinda Gutierrez, Accountant



**CITY OF SANTA FE SPRINGS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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City of Santa Fe Springs

Introduction Section



City of Santa Fe Springs

11710 Telegraph Road • CA • 90670-3679 • (562) 868-0511 • Fax (562) 868-7112 • www.santafesprings.org

December 28, 2011

Honorable Mayor & City Council and
Residents of the City of Santa Fe Springs:

Introduction

It is our pleasure to submit for your information and consideration the Comprehensive Annual Financial Report (CAFR) of the City of Santa Fe Springs (City). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's Department of Finance and Administrative Services. It is our opinion that the data as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain a full understanding of the financial activities have been included.

The enclosed financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as recommended by the Governmental Accounting Standards Board (GASB) and include the report of the independent certified public accountants, Macias Gini & O'Connell. The complete report is divided into distinct sections:

Introduction-	Letter of transmittal, an organizational chart, and prior year award for financial reporting.
Financial -	Independent auditors' report, Management's Discussion and Analysis (MD&A), basic financial statements, accompanying notes to the financial statements, required supplementary information, and supplementary information.
Statistical -	Pertinent financial and non-financial data that present historical trends and other information about the City.

**Introduction
(cont.)**

As a recipient of federal funds, the City of Santa Fe Springs is required to undergo an annual single audit. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

This report presents the financial status of the City and its component units, the Community Development Commission of the City of Santa Fe Springs, and Public Financing Authority as a single reporting entity. Although these component units are legally separate from the City, the City maintains significant financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (A) the ability of the primary government to impose its will on the component unit, or (B) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. For detailed information regarding the City and its component units, please refer to Management's Discussion and Analysis (MD&A) section in this report.

**Accounting
System and
Budgetary
Control**

In developing and modifying the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding:

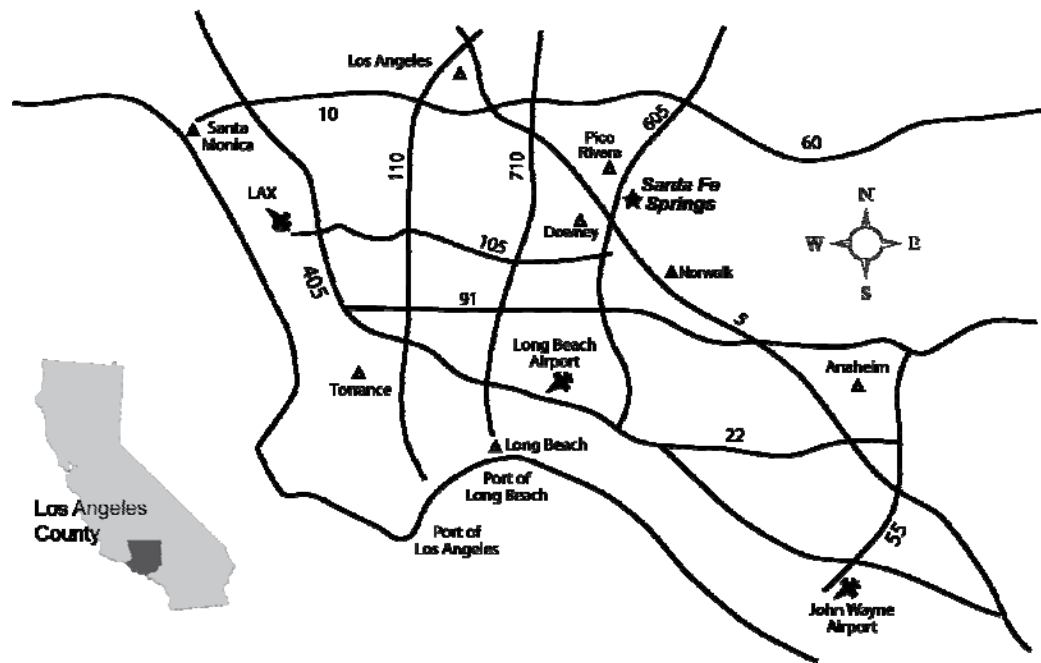
- (1) The safeguarding of assets against loss from unauthorized use or disposition; and
- (2) The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The accounting system is maintained on a functional basis (activity/sub-activity) in order to reflect the services provided by the City.

The City maintains budgetary controls at the individual fund level to ensure compliance with the budget approved by the City Council. The budget includes estimated revenues and appropriations for the City's General Fund, certain Special Revenue Funds, and Debt Services Funds. Operating plans for the City's Water Utility Fund are also prepared as part of the budget.

Profile and Government Structure

The urban development of Santa Fe Springs began in the early 1950's as the result of a planned effort by a coalition of business community members and local residents. During the ensuing years, community pressures resulted in the incorporation of the City on May 15, 1957. The new City covered 4.9 square miles with a population of 11,787. The City of Santa Fe Springs now encompasses nine square miles, with about 84% of the land zoned for commercial and industrial use. The City's population is approximately 17,700; however, the daytime population is estimated at 95,000.



The City of Santa Fe Springs operates as a general law city under the council-manager form of government. Five City Council members are elected at-large for alternating four-year terms. The Mayor is selected annually from among the five members of the City Council. The City Council is responsible for the City's ordinances, operating resolutions, budget adoption and appointment of committee members. Overall, there are 14 standing committees, boards and commissions that provide input to the City Council. Among these are the Planning Commission and the Traffic Commission. The City Manager is responsible for administering the policies and directives approved by the City Council. The City Manager appoints the Executive Management Team, which is comprised by the Fire Chief, Director of Family and Human Services, Director of Finance & Administrative Services, Director of Library and Cultural Services, Director of Parks and Recreation, Director of Police Services, Director of Planning and Development, and Director of Public Works.

Local Economic Outlook

The City of Santa Fe Springs is strategically located in southeast Los Angeles County with access to major seaports, airports and transportation corridors. With the vast majority of the City zoned for commercial and industrial use, Santa Fe Springs has continually experienced strong development and redevelopment activity in the community. Fiscal Year 2009-10, however, witnessed a decrease in development activity levels. Unfortunately, this is quite consistent with a larger economic slump that most agencies are experiencing.

The City's primary revenue source, sales and use taxes, increased modestly after declining sharply during recent years. Its impact has been significant as it accounts for the vast majority of the City's General Fund revenues. The implementation of the voter-approved Utility User's Tax (UUT) during the fiscal year will considerably help diversify and stabilize the City's future year's revenues.

Initiatives

The City's strategic operating plan is interchangeable with the published mission statement: "Our mission is to improve the quality of community life in the City of Santa Fe Springs; to foster the public trust through the effective management of public resources; to provide a safe, well-planned and aesthetically pleasing environment; to encourage personal enrichment through educational, cultural, and social and leisure programs; to serve the public in a responsive and courteous manner; and, to promote social harmony in all aspects of community life", as clarified in the objectives outlined below:

- Community safety protection through a variety of interdepartmental and interdisciplinary approaches
- City employee safety, training, and fair compensation practices
- High-quality community development and business retention projects
- Rehabilitation, replacement and expansion of the City's housing stock
- Maintenance, reconstruction, and where appropriate, development of the City's infrastructure
- Quality of life concerns, ranging from environmental, community and cultural preservations to supportive community services programs for our seniors, youth, adults, and families

Accomplishments & Outlook

Traditionally, a two-year operating budget and a six-year Capital Improvement Program have been two of the most significant planning tools that the City has utilized to achieve and monitor the City mission. The City continues to spend down an infusion of capital funding from the issuance of tax allocation bonds which has provided the funding for over 150 projects currently included in the City's six-year Capital Improvement Program. Public safety is the highest priority in the community as evidenced by the continued financial commitment provided to both Fire and Police Services. The community has

**Accomplishments
& Outlook (cont.)**

two nationally recognized emergency preparedness programs in place since the late 1980's: the Business Emergency Preparedness Network and the Safe Neighborhood Teams.

A "terrorism element" has been formally added to the community's civil defense master plan structure as a result of the September 11th attacks. The Fire-Rescue and Police Services Departments continue to combine their manpower to provide the resources and tools to deal with emergency and security issues that may arise in the community and region. The City continues to purchase specialized equipment as dictated by the terrorism element of the plan and has been successful in applying for Homeland Security grant funding.

Fire-Rescue Department

The Fire Department is comprised of 67 members working out of four fire stations providing not only the traditional services of fire suppression, prevention and EMS, but also a full-service Environmental Protection Division. The environmental protection and response components are considered model systems in the State of California and the City's status as a Certified Unified Program Agency (CUPA) makes Santa Fe Springs a "one stop shop" for administering all the hazardous materials, hazardous waste and tank programs in the City. The State has long held the CUPA as a business training module and regarded the City's CUPA as one of the best programs in the State. The Fire-Rescue Department has expanded its capabilities and services provided to the local and statewide community by developing its Urban Search and Rescue (US&R) team. The team was designated by OES as a "Heavy" team and is part of the Regional US&R team (Regional Task Force 2). The Fire Department also staffs a Hazardous Materials Response Team vehicle with all staff trained to Haz-Mat Specialist level. The City has replaced all front-line response vehicles, including engines and trucks. The department recently restructured its regional dispatch services agreement at a significant savings. It has also been exploring the feasibility of providing vehicle maintenance services to other fire departments in the region. The department is now providing vehicle maintenance to the Compton Fire Department and the Rio Hondo Fire Academy.

Department of Police Services

The Department of Police Services oversees the City's community-based approach to law enforcement which blends contract Whittier Police Department officers and City public safety officers. Together, this team works out of the City-owned 8,000 square foot Police Services Center providing dedicated police and municipal code enforcement services.

The City's Department of Police Services is on the forefront of public safety issues, including crime prevention utilizing interdisciplinary strategies through an array of intervention programs provided by trained City staff, as well as collaborative efforts of numerous other professional public agencies.

**Accomplishments
& Outlook (cont.)**

The department's commitment to the Community Oriented Policing and Problem Solving (COPPS) philosophy was bolstered by the addition of the Family and Youth Intervention Program; a team of professionals that provides positive strategies and tools to families who are having difficulties with their children.

In addition, the City continued its partnership with the Whittier Union High School District to provide a uniformed and armed school resource police office at the local high school. The department continues to utilize the latest technology available to enhance and more efficiently deploy public safety personnel.

Department of Public Works

The City's Department of Public Works is responsible for efficiently developing, constructing and maintaining the City's infrastructure, including parks and facilities, in a safe and environmentally sensitive manner for the enhancement of the community. This encompasses routine maintenance items as well as responding to numerous citizen requests for service. The City prides itself in having functional and well-maintained infrastructure, parks and facilities. The Department also continues to provide traffic signal maintenance for four neighboring cities. Additionally, the Public Works Department administers the Capital Improvement Program through a combination of in-house engineering staff and professional engineering consultants. During Fiscal Year 2010-11, the Department coordinated a multitude of public works projects including residential, arterial and industrial street reconstruction and resurfacing, park and city facility building improvements, median improvements and water system improvements.

Department of Planning and Development

The City's Department of Planning and Development is responsible for the orderly development and redevelopment of the City. This is accomplished by utilizing high-quality standards for the preservation and development of residential, commercial and industrial areas of the City. Despite the national construction slowdown trend, in Fiscal Year 2010-11, the department issued 1,682 permits with a valuation in excess of \$60 million.

Also moving forward is the 522-unit Villages at Heritage Springs housing project. With model and for-sale market rate units completed, the Villages project provides new homeownership opportunities for both first-time homebuyers and move-up buyers. To date, 43 homes have been sold with 9 homes currently in escrow and 23 homes under construction. This eco-friendly project features solar electric systems on each home, tank-less water heaters and other energy efficient upgrades, making it the largest energy efficient housing project under construction in the western United States.

**Accomplishments
& Outlook (cont.)**

The *Villages at Heritage Springs* project serves as an example of Brownfield reuse, as the 54-acre property was formerly encumbered by oil field operations. In addition, with residential land values in Santa Fe Springs greater than industrial land values, the Villages at Heritage Springs project is proving to be a wise economic development investment. Concerning other housing activities, the Department of Planning and Development was instrumental through its housing division in providing 154 rebates totaling approximately \$144,083 through the City's Home Improvement Rebate Program. The rebate program leveraged the City's contribution of housing funds resulting in the investment by homeowners of approximately \$552,523 in new home improvements to preserve and improve the housing stock in the City, a leverage factor of almost one to four. Under the City's Home Repair Program, which benefits very low-income homeowners, over 174 homes were repaired utilizing \$2.3 million in direct local housing funds.

Department of Community Services

One of the City departments that has the most direct impact upon our residents is the Department of Community Services. It includes the following divisions: Parks and Recreation Services, Library and Cultural Services, and Family and Human Services. Programs available to City residents, as well as business residents, range from social, recreational, cultural, and childcare services. During the year, there were several significant accomplishments:

- The Library has successfully settled into its newly renovated facility. As a testament to the library's popularity in the community: attendance increased by almost 10%. We had over 140,000 visitors. Circulation statistics have increased by over 17%! First Friday, Novel Idea, Children's Story Time, Baby Boogies and Summer Reading Program all continue to resonate with our patrons.

The Library's literacy program continues to be a vital service linking the schools with the Library and City of Santa Fe Springs. The Literacy Program also provides adult learners with the resources they need to be productive citizens. During this past year, adult literacy students received over 1,419 hours of instruction, which is a 15% increase over last year; Reading Club students and English Language and Literacy Intensive class instruction in the schools received 7768 hours of instruction: a 40% increase over last year. More than 2792 books were distributed to adults and children!

- The jewel of Santa Fe Springs, Heritage Park, entertained over 60,000 visitors through a series of concerts, special events, and community gatherings. Heritage Park's revenues from weddings and other events increased by 23%.
- Art in Public Places Program and in FY 2010-11 continued an aggressive maintenance program. The removal of the Dancing Gabrieleños. We

**Accomplishments
& Outlook (cont.)**

initiated the restoration and placement of Water Trails, and the commission of the artist for the art wall in the Cesar Chavez Reading Garden.

- The Parks and Recreation Division serves as a main artery to the community interfacing with children, teens, adults and families. The Division continues to provide recreational opportunities to all segments of the community through core programs of aquatics, youth and adult sport, recreational classes, day camps, park programming, and teen programming.
- The Division's signature events were very successful this year. The traditional Easter Egg Hunt encouraged hundreds of families to venture out to the park and hunt for special prizes and candy. The Halloween Carnival event was well attended and over 1,200 costumed visitors tried their luck at numerous carnival games. No one was disappointed because there was plenty of candy for all to enjoy. The Annual Tree Lighting Event hosted local talent from our community and schools performing various holiday songs and acts. This program begins the holiday season with the official Tree Lighting ceremony. The Santa's Float program completed its 30th season of traveling the neighborhoods and bringing cheer and excitement to over 6,000 believers throughout the community.
- The Division is pleased to highlight the Little Lake Park Playground Replacement and Enhancement Project which was completed in April of 2011. State grant money funded this project which replaced seriously aged playground equipment with state of the art playground equipment consisting of slides, swings, bridges, walls and numerous other attractions for the enjoyment of the children. The sand surfacing was removed and replaced with the approved rubberized surface which allowed the project to be in compliance with new state regulations.
- The Division is excited about the success of the new events which included:
Wine and Import Beer Tasting at the Historic Clarke Estate – This was a first time venture with local restaurants to provide a sophisticated evening at the Historic Clarke Estate. The restaurants provided fine cuisine, fine wines, and unique imported beers. At least 200 guests sipped flavorful wines while sampling tasty specialties unique to each restaurant. The setting on the grounds of the Estate added to the ambiance and proved to be an exceptional evening.
Summer Concert in the Park – This was the first free concert in the park made possible by a corporate sponsor donation. A local band called "SOSOT" recognized as one of today's hottest Latin-Funk-R&B dance bands performed at a centralized park for the community. Over 200 families and friends gathered on the park with blankets and chairs in hand, ready to enjoy some good Latin rhythms, and soulful ballads.

**Accomplishments
& Outlook (cont.)**

- The Family and Human Services (FHS) Division oversees the T.E.E.N.S. (Teens Empowered and Engaged in Neighborhood Service) and successfully collaborated with the City's Parks & recreation Division as well as the Youth Intervention Program. The program has served over 500 teens which encourages youth to give back to their community.
- The Family & Human Services Division implemented a new Community Voicemail program (CVM). Partnered with the Weingart Center Association, a free voicemail is offered to clients who do not have a telephone in our community. The CVM is a tool to assist people without a telephone to achieve employment, housing, healthcare, and maintain contact with people in their lives.
- Through the Christmas Basket program, the Family and Human Services Division was able to assist over 300 families and 700 children experience a Merry Christmas. The Volunteer Income Tax Assistance (VITA) Program offers free tax preparation to low income residents through the aid of specially trained volunteer preparers. VITA volunteers prepared 238 income tax returns resulting in more than \$485,500 in tax refunds being awarded to residents in the City and surrounding communities.
- The Child Care Section provided services to over 400 children ages 0 to 12 years of age. Services included early care, education and intervention programs for preschoolers and before and after school child care programs for elementary age students. The Child Care Section also logged over 1200 hours of parent participation (volunteer hours) during this fiscal year and earned all of our State contracts. Staff also completed over 750 hours of training on various subjects related to early childhood education and best practice. Finally the Child Care Program conducted a comprehensive Contract/Program review for each of the child care development programs. The findings indicated that all of our established programs, curriculum goals and standards as well as State requirements were met. During the Fiscal Year 2010-2011, the FHS Division provided a variety of social and recreational services to over 25,000 senior patrons at the City's senior center.

City Manager

The City's overall administrative function falls under the auspices of the City Manager, who also serves as the head of the City's economic development team. The City Manager's Office also encompasses: the City Clerk functions; Human Resources; Transportation Services; and, Solid Waste Management and Recycling programs.

Fiscal Year 2010-11 presented the City with continuing fiscal and organizational challenges. Through the leadership of the City Manager's

**Accomplishments
& Outlook (cont.)**

Office, the City acted responsibly to increase revenue through the approval and implementation of a new, voter a-approved Utility Users Tax, as well maintain expenditure levels within the context of the significant reductions in labor that the City's workforce has seen over the last three years. Given these challenges, the City Manager's Office focused much attention and provided a tremendous amount of personal and professional support to the various Departments and City functions.

Other areas of focus during Fiscal Year 2010-11 included:

- Implemented scaling back on a variety of City events without conceding quality or level of service.
- Revamped and implemented new Employee Evaluation process.
- Oversaw administrative implementation of Fiscal Emergency Declaration and subsequent Special Utility User's Tax (UUT) election. In so doing, worked with community and business leaders to craft politically and fiscally palatable aspects to new UUT measure.
- Oversaw renewal of Law Enforcement Contract with City of Whittier.
- Led Benefit/Pension dialogue with employee groups.

Department of Finance and Administrative Services

The City Manager's office works very closely with the multi-faceted Department of Finance and Administrative Services. The department is responsible for a number of activities, including managing and safeguarding financial resources in accordance with specific principles and practices, fostering a positive image of the City, and administering information technology and risk management functions. Among the department's activities during the year were preparing a balanced budget in a challenging economic environment, negotiating significant labor agreements, taking local actions in response to adverse State efforts, and implementing the new Utility User's Tax. Additionally, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Fe Springs for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. The current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is being submitted to the GFOA to determine its eligibility for another certificate. The City has consistently received the GFOA award over the last several decades.

**Long-Term
Financial Planning**

In June 2009 the City entered into an agreement with CalPERS to Prefund Other Post Employment Benefits (OPEBs) through the California Employers' Retiree Benefit Trust Fund (CERBT). It is important to recognize the benefit of "prefunding" through a trust rather than using the "pay as you go" method.

Over the course of the last year it has become increasingly clear that there are several fundamental policy issues and changes that must be confronted in order to move forward in a financially prudent manner. The deterioration of the economy, the State's incessant attacks on local resources and the steep increase in some employee benefit costs have all contributed to this condition.

Within the next year, staff will be presenting to the City Council various revenue and expenditure options and their impact over a multi-year period.

**Financial
Policies**

The trust option allows the City to decrease the use of taxpayer dollars by using investment earnings to pay for a significant portion of future OPEB costs. As the number of retirees and the amount of benefit costs increases, cities utilizing the "pay as you go" method will experience a greater financial burden on future budgets.

In recognition of this imminent problem, the City selected the CalPERS CERBT.

The Council recognized the benefit of "prefunding" through a trust rather than using the "pay as you go" method. The trust option allows the City to decrease the use of taxpayer dollars by using investment earnings to pay for a significant portion of future OPEB costs. As the number of retirees and the amount of benefit costs increases, cities utilizing the "pay as you go" method will experience a greater financial burden on future budgets. In recognition of this imminent problem, selecting the CalPERS CERBT was the most prudent approach.

**Debt
Administration**

At June 30, 2011, the City of Santa Fe Springs oversees nine outstanding bond issues comprised of; five Consolidated Redevelopment Project tax-exempt tax allocation issues, a Consolidated Redevelopment Project taxable tax allocation bond issue, two City water revenue bonds and a special assessment district bond. Included in the above are the three most recent bonds the Commission issued during FY 2006-07: \$27.7 million in Tax Allocation Bonds (2006 Series A), \$18.8 million in Taxable Tax Allocation Bonds (2006 Series B), and \$43 million in Tax Allocation Refunding Bonds (2007 Series A).

The City works closely with public financial professionals to monitor opportunities to effectively administer the outstanding debt in a fluid public finance market. More detailed information about the debt is contained in the Management's Discussion and Analysis and in the Notes to Financial Statements. Over the years, the City and Community Development Commission have worked well together in taking actions that are mutually beneficial.

Acknowledgements

We would like to extend our appreciation to the City Council and various departments for their cooperation and support in planning and conducting the financial operations of the City during the past fiscal year. Specifically, we would like to thank the Department of Finance & Administrative Services for their consistent dedication and hard work.

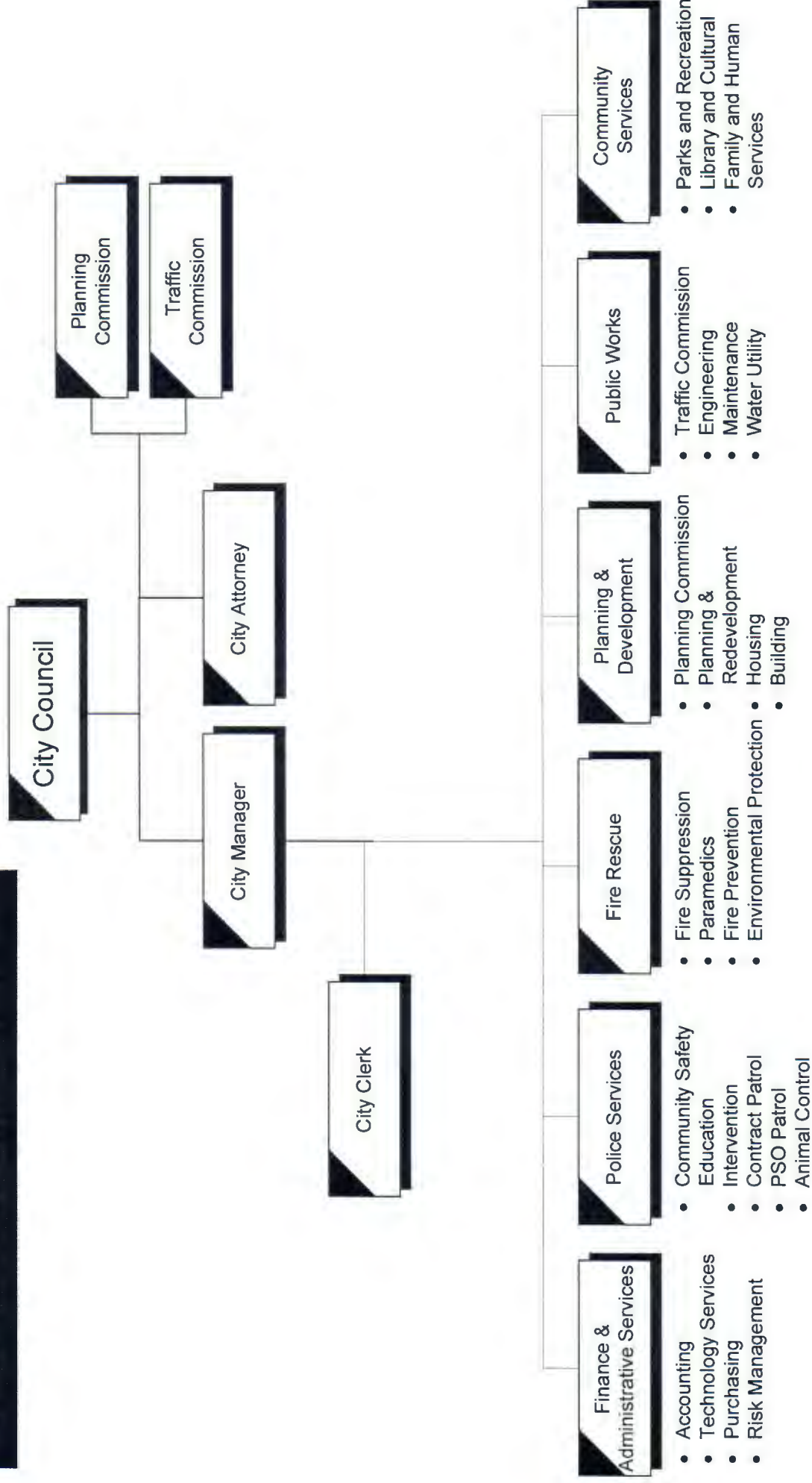
Thaddeus McCormack
City Manager

Jose Gomez
Director of Finance and Administrative Services

Travis Hickey
Assistant Director of Finance and Administrative Services

ORGANIZATIONAL CHART

CITY OF SANTA FE SPRINGS



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Fe Springs
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Danison

President

Jeffrey R. Enner

Executive Director

City of Santa Fe Springs

Financial Section

The Honorable City Council of
the City of Santa Fe Springs, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Fe Springs, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 20 (c) to the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements, schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements, schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Jini & O'Connell LLP

Newport Beach, California
December 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is management's discussion and analysis (MD&A) of the financial performance of the City of Santa Fe Springs (City) for the fiscal year ended June 30, 2011. This should be read in conjunction with the transmittal letter that can be found in the introductory section of this report and with the City's financial statements, which follow this discussion.

Financial Highlights

- The City's total net assets increased over the course of the fiscal year by \$3,935,055 to \$109,270,859. The governmental net assets increased by \$4,721,399 or 5.1%, and the business-type net assets decreased by \$786,344 or 5.9%.
- The general fund, on the current financial resources basis, reported an increase in fund balance of \$1,583,809 resulting primarily from containing costs and revenues exceeding budget estimates. This increase is about \$2.6 million more than anticipated in the final budget estimates.

Overview of the Financial Statements

This annual report consists of five parts: management's discussion and analysis, the basic financial statements, required supplementary information, supplementary information and a statistical section. The basic financial statements include two kinds of statements that present different views of the City: government-wide financial statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short and long-term information about the City's overall financial status in a manner similar to a private sector business.

- The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. In time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities presents information on how the City's net assets changed during the 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. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include not only the City, but also the legally separate Community Development Commission of the City of Santa Fe Springs, for which the City is financially accountable. The City's Water Utility operates as a proprietary fund and is reported on a business-type activity basis in the government-wide statements.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- Governmental funds statements tell how general government services such as public works, community services, police and fire were financed in the short term, as well as what remains for future spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow each of the governmental funds statements.
- Proprietary fund statements offer short and long-term financial information about the City's Water Utility Enterprise fund.
- Fiduciary funds statements provide information about the financial relationships in which the City acts solely as an agent for the benefit of others, to whom the resources belong. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. In addition to these required elements, we have included supplementary statements and schedules that provide details about our nonmajor governmental funds.

Financial Analysis of the Government-wide Statements

The government-wide financial statements provide short and long-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole. The statement of net assets includes all of the City's assets and liabilities. All current year revenues and expenses are reported in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the City's net assets and how they have changed during the fiscal year. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

City of Santa Fe Springs
Summary of Net Assets
June 30, 2010 and 2011
(in millions)

	Governmental Activities		Business- type Activities		Total		Total Percent Change
	2010	2011	2010	2011	2010	2011	
Current and other assets	\$ 110.3	\$ 109.4	\$ 4.7	\$ 3.7	\$ 115.0	\$ 113.1	-1.7%
Capital assets	<u>145.1</u>	<u>144.3</u>	<u>17.4</u>	<u>17.2</u>	<u>162.5</u>	<u>161.5</u>	-0.6%
Total assets	<u>255.4</u>	<u>253.7</u>	<u>22.1</u>	<u>20.9</u>	<u>277.5</u>	<u>274.6</u>	-1.0%
Long-term liabilities	153.1	146.5	7.6	7.5	160.7	154.0	-4.2%
Other liabilities	<u>10.0</u>	<u>10.3</u>	<u>1.4</u>	<u>1.1</u>	<u>11.4</u>	<u>11.4</u>	0.0%
Total liabilities	<u>163.1</u>	<u>156.8</u>	<u>9.0</u>	<u>8.6</u>	<u>172.1</u>	<u>165.4</u>	-3.9%
Net assets							
Invested in capital assets, net of related debt	80.7	73.5	13.7	11.9	94.4	85.4	-9.5%
Restricted	8.9	10.4	-	-	8.9	10.4	16.9%
Unrestricted	<u>2.7</u>	<u>13.0</u>	<u>(0.6)</u>	<u>0.5</u>	<u>2.1</u>	<u>13.5</u>	542.9%
	<u>\$ 92.3</u>	<u>\$ 96.9</u>	<u>\$ 13.1</u>	<u>\$ 12.4</u>	<u>\$ 105.4</u>	<u>\$ 109.3</u>	3.7%

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 Fe Springs, assets exceed liabilities by \$109.3 million at the close of the fiscal year. The largest portion of the City's net assets, 78.1%, is invested in capital assets, net of bonded debt. Approximately 12.4% of the City's net assets are unrestricted as to use.

During the fiscal year, the City's net assets increased by \$3,935,055. This was primarily the result of revenues beginning to recover from the economic recession, along with cost containment measures.

Changes in Net Assets
As of June 30, 2010 and 2011
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2010	2011	2010	2011	2010	2011	
Revenues							
Program revenues:							
Charges for services	\$ 9.4	\$ 8.7	\$ 9.2	\$ 9.9	\$ 18.6	\$ 18.6	0.0%
Operating grants and contributions	5.2	5.2	-	-	5.2	5.2	0.0%
Capital grants and contributions	3.0	4.8	-	0.2	3.0	5.0	66.7%
General revenues:							
Sales and use taxes	19.2	20.3	-	-	19.2	20.3	5.7%
Property taxes	34.5	33.2	-	-	34.5	33.2	-3.8%
Franchise taxes	2.5	2.5	-	-	2.5	2.5	0.0%
Motor vehicle in lieu	1.5	1.6	-	-	1.5	1.6	6.7%
Business operations taxes	0.8	0.8	-	-	0.8	0.8	0.0%
Utility users taxes	-	1.0	-	-	-	1.0	0.0%
Other taxes	0.6	0.6	-	-	0.6	0.6	0.0%
Investment income	1.7	2.4	-	-	1.7	2.4	41.2%
Other	0.4	0.2	-	-	0.4	0.2	-50.0%
Total revenues	<u>78.8</u>	<u>81.3</u>	<u>9.2</u>	<u>10.1</u>	<u>88.0</u>	<u>91.4</u>	3.9%
Expenses							
Governmental activities:							
General government	3.4	2.2	-	-	3.4	2.2	-35.3%
Public safety	27.6	26.4	-	-	27.6	26.4	-4.3%
Community development	30.9	20.7	-	-	30.9	20.7	-33.0%
Transportation	6.7	10.0	-	-	6.7	10.0	49.3%
Culture and leisure	12.0	8.2	-	-	12.0	8.2	-31.7%
Human services	3.5	2.9	-	-	3.5	2.9	-17.1%
Interest on long-term debt	7.9	7.3	-	-	7.9	7.3	-7.6%
Business-type activities:							
Water	-	-	9.1	9.7	9.1	9.7	6.6%
Total expenses	<u>92.0</u>	<u>77.7</u>	<u>9.1</u>	<u>9.7</u>	<u>101.1</u>	<u>87.4</u>	-13.6%
Excess (deficiency) before transfers	(13.2)	3.6	0.1	0.4	(13.1)	4.0	-130.5%
Transfers	<u>1.7</u>	<u>1.1</u>	<u>(1.7)</u>	<u>(1.1)</u>	<u>-</u>	<u>-</u>	
Increase (decrease) in net assets	<u>(11.5)</u>	<u>4.7</u>	<u>(1.6)</u>	<u>(0.7)</u>	<u>(13.1)</u>	<u>4.0</u>	-130.5%
Net assets - beginning	<u>103.7</u>	<u>92.2</u>	<u>14.7</u>	<u>13.1</u>	<u>118.4</u>	<u>105.3</u>	-11.1%
Net assets - ending	<u>\$ 92.2</u>	<u>\$ 96.9</u>	<u>\$ 13.1</u>	<u>\$ 12.4</u>	<u>\$ 105.3</u>	<u>\$ 109.3</u>	3.8%

The City's total revenues were \$91.4 million for the fiscal year ended June 30, 2011. Revenues from governmental activities totaled \$81.3 million and revenues from business-type activities totaled \$10.1 million. Program revenues comprise 31.4% of total revenues with the largest portion of this, \$18.6 million, resulting from charges for services. Sales and use taxes comprise 22.2% of total revenues and 24.9% of general revenues. Property taxes, primarily property tax increment, comprise 36.3% of total revenues and 53.0% of general revenues. In recent years, property taxes have surpassed sales and use taxes. This is a new trend for the City that reflects a pattern of new development and redevelopment resulting in businesses that are primarily distribution operations rather than commercial/retail establishments. Total revenues increased by 3.9%, reflective of signs of improving economic conditions.

Expenses of the City for the year totaled \$87.4 million. Governmental activity expenses totaled \$77.7 million, or 88.9% of total expenses. Business-type activities, the Water Utility, incurred \$9.7 million of expenses during the year. The following table summarizes the total cost and net cost of the City's governmental activities by function type.

Net Cost of Governmental Activities

(in millions)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2011		2010	2011	
General government	\$ 3.4	\$ 2.2	-35.3%	\$ 2.6	\$ 1.2	-53.8%
Public safety	27.6	26.4	-4.3%	23.6	22.5	-4.7%
Community development	30.9	20.7	-33.0%	26.8	16.6	-38.1%
Transportation	6.7	10.0	49.3%	1.4	3.9	178.6%
Culture and leisure	12.0	8.2	-31.7%	10.1	6.1	-39.6%
Human services	3.5	2.9	-17.1%	1.8	1.4	-22.2%
Interest on long-term debt	7.9	7.3	-7.6%	7.9	7.3	-7.6%
Total	<u>\$ 92.0</u>	<u>\$ 77.7</u>	<u>-15.5%</u>	<u>\$ 74.2</u>	<u>\$ 59.0</u>	<u>-20.5%</u>

Business-type Activities

Program revenues of the City's only business-type activity, the Water Utility, totaled \$10.1 million. Expenses of the Water Utility were \$9.7 million. Water rates include a factor to provide for a modest annual water infrastructure replacement program. Net income before transfers was \$344,940. Transfers out totaled \$1.1 million. This entire amount was transferred to the City's general fund for use of the City's rights of way and maintenance of the City's extensive infrastructure. The cost of capital improvements is reported in the statement of net assets, rather than as expenses in the statement of activities. Capital assets of \$17.2 million (net of accumulated depreciation) decreased by approximately \$0.2 million. Capital asset deletions and depreciation exceeded current year additions, resulting in the aforementioned decrease.

Financial Analysis of the Fund Statements

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of City government, reporting the City's operations in more detail than the government-wide statements.

The City's governmental funds provide information on near-term inflows, outflows and the balance of available resources. The City's governmental funds reported a combined fund balance at June 30, 2011, of \$97.2 million, an increase of approximately \$1.1 million from the previous fiscal year. This reflects the collection of revenues in excess of budget estimates, as well as cost containment measures.

The General Fund is the chief operating fund of the City. The Community Development Commission repaid the General Fund advances of approximately \$8 million during the fiscal year 2010-11 having the effect of reducing the nonspendable fund balance and increasing the unassigned fund balance. At the end of fiscal year ended June 30, 2011, the General Fund's unassigned fund balance was \$16.4 million. Additional General Fund balances were: nonspendable \$6.0 million, restricted \$1.3 million, and committed \$1.5 million. Specific details on components of fund balance are contained in Note 15 – Fund Balance. Revenues increased slightly from the prior year, while expenditures decreased moderately. During fiscal year ended June 30, 2011, the fund balance in the General Fund increased by \$1.6 million. This was mainly due to a slight recovery in sales tax revenue, as well as cost containment measures.

Within the governmental funds designation, the City has four other major funds: the Consolidated Redevelopment Project Debt Service Fund, the Consolidated Redevelopment Project Capital Projects Fund, the Washington Boulevard Redevelopment Project Debt Service Fund, and the Capital Improvement Capital Projects Fund. The Consolidated Redevelopment Project Debt Service Fund is used to account for the accumulation of resources and payment of principal and interest on all Community Development Commission (Commission) tax allocation bonds and other debt within the Consolidated Redevelopment Project Area. Note 14 – Long-Term Liabilities provides more details on these obligations. Fiscal Year 2010-11 property tax revenues allocated to the Commission on behalf of the Consolidated Redevelopment Project of \$24.6 million (net of 20% housing set-aside contribution) were approximately \$929,000 less than the previous fiscal year. Total expenditures within this fund decreased by approximately \$8.8 million, which resulted in a 29.7% decrease from the previous fiscal year. This decrease was due to a reduction of the State mandated transfer of tax increment to the Supplemental Educational Revenue Augmentation Fund from the prior fiscal year. The City/Commission maximizes the use of property tax increment through debt issuance and administration.

The Consolidated Redevelopment Project Capital Projects Fund is used to account for financial resources segregated for the acquisition and rehabilitation of capital facilities within the Consolidated Redevelopment Project Area. Fund balance decreased by \$12.5 million, the result of resources expended on various capital improvements including facilities, infrastructure, land acquisition and economic development initiatives. Revenues, transfers in, expenditures, and transfers out within this fund vary significantly from year to year, and there is not a consistent pattern of source or amount, to the extent that percentage comparisons between years are irrelevant. As mentioned in the Transmittal Letter, a number of projects throughout the project area were completed during the fiscal year.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget for expenditures was a \$2.2 million increase. The expenditure budget was increased primarily in the general government, public safety, and human services functions. General government increases related to lower overhead recovery charges and payment of leave balance accruals. Public safety increases related primarily to over time payroll and human services increases related to contract services for the preschool and family child care programs. The final amended budget exceeded actual expenditures by \$667,221, approximately 1.4%.

Revenues exceeded their budget amount by \$3,666,950, primarily in the categories of taxes & licenses and charges for services. Sales tax revenue exceeded the budget amount by approximately \$1.6 million after three years of sharp declines and not meeting budget expectations. Additionally, waste management surcharge revenue of approximately \$1.4 million was received but not budgeted. Waste management operations are included in the General Fund for external reporting only. Historically, Waste Management expenditures are budgeted in the General Fund and are funded by the waste management surcharge; however, a formal budget for the revenue is not adopted. Note 1 – Summary of Significant Accounting Policies provides more details regarding budgeting policies and practice.

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$144.4 million (net of accumulated depreciation), a decrease of approximately \$.7 million from the previous year. This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, equipment and infrastructure. Note 8 – Changes in Capital Assets provides more detailed information on the capital assets. The redevelopment activities of the Community Development Commission provide the resources to replace and improve the capital assets of the community. The City's Community Development Commission provides the majority of the resources that allow the City to improve its capital assets through the redevelopment process.

The City's investment in capital assets for its business-type activities, the Water Utility Fund, as of June 30, 2011, amounts to \$17.2 million (net of accumulated depreciation). As mentioned earlier, the City has established a modest annual infrastructure replacement program through its water rate structure. Water Utility capital assets required for private development purposes are funded by capital contributions.

Long-term Liabilities

At June 30, 2011, the City had \$146.5 million in long-term liabilities outstanding, as shown in the following table. More detailed information is included in Note 14 – Long-Term Liabilities.

Under the terms of an agreement between the City's Washington Boulevard Redevelopment Project and the County of Los Angeles, approximately \$405,967 of new debt was added to the amount of property tax increment owed, for a total outstanding of approximately \$5.9 million.

**Outstanding Debt
(in millions)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	
Revenue bonds	\$0.0	\$0.0	\$7.3	\$7.1	\$7.3	\$7.1	-2.7%
Tax allocation bonds	135.1	129.9	0.0	0.0	135.1	129.9	-3.8%
Compensated absences	2.7	2.9	0.0	0.0	2.7	2.9	7.4%
OPEB obligation	3.6	4.9	0.3	0.4	3.9	5.3	35.9%
Tax increment loan from							
Los Angeles County	5.5	5.9	0.0	0.0	5.5	5.9	7.3%
ERAF loan	2.3	1.9	0.0	0.0	2.3	1.9	-17.4%
Heritage Springs Village loan	2.7	0.0	0.0	0.0	2.7	0.0	-100.0%
SunTrust loan payable	1.2	1.0	0.0	0.0	1.2	1.0	-16.7%
Total	<u>\$153.1</u>	<u>\$146.5</u>	<u>\$7.6</u>	<u>\$7.5</u>	<u>\$160.7</u>	<u>\$154.0</u>	-4.2%

All water revenue and tax allocation bonds are insured issues.

Economic Factors and Next Year's Budgets

The City of Santa Fe Springs faces significant financial challenges in the years ahead. Major factors expected to affect the budget include:

- State and local economies showing weaknesses, with particular concern for local businesses that are directly impacted by the slowdown in the housing industry.
- Potential Community Development Commission revenue losses to the State of California.
- The City's funding policy to address the impact of implementing Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.
- Increasing demands for public services, including unfunded mandates by both federal and state governments.

All of these factors were considered in adopting the Fiscal Year 2011-12 operational budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Santa Fe Springs finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Director of Finance & Administrative Services, City of Santa Fe Springs, 11710 Telegraph Road, Santa Fe Springs, California.

CITY OF SANTA FE SPRINGS
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 51,098,645	\$ -	\$ 51,098,645
Cash and investments with fiscal agent	24,156,684	1,689,932	25,846,616
Accounts receivable	2,055,010	1,708,442	3,763,452
Loans and notes receivable	1,576,142	-	1,576,142
Accrued interest receivable	133,770	-	133,770
Due from other governments	10,899,961	-	10,899,961
Internal balances	127,478	(127,478)	-
Inventory	649,157	170,255	819,412
Deposits and other assets	4,420,243	-	4,420,243
Deferred charges	2,429,803	216,699	2,646,502
Land and buildings held for resale	11,815,108	-	11,815,108
Capital assets:			
Not being depreciated	65,172,625	4,324,484	69,497,109
Being depreciated, net	79,205,121	12,923,644	92,128,765
Total assets	253,739,747	20,905,978	274,645,725
Liabilities:			
Accounts payable	1,492,242	451,700	1,943,942
Interest payable	1,639,660	58,642	1,698,302
Contracts payable	209,677	-	209,677
Due to other governments	489,525	-	489,525
Other accrued liabilities	945,652	168,267	1,113,919
Deposits	2,263,963	345,885	2,609,848
Unearned revenue	3,316,666	-	3,316,666
Current portion of long-term liabilities	7,887,486	195,000	8,082,486
Noncurrent liabilities:			
Other postemployment benefits obligation	4,842,314	421,642	5,263,956
Bonds payable	123,104,476	6,907,352	130,011,828
Other long-term liabilities	10,634,717	-	10,634,717
Total liabilities	156,826,378	8,548,488	165,374,866
Net assets:			
Invested in capital assets, net of related debt	73,525,440	11,835,708	85,361,148
Restricted for:			
Public safety	14,544	-	14,544
Transportation	379,659	-	379,659
Housing	10,020,134	-	10,020,134
Unrestricted	12,973,592	521,782	13,495,374
Total net assets	\$ 96,913,369	\$ 12,357,490	\$ 109,270,859

The Notes to Financial Statements are an integral part of this statement.

CITY OF SANTA FE SPRINGS
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Governmental activities:				
General government	\$ 2,163,896	\$ 686,006	\$ 229,462	\$ -
Public safety	26,383,489	2,773,032	1,133,795	-
Community development	20,666,314	3,859,883	190,353	109,057
Transportation	10,044,324	308,852	1,923,260	3,872,089
Culture and leisure	8,229,998	466,019	805,761	870,730
Human services	2,919,442	654,912	889,426	-
Unallocated depreciation	62,365	-	-	-
Interest on long-term liabilities	7,249,129	-	-	-
Total governmental activities	77,718,957	8,748,704	5,172,057	4,851,876
Business-type activities:				
Water	9,737,232	9,852,607	-	223,673
Total primary government	<u>\$ 87,456,189</u>	<u>\$ 18,601,311</u>	<u>\$ 5,172,057</u>	<u>\$ 5,075,549</u>
General revenues:				
Sales and use taxes				
Property taxes				
Franchise taxes				
Motor vehicle in lieu tax - general purpose				
Business operations taxes				
Utility users taxes				
Other taxes				
Investment income				
Other revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,248,428)	\$ -	\$ (1,248,428)
(22,476,662)	-	(22,476,662)
(16,507,021)	-	(16,507,021)
(3,940,123)	-	(3,940,123)
(6,087,488)	-	(6,087,488)
(1,375,104)	-	(1,375,104)
(62,365)	-	(62,365)
(7,249,129)	-	(7,249,129)
(58,946,320)		(58,946,320)
-	339,048	339,048
(58,946,320)	339,048	(58,607,272)
20,254,386	-	20,254,386
33,167,105	-	33,167,105
2,553,493	-	2,553,493
1,574,226	-	1,574,226
775,506	-	775,506
1,023,863	-	1,023,863
570,792	-	570,792
2,380,810	5,892	2,386,702
236,254	-	236,254
1,131,284	(1,131,284)	-
63,667,719	(1,125,392)	62,542,327
4,721,399	(786,344)	3,935,055
92,191,970	13,143,834	105,335,804
<u>\$ 96,913,369</u>	<u>\$ 12,357,490</u>	<u>\$ 109,270,859</u>

CITY OF SANTA FE SPRINGS
Balance Sheet
Governmental Funds
June 30, 2011

		Debt Service Funds	
		Consolidated	Washington
	General	Redevelopment	Boulevard
	Fund	Project	Redevelopment
			Project
Assets:			
Cash and investments	\$ 16,484,655	\$ 11,636,854	\$ 2,103,909
Cash and investments with fiscal agent	1,167,441	22,989,243	-
Accounts receivable	1,272,294	-	-
Loans and notes receivable	821,788	-	-
Accrued interest receivable	81,664	21,180	1,717
Due from other governments	4,250,435	2,377,931	43,817
Due from other funds	2,748,104	-	96,896
Inventory	649,157	-	-
Deposits and other assets	620,743	-	-
Land and buildings held for resale	-	-	-
Advances to other funds	3,936,464	-	-
Total assets	<u>\$ 32,032,745</u>	<u>\$ 37,025,208</u>	<u>\$ 2,246,339</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,111,798	\$ -	\$ -
Contracts payable	-	-	-
Due to other governments	132,410	357,115	-
Due to other funds	-	-	-
Other accrued liabilities	831,416	-	-
Deposits	1,457,858	43,650	-
Deferred revenue	1,812,298	-	-
Advances from other funds	1,437,861	3,162,737	3,967,172
Total liabilities	<u>6,783,641</u>	<u>3,563,502</u>	<u>3,967,172</u>
Fund balances (deficits):			
Nonspendable	6,028,152	-	-
Restricted	1,326,532	33,461,706	2,103,909
Committed	1,455,318	-	-
Unassigned	16,439,102	-	(3,824,742)
Total fund balances (deficits)	<u>25,249,104</u>	<u>33,461,706</u>	<u>(1,720,833)</u>
Total liabilities and fund balances	<u>\$ 32,032,745</u>	<u>\$ 37,025,208</u>	<u>\$ 2,246,339</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

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

Net assets of governmental activities

The Notes to Financial Statements are an integral part of this statement.

Capital Project Funds

Consolidated Redevelopment Project	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 16,950,982	-	\$ 3,922,245	\$ 51,098,645
-	-	-	24,156,684
281,880	461,738	39,098	2,055,010
637,444	-	116,910	1,576,142
27,450	-	1,759	133,770
335,599	2,988,021	904,158	10,899,961
-	-	-	2,845,000
-	-	-	649,157
1,000,000	1,799,500	1,000,000	4,420,243
10,550,120	-	1,264,988	11,815,108
-	-	4,631,306	8,567,770
<u>\$ 29,783,475</u>	<u>\$ 5,249,259</u>	<u>\$ 11,880,464</u>	<u>\$ 118,217,490</u>

\$ 230,639	\$ 111,254	\$ 38,551	\$ 1,492,242
153,774	55,903	-	209,677
-	-	-	489,525
-	2,546,264	171,258	2,717,522
92,694	5,533	16,009	945,652
453,321	309,134	-	2,263,963
10,980	2,199,500	247,730	4,270,508
-	-	-	8,567,770
<u>941,408</u>	<u>5,227,588</u>	<u>473,548</u>	<u>20,956,859</u>

1,637,444	1,799,500	5,711,306	15,176,402
27,204,623	-	5,817,854	69,914,624
-	-	-	1,455,318
-	(1,777,829)	(122,244)	10,714,287
<u>28,842,067</u>	<u>21,671</u>	<u>11,406,916</u>	<u>97,260,631</u>
<u>\$ 29,783,475</u>	<u>\$ 5,249,259</u>	<u>\$ 11,880,464</u>	

144,377,746
(145,678,850)

953,842
\$ 96,913,369

CITY OF SANTA FE SPRINGS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

		Debt Service Funds	
	General Fund	Consolidated Redevelopment Project	Washington Boulevard Redevelopment Project
Revenues:			
Taxes	\$ 26,969,482	\$ 24,634,556	\$ 438,104
Licenses and permits	1,867,845	-	-
Fines, forfeitures and seizures	465,360	-	-
Interest and rentals	2,068,223	92,962	6,388
From other agencies	4,305,251	-	-
Charges for current services	5,292,591	-	-
Other	775,298	10	-
Total revenues	<u>41,744,050</u>	<u>24,727,528</u>	<u>444,492</u>
Expenditures:			
Current:			
General government	1,631,510	-	-
Public safety	25,429,291	-	-
Community development	5,214,873	7,978,771	455,943
Transportation	4,408,915	-	-
Culture and leisure	6,476,146	-	-
Human services	2,731,901	-	-
Capital outlay:			
General government	-	-	-
Public safety	190,108	-	-
Community development	-	-	-
Transportation	-	-	-
Culture and leisure	-	-	-
Debt service:			
Interest	62,235	5,914,370	104,969
Principal retirement	338,400	6,834,750	5,250
Total expenditures	<u>46,483,379</u>	<u>20,727,891</u>	<u>566,162</u>
Excess (deficiency) of revenues over expenditures	(4,739,329)	3,999,637	(121,670)
Other financing sources (uses):			
Proceeds (loss) from sale of assets	9,924	-	-
Loan issuance	190,108	-	405,967
Transfers in	6,153,893	11,492,825	149,154
Transfers out	(30,787)	(5,152,000)	(200,000)
Total other financing sources and (uses)	<u>6,323,138</u>	<u>6,340,825</u>	<u>355,121</u>
Net change in fund balances	1,583,809	10,340,462	233,451
Fund balances (deficits), beginning of year, as restated	23,665,295	23,121,244	(1,954,284)
Fund balances (deficits), end of year	<u>\$ 25,249,104</u>	<u>\$ 33,461,706</u>	<u>\$ (1,720,833)</u>

The Notes to Financial Statements are an integral part of this statement.

Capital Project Funds			
Consolidated Redevelopment Project	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 6,268,165	\$ 58,310,307
-	-	-	1,867,845
-	-	-	465,360
131,035	-	23,141	2,321,749
314,874	4,560,618	1,464,147	10,644,890
-	-	-	5,292,591
27,581	233,516	537,083	1,573,488
473,490	4,794,134	8,292,536	80,476,230
3,839	34,698	-	1,670,047
-	1,718	8,767	25,439,776
4,117,998	-	1,576,520	19,344,105
26,154	3,128,918	-	7,563,987
768,556	50,439	-	7,295,141
-	-	-	2,731,901
-	2,500	-	2,500
42,510	2,854	-	235,472
313,643	-	-	313,643
72,435	1,438,794	-	1,511,229
1,326,541	319,372	11,121	1,657,034
-	-	-	6,081,574
-	-	-	7,178,400
6,671,676	4,979,293	1,596,408	81,024,809
(6,198,186)	(185,159)	6,696,128	(548,579)
-	-	-	9,924
-	-	-	596,075
5,179,945	185,159	200,000	23,360,976
(11,490,230)	-	(5,356,675)	(22,229,692)
(6,310,285)	185,159	(5,156,675)	1,737,283
(12,508,471)	-	1,539,453	1,188,704
41,350,538	21,671	9,867,463	96,071,927
\$ 28,842,067	\$ 21,671	\$ 11,406,916	\$ 97,260,631

CITY OF SANTA FE SPRINGS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ 1,188,704
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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(683,831)
The net effect of the disposal of capital assets (e.g., scrap, obsolete) is to decrease net assets.	(11,335)
The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.	5,358,954
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, 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.	(1,503,346)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.	834,253
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.	(462,000)
Change in net assets of governmental activities	\$ <u><u>4,721,399</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF SANTA FE SPRINGS
Statement of Net Assets - Enterprise Fund (Water Utility)
June 30, 2011

Assets:

Current assets:

Accounts receivable	\$ 1,708,442
Inventory	170,255
Deferred charges	216,699
Cash and investment with fiscal agent:	
Cash and investments	1,689,932
Total current assets	<u>3,785,328</u>

Capital assets:

Source of supply plant	3,032,091
Transmission and distribution plant	27,920,044
Pumping and treatment plant	83,216
General plant	1,057,112
Land and water rights	3,384,974
Construction in progress	939,510
	<u>36,416,947</u>
Less allowance for depreciation	<u>(19,168,819)</u>
Net capital assets	<u>17,248,128</u>
Total assets	<u>21,033,456</u>

Liabilities:

Current liabilities:

Accounts payable	451,700
Interest payable	58,642
Due to other funds	127,478
Other accrued liabilities	168,267
Deposits	345,885
Current portion of bonds payable	195,000
Total current liabilities	<u>1,346,972</u>

Noncurrent liabilities:

Other postemployment benefits obligation	421,642
Bonds payable	<u>6,907,352</u>
Total liabilities	<u>8,675,966</u>

Net assets:

Invested in capital assets, net of related debt	11,835,708
Unrestricted	<u>521,782</u>
Total net assets	<u><u>\$ 12,357,490</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF SANTA FE SPRINGS
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Fund
(Water Utility)
For the Fiscal Year Ended June 30, 2011

Operating revenues:

Sale of water	\$ 9,729,292
Other	123,315
	<hr/>
Total operating revenues	9,852,607
	<hr/>

Operating expenses:

Water purchase	4,143,539
System maintenance and operation	2,164,884
Billing and collection	722,957
Administration	1,525,293
Amortization	14,027
Depreciation	803,625
	<hr/>
Total operating expenses	9,374,325
	<hr/>
Operating income	478,282
	<hr/>

Nonoperating revenues (expenses):

Interest revenue	5,892
Interest expense	(362,907)
	<hr/>
Total nonoperating revenues (expenses)	(357,015)
	<hr/>
Income before capital contributions and transfers	121,267

Capital contributions	223,673
Transfers in	147,121
Transfers out	(1,278,405)
	<hr/>
Change in net assets	(786,344)
	<hr/>
Total net assets, beginning of year	13,143,834
	<hr/>
Total net assets, end of year	\$ 12,357,490
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

CITY OF SANTA FE SPRINGS
Statement of Cash Flows - Enterprise Fund
(Water Utility)
For the Fiscal Year Ended June 30, 2011

Cash flows from operating activities:

Receipts from water sales	\$ 9,773,933
Receipts from other operating activities	159,773
Payments to vendors	(5,230,808)
Payments for salaries	(2,402,644)
Payments for interfund services used	(1,277,450)
	<hr/>
Net cash provided by operating activities	1,022,804

Cash flows from noncapital financing activities:

Transfers in	147,121
Transfers out	(1,278,405)
Payment for interfund borrowing	(920,556)
	<hr/>
Net cash used for noncapital financing activities	(2,051,840)

Cash flows from capital and related financing activities:

Acquisition and construction of water plant	(585,089)
Contributed capital	223,673
Principal payments on long-term debt	(190,000)
Interest payments on long-term debt	(354,382)
	<hr/>
Net cash used for capital and related financing activities	(905,798)

Cash flows from investing activities:

Interest received	5,892
	<hr/>
Net decrease in cash and cash equivalents	(1,928,942)
Cash and cash equivalents, beginning of year	3,618,874
	<hr/>
Cash and cash equivalents, end of year	\$ 1,689,932

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating income	\$ 478,282
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	803,625
Amortization	14,027
Changes in assets and liabilities:	
(Increase) or decrease in accounts receivable	58,107
(Increase) or decrease in inventory	(16,199)
Increase or (decrease) in accounts payable	286,090
Increase or (decrease) in accrued expenses	(708,808)
Increase or (decrease) in deposits	22,992
Increase or (decrease) in contracts payable	(24,644)
Increase or (decrease) in other postemployment benefits obligation	109,332
	<hr/>
Net cash provided by operating activities	\$ 1,022,804

Noncash investing, capital, and financing activities:

Amortization of bond discount, premium, refunding, and deferred charges	\$ 22,560
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The Notes to Financial Statements are an integral part of this statement.

CITY OF SANTA FE SPRINGS
Statement of Fiduciary Assets and Liabilities
June 30, 2011

	Agency Funds
Assets:	
Cash and investments	\$ 331,789
Cash and investments with fiscal agent	317,620
Accounts receivable	35,687
Due from other governments	<u>73,796</u>
Total assets	<u><u>\$ 758,892</u></u>
Liabilities:	
Due to other governments	\$ 222,785
Accounts payable	4,552
Due to bondholders	348,011
Deposits	<u>183,544</u>
Total liabilities	<u><u>\$ 758,892</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City of Santa Fe Springs (City) was incorporated on May 15, 1957, under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities and is governed by an elected five-member city council. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City elected officials have a continuing accountability for fiscal matters of the other entities. The financial reporting entity consists of: (1) the City (2) organizations for which the City is financially accountable and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Blended Component Units

The Community Development Commission of the City of Santa Fe Springs (Commission) was established on November 7, 1992, pursuant to the State of California Health and Safety Code, Section 34114 entitled "Community Redevelopment Law." The City Council members are designated as Commissioners of the Commission. The purpose of the Commission is to coordinate the administration of the Redevelopment Agency of the City of Santa Fe Springs and the Housing Authority of the City of Santa Fe Springs. Both the Redevelopment Agency and the Housing Authority are separate legal entities and component units of the Commission. The Commission's financial data and transactions are reported in the debt service and capital projects funds.

The City of Santa Fe Springs Public Financing Authority (PFA) was organized under a joint exercise of power agreement on August 24, 1989. The purpose of this authority is to provide, through the issuance of debt, financing for public capital improvements. The Board of Directors is appointed by the City Council. The PFA's financial data and transactions are included with the enterprise fund type, as the only debt outstanding is related to the Water Utility fund and the Water Utility fund revenues are pledged to the payment of the debt.

The Santa Fe Springs Water Utility Authority (WUA) was organized under a joint exercise of power agreement on July 1, 2009. The purpose of this authority is to provide an entity to assist in provide financing, lease, own, operate, and maintain the water operation. The City Council members are designated as Board of Directors of the WUA..

The financial statements of the Commission are available at City Hall located at 11710 Telegraph Road, Santa Fe Springs, California. Separate PFA and WUA financial statements are not available.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Joint Ventures

1. Joint Fire Dispatching Center

The City is a participant in the Joint Fire Dispatching Center (Center). The Center is currently comprised of four member cities and is organized under a Joint Powers Agreement. Each member City provides an annually determined contribution towards the ongoing operation. The purpose of the Center is to provide centralized fire dispatching for the participating cities. The communication system is located in and operated by the City of Downey. The payments from the participating cities for the year ended June 30, 2011 were based on the following percentages:

Downey	38.77%
Santa Fe Springs	16.96%
Compton	44.27%
Vernon	0.00%

The City of Vernon became a member of the Center in April 2011 but did not contribute or receive services until fiscal year 2012.

During the year ended June 30, 2011, the City contributed \$230,978 for the operation of the Center. Condensed, unaudited financial information (in thousands) as of and for the year ended June 30, 2011, is as follows:

Total Assets	\$ -
Total Liabilities	-
Total Fund Balance	-
Total Revenue	1,362
Total Expenditures	1,362
Net change in fund balance	-

Financial information can be obtained from the City of Downey. City Hall is located at 11111 Brookshire Avenue, Downey, California.

2. Southeast Water Coalition

The City is a participant in the Southeast Water Coalition (Coalition). The Coalition is currently comprised of several municipal entities in County of Los Angeles and is organized under a Joint Powers Agreement. The purpose of the Center is to maintain groundwater quality within the Central and West Coast Basins (Basins), maintain secure groundwater supplies within the Basins, manage the use of groundwater within the Basins, coordinate efforts among Watermaster and entities proposing to store water within the Basins for future recovery, facilitate the implementation of a conjunctive use program by water purveyors, coordinate efforts among local entities and Watermaster to devise and implement strategies to safeguard groundwater quality, and work cooperatively with Watermaster, the Water Replenishment District of Southern California, and other entities to promote coordination of policies and activities throughout the region. Each member of the Coalition shares financial responsibility equally. Each member is required to make a contribution at the beginning of each year. The contribution requirement for the fiscal year ended 2011 was \$10,000.

Basis of Accounting and Measurement Focus

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the primary government and component units as a whole, except for its fiduciary activities. These statements report separately for governmental and business-type activities of the primary government (including its blended component units). Governmental activities are normally financed primarily by taxes and intergovernmental revenues. Business-type activities are financed primarily by fees charged for goods or services.

Certain indirect costs have been allocated and are included as part of the program expenses reported for the various functional activities. 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 service charges between the City's water utility 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.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Using the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements have been satisfied. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Funds Financial Statements

The accounting records of the City are organized on the basis of funds. Each fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The governmental funds financial statements include a balance sheet and a statement of revenues,

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

expenditures, and changes in fund balances for all major governmental funds and aggregated nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 90 days, except for property taxes which is 60 days. Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in lieu fees, highway user’s taxes, transient occupancy taxes, grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. The City has established an availability period of 180 days for these types of revenues, where revenues are deferred if received after 180 day.

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 are recorded only when payment is due.

The City reports the following major governmental funds:

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

The Consolidated Redevelopment Project Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term liabilities of the Consolidated Redevelopment Project Area of the Commission.

The Washington Boulevard Redevelopment Project Debt Service Fund is used to account for the accumulation of resources and payment of principal and interest on all Commission debt within the Washington Boulevard Redevelopment Project Area.

The Consolidated Redevelopment Project Capital Projects Fund is used for the acquisition of and rehabilitation of capital facilities within the Consolidated Redevelopment Project Area of the Commission.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

The Capital Improvement Capital Project Fund is used to account for monies received from the General Fund, special revenue funds, private developers and from outside governmental entities. These funds are subsequently used for the construction or rehabilitation of streets, bridges, traffic signals, public facilities and a variety of other construction or improvement projects.

Proprietary Fund Financial Statements

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 proprietary fund are charges to customers for sales and services. Operating expenses for proprietary fund includes 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.

The City reports the following major proprietary fund:

The Water Utility Fund is used to account for the operations of the City owned water system.

Fiduciary Fund Financial Statements

Fiduciary Fund financial statements include a statement of assets and liabilities. The City's fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting as are the proprietary funds explained above.

The City reports the following fiduciary funds which are excluded from the government-wide financial statements:

The Section 8 Rental Assistance Program Fund is used to account for the deposit of monies from the federal Department of Housing and Urban Development for the City's Housing Assistance Payment Program. The Program is administered by the Housing Authority of the County of Los Angeles, California.

The Assessment Districts Fund is used to account for special assessments received by the City as agent for payment of special assessment district bonds.

Community Facilities Assessment Districts Fund is used to account for special assessments received by the City as agent for payment of community facilities district debt and expenses.

Southeast Water Coalition Fund is used to account for activities in Southeast Water Coalition organized under a Joint Powers Agreement.

In accordance with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, for its business type activities and proprietary fund, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989. FASB pronouncements issued after November 30, 1989 are not followed in the business type activities and proprietary fund financial statements.

Use of Restricted Resources

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

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.

Budgeting

The budget is prepared by the City Manager in accordance with City Code Section 31.13 and is legally adopted by the City Council. The budget includes activities for the following funds:

- General Fund
- Consolidated Redevelopment Project Debt Service Fund
- Washington Boulevard Redevelopment Debt Service Fund
- Consolidated Redevelopment Project Capital Projects Fund
- Supplemental Law Enforcement Services Special Revenue Fund
- Low and Moderated Income Housing Special Revenue Fund

Budgets for capital projects funds are not presented because they are budgeted on a project life basis. Revisions to the originally adopted budget were made during the year and have been incorporated into the budgetary amounts presented within the financial statements.

The basis for budgeting the General Fund, Special Revenue Funds and Debt Service Funds is substantially consistent with generally accepted accounting principles, except that payments made on financing leases are recorded as functional expenditures. The lease agreements are not budgeted as a financing source and the acquisition price of the acquired asset is not budgeted as an expenditure.

The legal level of control is considered to be at the fund level since management can reassign resources within a fund without special approval from City Council.

The budget is formally integrated into the accounting system and employed as a management control tool during the year. At fiscal year-end, unexpended appropriations lapse, with the exception of capital improvements. All appropriations for capital improvements are carried forward until such time as the project is completed or terminated by action of the City Council.

Functional Classifications

General government - includes the legislative activities which have a primary objective of providing legal and policy guidance for industrial and residential issues within the City. Also included in this classification are those activities which provide management or support services across more than one functional area.

Public safety - includes those activities which have a primary objective of protecting people and property from other than health related perils.

Community development - includes those activities which have a primary objective of enhancing the general quality of life in the City. This encompasses aesthetic, as well as economical and structural activities.

Transportation - includes those activities which have a primary objective of enhancing the movement of people and goods to, from, and within the City.

Culture and leisure - includes those activities which have a primary objective of providing recreational and educational endeavors.

Human services - includes those activities which have a primary objective of maintaining or improving the physical and/or mental health of residents of the community, improving the employment status of unemployed or underemployed residents, and otherwise serving the needs of

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

the less privileged.

Unallocated depreciation expense - includes a portion of infrastructure depreciation expense which was not allocable to any of the other activities.

Interest on long-term liabilities - includes the payment of interest of long-term liabilities.

Inventory and Prepaid Items

Inventory (General Fund and Water Utility Fund) is valued utilizing the average cost method. Inventory items are considered expenditures or expenses when used.

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. These prepaid items are reflected in the financial statements as deposits and other assets.

Property Taxes

Under California law, the assessment, levy and collection of property taxes are the responsibility of the County of Los Angeles. The City records property taxes as revenue in the year for which they are levied, and in the governmental fund statements when received from the County within 60 days of year end. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien	January 1
Levy	July 1 to June 30
Due	November 1 - 1st installment
	March 1 - 2nd installment
Delinquent	December 11 - 1st installment
	April 11 - 2nd installment

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition, funds invested in the City's cash and investment pool are considered cash equivalents.

Investments

All investments are stated at fair value (the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale), except for money market investments which have a remaining maturity of less than one year when purchased, which are stated at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, sidewalks, drainage systems, lighting systems, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide and enterprise fund financial statements. These assets are valued at historical cost or estimated historical cost if purchased or constructed. The City conducted an infrastructure valuation in conjunction with the implementation of GASB No. 34 during the fiscal year ended June 30, 2002.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Current replacement costs were calculated for infrastructure assets and discounted back to the original construction dates and the corresponding accumulated depreciation was calculated. Donated capital assets are valued at their estimated fair market value on the date received.

To meet the criteria for capitalization, an asset must have a useful life in excess of one year, and in the case of buildings, building improvements, and improvements other than buildings, equal or exceed a capitalization threshold of \$20,000. The capitalization threshold for equipment is \$5,000. Land, except for land held for resale as discussed below, is capitalized regardless of cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide and enterprise fund financial statements on a straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Years</u>
Computers	3
Furniture	10
Machinery and equipment	7
Vehicles	8
Water service meters and hydrants	25
Water transmission and distribution mains	50
Infrastructure	20-75
Buildings and improvements	20-75

Land and Buildings Held for Resale

Land and related buildings acquired by the Commission and held for resale are accounted for as an investment and are recorded at the lower of cost or estimated realizable value, as determined upon the execution of a disposition and development agreement.

Vacation and Sick Pay

The City Manager and department heads employed in that capacity as of March 9, 2000, with five years of full-time service to the City in any capacity will be paid 100% of unused sick leave upon termination of employment with the City for any reason. Department heads not meeting the criteria above will be paid 50% of unused sick leave. The cost of earned but unused vacation and sick leave, for which the City has a future obligation to pay, is recognized in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have become due and payable as a result of employee resignations or retirements.

Implementation of Governmental Accounting Standards Board (GASB) Statement

In February 2009, GASB released a new Statement, GASB Statement 54 - Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

governmental fund type definitions. This Statement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The initial distinction in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The details for the fund balance classifications prescribed under this Statement are separately discussed in Note 15.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Governmental Fund Balance Sheet and Government-wide Statement of Net Assets Differences

The governmental fund balance sheet includes a reconciliation between fund balances - all governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds." The details of the \$145,678,850 difference are as follows:

Bonds payable	\$ (130,282,618)
Less: Deferred charge on refunding (to be amortized as interest expense)	2,817,706
Less: Deferred charge for issuance costs (to be amortized over life of debt)	2,429,803
Plus: Net premium/discount (to be amortized as interest expense)	(2,394,564)
Accrued interest payable	(1,639,660)
Compensated absences	(2,856,635)
Tax increment loan payable	(5,870,865)
ERAF loan	(1,950,000)
Loans payable	(1,089,703)
Other postemployment benefit obligation	<u>(4,842,314)</u>
Net adjustment	<u><u>\$ (145,678,850)</u></u>

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities Differences

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the decrease in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 and reported as depreciation expense." The details of this \$683,831 difference are as follows:

Capital outlay	\$ 3,719,878
Depreciation Expense	<u>(4,403,709)</u>
Net adjustment	<u><u>\$ (683,831)</u></u>

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Another element of that reconciliation explains that “the issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of the \$5,358,954 difference are as follows:

Debt issued or incurred:	
Tax allocation bonds accretion	\$ (1,223,371)
Tax increment loan	(405,967)
JP Morgan Chase loan	(190,108)
Principal repayments:	
Tax allocation bonds	6,465,000
ERAF loan	375,000
Loans payable	<u>338,400</u>
Net adjustment	<u><u>\$ 5,358,954</u></u>

Another element of that reconciliation states that “governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, 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.” The details of this \$1,503,346 difference are as follows:

Accrued interest	\$ 78,215
Amortization of deferred charge on refunding	(260,893)
Amortization of issuance costs	(195,634)
Amortization of net bond premiums/discounts	238,494
Compensated absences	(107,904)
OPEB liability	<u>(1,255,624)</u>
Net adjustment	<u><u>\$ (1,503,346)</u></u>

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 51,098,645
Cash and investments with fiscal agent	25,846,616

Fiduciary funds:

Cash and investments	331,789
Cash and investments with fiscal agent	<u>317,620</u>

Total	<u><u>\$ 77,594,670</u></u>
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CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

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

Cash on hand	\$ 7,175
Deposits with financial institutions	3,144,182
Investments	<u>74,443,313</u>
Total	<u>\$ 77,594,670</u>

Investments Authorized by the City's Investment Policy

The City's Statement of Investment Policy (investment policy), is reviewed and adopted by the City Council each year. The investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53601 of the California Government Code. The City's investment policy does not allow investments in negotiable certificates of deposit, reverse repurchase agreements, guaranteed small business administration notes, medium term corporate notes, and financial futures or financial option contracts. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures. Investments are limited to:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury bills	5 years	60%	None
U.S. Treasury notes	5 years	30%	None
Federal Agency issues	5 years	20%	None
Certificates of deposit	5 years	10%	None
Bankers' acceptances	180 days	40%	None
Commercial paper	270 days	10%	10%
Repurchase agreements	1 year	None	None
Mutual funds	N/A	20%	None
County Pool investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are subject to California Government Code restrictions.

The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

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.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio</u>	<u>Maximum Investment In One Investor</u>
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Bankers' acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	30 years	None	None
Local agency investment fund (LAIF)	N/A	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 investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Weighted Average Maturity (in days)</u>	
Local Agency Investment Fund	237 *	\$ 48,279,077
Held by Bond Trustee:		
Money market funds	36	15,953,976
Local Agency Investment Fund	237*	<u>10,210,260</u>
Total		<u><u>\$ 74,443,313</u></u>

*** Represents the weighted average maturity of the Local Agency Investment Fund, however, the City and/or bond trustee may liquidate the investment at any time.**

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization. The fiscal agent funds held in money market funds are rated AAA at June 30, 2011.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments held that represent 5% or more in any one issuer other than external investment pools and money market funds at June 30, 2011.

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 110.0% 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 150.0% of the secured public deposits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2011, was \$24.1 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011, had a balance of \$66.3 billion, of that amount, 5.0% was invested in medium-term and short-term structured notes and asset-backed securities.

NOTE 4 - LOANS AND NOTES RECEIVABLE

The loans and notes receivable balance in the General Fund consist of the following:

- Notes receivable in the amount of \$52,799 represent monies advanced to City employees for home computer purchases. These loans are required to be repaid within 2 years and bear an interest rate of 0.0% per annum.
- City advanced \$36,727 to a contractor for acquisition of a sweeper, the acquisition of which was necessary to enable the contractor to comply with certain SCAQMD regulations. This loan bears an interest rate of 1.5% per annum.

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

- Note receivable in the amount of \$732,262 represents unpaid building permit fees owed to the City by Villages at Heritage Springs, LLC. This loan is required to be repaid at the earlier of the time of issuance of the Mello-Roos bonds or June 30, 2014. This loan bears an simple interest at 4.5% per annum.

The loans and notes receivable balance the Consolidated Redevelopment Project Capital Project fund of the Commission consist of the following:

- Notes receivable in the amount of \$28,438 relate to monies advanced by the Commission for property owner assistance. These loans bear an interest rate of 0% per annum.
- An installment note in the amount of \$33,000 relate to an advance of Commission monies to property owners to clean up hazardous materials on private property. These loans bear an interest rate of 9.0% per annum.
- A loan in the amount of \$576,006 was given to Bloomfield Partners to assist with the completion of various public improvements required in conjunction with the development of a 19.6 acre site. Principal and interest, beginning in fiscal year 2005/2006, is payable within 15 years, fully amortized schedule with interest accruing from the date of the loan at an annual rate of 5.75%.

The Community Development Block Grant Program Income Special Revenue fund has deferred payment loans in the amount of \$36,910 are payable upon sale or transfer of the property. These loans bear interest rates ranging from 0.0% to 4.0%.

The Low and Moderate Income Housing Special Revenue fund has notes receivable in the amount of \$80,000 is due from the sale of Commission owned land. This loan bears an interest rate of 6% per annum.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments consists primarily of sales and use taxes due from the State of California, \$2,945,380; property taxes due from the County of Los Angeles, \$3,233,237; grant monies due from the Federal Government, \$677,459; grant monies due from the State of California, \$2,891,278; grant monies due from the County of Los Angeles \$22,800; and monies due from other cities and districts for facilities and property maintenance, \$1,129,807.

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 6 - INTERFUND ACTIVITY

Advances from other funds and advances to other funds consist of loans as follows:

	Advances from Other Funds			Total
	General Fund	Consolidated Redevelopment Project Debt Service Fund	Washington Boulevard Redevelopment Project Debt Service Fund	
Advances to Other Funds				
General fund	\$ -	\$ -	\$ 3,936,464	\$ 3,936,464
Nonmajor governmental funds:				
Low and Moderate				
Income Housing Special				
Revenue Fund	1,437,861	3,162,737	30,708	4,631,306
Total	<u>\$ 1,437,861</u>	<u>\$ 3,162,737</u>	<u>\$ 3,967,172</u>	<u>\$ 8,567,770</u>

A loan from the Low and Moderate Income Housing Special Revenue Fund to the Consolidated Redevelopment Project Debt Service Fund, \$1,000,000, at a zero interest rate, with principal payable on or before May 13, 2014.

In May 2011, the Low and Moderate Income Housing Special Revenue Fund advanced \$2,162,737 to the Consolidated Redevelopment Project Debt Service Fund and \$30,708 to the Washington Boulevard Redevelopment Project Debt Service Fund. These advances were made to provide the Commission sufficient funds to make payments to Supplemental Educational Revenue Augmentation Fund (SERAF) to satisfy State payment to public schools through local redevelopment funds as required by AB26 4X. The amount outstanding at June 30, 2011 is \$2,193,445. This advance will be repaid by May 2016.

A loan from the General Fund to the Washington Boulevard Redevelopment Project Debt Service Fund, \$3,936,464 at a zero interest rate. Per terms of an agreement with the County of Los Angeles, principal repayment is deferred until, at a minimum the Washington Boulevard Project has received \$10,750,000 in total funds from this loan and the loan of property tax increment from Los Angeles County as described in Note 14.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

A loan from the Low and Moderate Income Housing Special Revenue Fund was made to the General Fund in the amount of \$1,437,861 to cover certain costs. There is no set repayment schedule.

Interfund receivables and payables at June 30, 2011 were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,748,104	\$ -
Washington Boulevard Redevelopment Project Debt Service Fund	96,896	-
Capital Improvement Capital Project Fund	-	2,546,264
Nonmajor Governmental Funds	-	171,258
Water Utility Fund	-	127,478
	<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>

The interfund balances resulted from reimbursable expenditures occurring while the revenues with which to reimburse those expenditures had not yet been received. All balances are expected to be reimbursed within the subsequent year.

The following is a summary of interfund transfers for the fiscal year ended June 30, 2011:

	<u>Transfers In</u>							<u>Total</u>
	General Fund	Consolidated Redevelopment Project Debt Service Fund	Capital Projects Fund	Washington Boulevard Redevelopment Project Debt Service Fund	Capital Improvements Capital Project Fund	Nonmajor Governmental Funds	Water Utility Enterprise Fund	
<u>Transfers Out:</u>								
General Fund	\$ -	\$ -	\$ 3,837	\$ -	\$ 26,950	\$ -	\$ -	\$ 30,787
Consolidated Redevelopment Project:								
Debt Service Fund	-	-	5,152,000	-	-	-	-	5,152,000
Capital Projects Fund	792,310	10,504,722	-	149,154	44,044	-	-	11,490,230
Washington Boulevard Redevelopment Project Debt Service Fund	-	-	-	-	-	200,000	-	200,000
Nonmajor Governmental Funds	4,083,178	988,103	24,108	-	114,165	-	147,121	5,356,675
Water Utility Enterprise fund	1,278,405	-	-	-	-	-	-	1,278,405
Total	<u>\$ 6,153,893</u>	<u>\$ 11,492,825</u>	<u>\$ 5,179,945</u>	<u>\$ 149,154</u>	<u>\$ 185,159</u>	<u>\$ 200,000</u>	<u>\$ 147,121</u>	<u>\$ 23,508,097</u>

Interfund transfers were primarily used to fund capital improvements from the General Fund, Other Governmental Funds, the Consolidated Redevelopment Project Capital Projects Fund, and the Washington Boulevard Redevelopment Project Debt Service fund to fund expenditures incurred in the Washington Boulevard Redevelopment Project Capital Project fund, to fund Housing activities within the General Fund, to partially fund specific General Fund activities, where allowable, from the Other Governmental Funds, and to fund certain indirect costs of the water utility including use of the City's rights of way and maintenance of the City's infrastructure used by the water utility and paid from the General Fund.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

In May 2010, the Redevelopment Agency Capital Projects Fund advanced \$10,504,722 to the Consolidated Redevelopment Project Debt Service Fund and \$149,154 to the Washington Boulevard Redevelopment Project Debt Service Fund. These advances were made to provide the Commission sufficient funds to make payments to Supplemental Educational Revenue Augmentation Fund (SERAF) to satisfy State payment to public schools through local redevelopment funds as required by AB26 4X. In the fiscal year ended June 30, 2011, the Commission determined that the Consolidated Redevelopment Project Debt Service Fund and the Washington Boulevard Redevelopment Project Debt Service Fund did not have the ability to repay these advances. Thus, the advances were reclassified to transfers.

NOTE 7 - DEPOSITS AND OTHER ASSETS

Deposits and other assets consist of \$4,420,243 for prepaid and deposit items.

NOTE 8 - CHANGES IN CAPITAL ASSETS

Additions and deletions in the City's capital assets were as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 56,265,492	\$ -	\$ -	\$ 56,265,492
Construction in progress	<u>7,375,057</u>	<u>3,369,681</u>	<u>1,837,605</u>	<u>8,907,133</u>
Total capital assets, not being depreciated	<u>63,640,549</u>	<u>3,369,681</u>	<u>1,837,605</u>	<u>65,172,625</u>
Capital assets, being depreciated:				
Buildings	24,347,225	-	-	24,347,225
Improvements other than buildings	20,977,848	478,321	-	21,456,169
Equipment	13,102,719	198,767	220,851	13,080,635
Infrastructure	<u>101,671,242</u>	<u>1,510,714</u>	<u>-</u>	<u>103,181,956</u>
Total capital assets, being depreciated	<u>160,099,034</u>	<u>2,187,802</u>	<u>220,851</u>	<u>162,065,985</u>
Less accumulated depreciation:				
Buildings	8,618,105	413,608	-	9,031,713
Improvements other than buildings	12,294,460	649,400	-	12,943,860
Equipment	8,595,763	755,257	209,516	9,141,504
Infrastructure	<u>49,158,343</u>	<u>2,585,444</u>	<u>-</u>	<u>51,743,787</u>
Total accumulated depreciation	<u>78,666,671</u>	<u>4,403,709</u>	<u>209,516</u>	<u>82,860,864</u>
Total capital assets, being depreciated, net	<u>81,432,363</u>	<u>(2,215,907)</u>	<u>11,335</u>	<u>79,205,121</u>
Government activities capital assets, net	<u>\$ 145,072,912</u>	<u>\$ 1,153,774</u>	<u>\$ 1,848,940</u>	<u>\$ 144,377,746</u>

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Business-type activities				
Capital assets, not being depreciated:				
Land and water rights	\$ 3,384,974	\$ -	\$ -	\$ 3,384,974
Construction in progress	1,389,114	219,860	669,464	939,510
	<u>4,774,088</u>	<u>219,860</u>	<u>669,464</u>	<u>4,324,484</u>
Capital assets, being depreciated:				
Source of supply plant	3,032,091	-	-	3,032,091
Transmission and distribution plant	26,885,352	1,034,692	-	27,920,044
Pumping and treatment plant	83,216	-	-	83,216
General plant	1,057,112	-	-	1,057,112
	<u>31,057,771</u>	<u>1,034,692</u>	<u>-</u>	<u>32,092,463</u>
Less accumulated depreciation:				
Source of supply plant	1,661,696	77,922	-	1,739,618
Transmission and distribution plant	15,761,585	669,013	-	16,430,598
Pumping and treatment plant	83,216	-	-	83,216
General plant	858,697	56,690	-	915,387
	<u>18,365,194</u>	<u>803,625</u>	<u>-</u>	<u>19,168,819</u>
Total capital assets, being depreciated, net	<u>12,692,577</u>	<u>231,067</u>	<u>-</u>	<u>12,923,644</u>
Water utility capital assets, net	<u>\$ 17,466,665</u>	<u>\$ 450,927</u>	<u>\$ 669,464</u>	<u>\$ 17,248,128</u>

Depreciation expense of \$5,207,334 was charged to the following functions:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 138,056	\$ -
Public safety	478,750	-
Community development	40,053	-
Transportation	2,836,298	-
Culture and leisure	720,973	-
Human services	127,214	-
Unallocated	62,365	-
Water utility	<u>-</u>	<u>803,625</u>
Total depreciation expense	<u>\$ 4,403,709</u>	<u>\$ 803,625</u>

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

At June 30, 2011, the City had construction commitments of approximately \$2.4 million.

NOTE 9 - CONTRACTS PAYABLE

Contracts payable consists of contract retention due on uncompleted construction projects.

NOTE 10 - DUE TO OTHER GOVERNMENTS

Due to other governments balances consist primarily of \$222,785 held in Section 8 Rental Assistance Program Agency Fund for the County of Los Angeles Community Development Commission (CDC) to provide for the Section 8 rental assistance program in Santa Fe Springs, \$47,483 of Certified Unified Program Agency (CUPA) surcharge fees due to the State of California, \$84,927 of property taxes refund due to the County of Los Angeles, and \$357,115 of AB 1290 pass through tax increment due to the County of Los Angeles.

NOTE 11 - OTHER ACCRUED LIABILITIES

Other accrued liabilities consists of accrued payroll costs, \$973,455; accrued water purchase and pump tax costs, \$34,089 and accrued building inspection costs, \$106,375.

NOTE 12 - DEPOSITS

Deposits consist primarily of money advanced by property owners for various improvements including street lights, traffic signals, and water system improvements; and money held for a public benefit group providing scholarships for local students.

NOTE 13 – DEFERRED REVENUE

Deferred revenue consists of monies being held as collateral or interest subsidy for low interest home improvement loans, \$208,112; direct home improvement loans, \$36,911; uncollected building permits and interest, \$797,342; and taxes, fees and other revenues collected in advance of the 2011/2012 fiscal year, \$3,228,143.

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 14 - LONG-TERM LIABILITIES

Summary

The following is a summary of long-term liabilities as of June 30, 2011:

	Governmental Activities	Business-type Activities
Long-term debt:		
Revenue bonds	\$ -	\$ 7,102,352
Tax allocation bonds	129,859,476	-
	129,859,476	7,102,352
Other long-term liabilities:		
Compensated absences	2,856,635	-
OPEB obligation	4,842,314	421,642
ERAF loan	1,950,000	-
Tax increment loan - L.A. County	5,870,865	-
Loan payable JP Morgan Chase	125,124	
Loan payable SunTrust	964,579	-
Total long-term liabilities	<u>\$ 146,468,993</u>	<u>\$ 7,523,994</u>

Activity

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

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

	Balance				Balance	Due Within
	June 30, 2010*	Additions	Reductions		June 30, 2011	One Year
Governmental activities:						
Consolidated Redevelopment						
Project tax allocation bonds:						
2001 refunding issue	\$ 21,525,000	\$ -	\$ 1,050,000		\$ 20,475,000	\$ 1,095,000
2002 refunding issue	20,690,000	-	3,150,000		17,540,000	3,310,000
2003 refunding taxable issue	4,965,000	-	410,000		4,555,000	420,000
2006 issue	46,199,247	1,223,371	1,395,000		46,027,618	1,450,000
2007 refunding issue	42,145,000	-	460,000		41,685,000	480,000
Issuance discounts/premiums	2,633,058	-	238,494		2,394,564	-
Deferred amount on refunding	(3,078,599)	-	(260,893)		(2,817,706)	-
Compensated absences	2,748,731	560,949	453,045		2,856,635	450,000
Other postemployment benefits						
obligation (Note 18)	3,586,690	3,583,010	2,327,386		4,842,314	-
Tax increment loan from Los						
Angeles County	5,464,898	405,967	-		5,870,865	-
ERAF loan	2,325,000	-	375,000		1,950,000	395,000
JP Morgan Chase loan payable	-	190,108	64,984		125,124	61,768
Sun Trust loan payable	1,237,995	-	273,416		964,579	225,718
	<u>\$ 150,442,020</u>	<u>\$ 5,963,405</u>	<u>\$ 9,936,432</u>		<u>\$ 146,468,993</u>	<u>\$ 7,887,486</u>
	Balance				Balance	Due Within
	June 30, 2010	Additions	Reductions		June 30, 2011	One Year
Business-type activities:						
Water revenue bonds:						
2003 Series A	\$ 4,375,000	\$ -	\$ 50,000		\$ 4,325,000	\$ 55,000
2005 Series A	3,060,000	-	140,000		2,920,000	140,000
Issuance discount/premiums	46,233	-	3,117		43,116	-
Deferred amount on refunding	(199,193)	-	(13,429)		(185,764)	-
Other postemployment benefits						
obligation (Note 18)	312,310	311,990	202,658		421,642	-
	<u>\$ 7,594,350</u>	<u>\$ 311,990.00</u>	<u>\$ 382,346</u>		<u>\$ 7,523,994</u>	<u>\$ 195,000</u>

*Beginning balance has been restated. See Note 22 for detail.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

The total annual debt service requirements to maturity on bonds, loans, and business assistance agreements for governmental activities of \$186,734,222 including interest payments of \$32,014,519 and capital appreciation of \$26,566,507, and for business-type activities of \$11,999,237, including interest payments of \$4,754,237, are as follows:

<u>Governmental Activities</u>			
<u>Year Ending June 30</u>	<u>Tax Allocation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Capital Appreciation</u>
2012	\$ 6,755,000	\$ 4,768,238	\$ -
2013	7,050,000	4,452,384	-
2014	7,360,000	4,121,059	-
2015	7,690,000	3,761,365	-
2016	8,065,000	3,367,120	-
2017-2021	48,872,123	10,037,013	1,872,877
2022-2026	36,212,607	1,081,875	20,057,393
2027-2029	3,108,763	-	4,636,237
Totals	125,113,493	<u>\$ 31,589,054</u>	<u>\$ 26,566,507</u>
Cumulative Accretion	<u>5,169,125</u>	*	
Total Principal, June 30, 2011	<u>\$ 130,282,618</u>		

* Accretion is included as capital appreciation in the debt service payment schedule.

<u>Year Ending June 30</u>	<u>ERAF Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 395,000	\$ 106,062
2013	415,000	85,682
2014	435,000	63,914
2015	460,000	40,876
2016	245,000	15,076
Totals	<u>\$ 1,950,000</u>	<u>\$ 311,610</u>

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Year Ending June 30	SunTrust Loan Payable	
	Principal	Interest
2012	\$ 225,718	\$ 42,679
2013	235,704	32,693
2014	246,133	22,265
2015	257,024	11,374
Totals	<u>\$ 964,579</u>	<u>\$ 109,011</u>

Year Ending June 30	JP Morgan Chase Loan Payable	
	Principal	Interest
2012	\$ 61,768	\$ 3,216
2013	63,356	1,628
Totals	<u>\$ 125,124</u>	<u>\$ 4,844</u>

Business-Type Activities

Year Ending June 30	Revenue Bonds	
	Principal	Interest
2012	\$ 195,000	\$ 345,260
2013	200,000	338,298
2014	210,000	331,048
2015	220,000	322,980
2016	230,000	312,420
2017-2021	1,320,000	1,384,060
2022-2026	1,650,000	1,044,671
2027-2031	2,185,000	597,250
2032-2033	1,035,000	78,250
Totals	<u>\$ 7,245,000</u>	<u>\$ 4,754,237</u>

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

Tax Allocation Bonds:

Consolidated Redevelopment Project 2001 Tax Allocation Refunding Bonds

In September 2001, the Commission issued serial bonds in the amount of \$28,845,000. The principal on the bonds is payable annually on September 1 ranging from \$840,000 to \$1,870,000 through September 1, 2019. Term bonds totaling \$5,850,000 and \$1,100,000 are due on September 1, 2022 and 2024, respectively. Interest is payable on September 1 and March 1 in each year at rates of 3.5% to 5.0% per annum. Bonds due on or after September 1, 2012 are subject to redemption in whole or part, at the option of the Commission upon a redemption price equal to the principal amount plus a premium as follows:

<u>Redemption Dates</u>	<u>Redemption Price (% of Principal)</u>
September 1, 2011 through August 31, 2012	101.0
September 1, 2012 and thereafter	100.0

The bonds are secured by the non-housing portion of tax increment revenues generated in the Commission's project area. Housing tax increment revenues secure a portion of the debt service on the bonds as a result of the refunding of a portion off the Series 1993 bonds with proceeds of the 2001 bonds. The 1993 bonds are no longer outstanding. The bonds share a parity claim on these revenues with the outstanding unrefunded 2002 bonds, the 2006 bonds and the 2007 bonds. These revenues have been pledged until the year 2024. Pledged tax increment revenue for the year was \$25.1 million against total debt service payments of \$2 million on this bond. The bonds are further secured by a debt service reserve fund sized in the amount of the aggregate maximum annual debt service on the bonds which was \$2,302,976 at June 30, 2011. Payment of debt service on the bonds is further secured by a bond insurance policy issued by MBIA. Revenues are pledged against the debt service outstanding on the bonds of \$27.1 million. The principal balance outstanding at June 30, 2011, was \$20,475,000.

Consolidated Redevelopment Project 2002 Tax Allocation Refunding Bonds

In June 2002, the Commission issued serial bonds in the amount of \$50,915,000. The principal on the Bonds is payable annually on September 1 ranging from \$595,000 to \$3,595,000 through September 1, 2022. Interest is payable on September 1 and March 1 in each year at rates of 3.5% to 5.5% per annum. Bonds due on or after September 1, 2011 are subject to redemption in whole or part, at the option of the Commission upon a redemption price equal to the principal amount plus a premium as follows:

<u>Redemption Dates</u>	<u>Redemption Price (% of Principal)</u>
September 1, 2010 through August 31, 2011	101.0
September 1, 2011 and thereafter	100.0

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

The 2002 bonds are secured by the non-housing portion of tax increment revenues generated in the Commission's project area. The 2002 Bonds share a parity claim on these revenues with the outstanding non-housing portion of the 2001 bonds, the 2006 bonds and the 2007 bonds. These revenues have been pledged until the year 2022. Pledged tax increment revenue for the year was \$25.1 million against total debt service payments of \$4.1 million on this bond. Payment of debt service on the bonds is further secured by a bond insurance policy issued by MBIA. Revenues are pledged against the debt service outstanding on the bonds of \$21.0 million. The principal balance outstanding at June 30, 2011 was \$17,540,000.

Consolidated Redevelopment Project 2003 Taxable Tax Allocation Refunding Bonds

In September 2003, the Commission issued term bonds in the amount of \$6,530,000. The principal on the Bonds is payable annually on September 1 ranging from \$220,000 to \$465,000. The bonds are due on September 1, 2008, 2013 and 2024. Interest is payable on September 1 and March 1 in each year at rates of 3.5% to 5.75% per annum. Bonds due on or after September 1, 2014 are subject to redemption in whole or part, on any date on or after September 1, 2013, at the option of the Commission upon a redemption price equal to the principal amount plus accrued interest to the redemption date, without premium. The bonds are subject to mandatory sinking fund redemption annually in amounts ranging from \$95,000 to \$465,000.

The bonds are secured by a pledge of the tax increment revenues deposited in the low and moderate income set-aside fund for the Commission's project area. These revenues have been pledged until the year 2024. Pledged tax increment revenue for the year was \$6.3 million against total debt service payments of \$0.7 million on this bond. Revenues are pledged against the debt service outstanding on the bonds of \$6.3 million. The principal balance outstanding at June 30, 2011 was \$4,555,000.

Consolidated Redevelopment Project 2006 Tax Allocation Bonds

In December 2006, the Commission issued serial bonds (Series A) in the amount of \$27,658,493. Series A bonds are structured with a mix of current interest bonds and capital appreciation bonds. Serial bonds totaling \$3,025,000 are payable annually on each September 1 ranging from \$10,000 to \$2,195,000 through September 1, 2019. Interest is payable on September 1 and March 1 in each year at rates of 3.75% to 5.0% per annum. Capital appreciation bonds have serial maturities in 2019 through 2028 payable annually on September 1 each year with a value at maturity ranging from \$920,000 to \$11,805,000. The current interest bonds are optionally callable at par on September 1, 2016. The capital appreciation bonds are non-callable.

In December 2006, the Commission issued serial bonds (Series B) in the amount of \$18,760,000. Series B bonds have current interest term bonds of \$5,230,000 and \$13,530,000 due September 1, 2011 and September 1, 2018 respectively. The interest rates range from 5.18% to 5.35%. The bonds are optionally callable at par on September 1, 2016.

The Series A and Series B bonds are secured by the non-housing portion of tax increment revenues generated in the Commission's project area. The Series A and Series B Bonds share a parity claim on these revenues with the outstanding unrefunded 2002 bonds, the non-housing portion of the 2001 bonds, and the 2007 bonds. These revenues have been pledged until the year 2028. Pledged tax increment revenue for the year was \$25.1 million against total debt service payments of \$2.4 million on this bond. The bonds are further secured by a debt service reserve fund sized in the amount of the aggregate maximum annual debt service on the bonds which was \$1.3 million at June 30, 2011. Revenues are pledged against the debt service outstanding on the bonds of \$71.8 million. Payment of debt service on the bonds is further secured by a bond insurance policy issued by MBIA.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

The principal balance outstanding at June 30, 2011, was \$46,027,618 including accretion on the capital appreciation bonds of \$5,169,128.

Consolidated Redevelopment Project 2007 Tax Allocation Refunding Bonds

On June 5, 2007, in order to take advantage of a low interest rate market and to capture economic savings, the City “currently refunded” in full its outstanding 1997 Tax Allocation Bonds and 1998 Tax Allocation Bonds and “advance refunded” a portion of the outstanding 2002 Tax Allocation Bonds. Serial bonds totaling \$43,015,000 were structured with serial maturities ranging from \$425,000 to \$5,440,000 payable annually on September 1, 2008 through September 1, 2022. Interest is payable on September 1 and March 1 in each year at rates from 4.00% in 2008 to 4.50% in 2022. The bonds are optionally callable on September 1, 2017, and thereafter at par.

The 2007 bonds are secured by the non-housing portion of tax increment revenues generated in the Commission’s project area. The 2007 bonds share a parity claim on these revenues with the outstanding unrefunded 2002 bonds, the Commission’s 2006 Tax Allocation Bonds Series A and B and the non-housing portion of the 2001 Tax Allocation Bonds. These revenues have been pledged until the year 2022. Pledged tax increment revenue for the year was \$25.1 million against total debt service payments of \$2.5 million on this bond. The 2007 bonds are further secured by a parity debt service reserve fund, shared among the outstanding series, sized in the amount of the aggregate maximum annual debt service on the bonds (\$1,513,407 at June 30, 2011). Payment of debt service on the 2007 bonds is further secured by a bond insurance policy issued by MBIA. Revenues are pledged against the debt service outstanding on the bonds of \$56.7 million. The principal balance outstanding at June 30, 2011 was \$41,685,000.

Compensated Absences

Compensated absences consists of amounts due to employees for earned but unused vacation and sick leave balances. Compensated absences are primarily liquidated from the General Fund.

Tax Increment Loan Payable

A loan of property tax increment was issued by the County of Los Angeles, California, to the Washington Boulevard Redevelopment Project Debt Service Fund, with an outstanding balance of \$5,870,865, at a variable interest rate equivalent to the Los Angeles County Annual Treasury Pool rate as calculated annually by the County Auditor-Controller. Principal and interest payments on this loan are deferred until such time as the Washington Boulevard Project has received a combined total of \$10,750,000 in monies from sales tax increment, as described in Note 6, and property tax increment. At that time, the Commission will pay annually the sum of: 1) the full amount due, and 2) no less than fifty percent (50%) of the tax increments remaining after paying such amounts, exclusive of tax increments designated for the Housing Fund.

ERAF Loan

The Commission received a loan with an outstanding balance of \$1,950,000 from the California Statewide Communities Development Authority for the purpose of making the ERAF payment to the County of Los Angeles and covering the loan administration expense. Principal and interest are payable in installments each March 1 and November 1 commencing November 1, 2005 and ending March 1, 2015, from any available monies of the Commission not obligated for other uses. Interest on each installment has been calculated at an

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

annual interest rate varying from 3.87% - 5.01% depending on the average interest rates of the underlying debt issued by the California Statewide Communities Development Authority to fund the loans. The loan is not subject to early prepayment.

JP Morgan Chance Loan Payable

In June 2011, the City entered into a loan agreement for \$190,108 with JP Morgan Chase Bank, N.A. to purchase police interceptors. Payments are due annually in the amount of \$64,984 on June 24 each year at an annual interest rate of 2.57%; with the loan expiring on June 24, 2013. The current balance outstanding for these loans is \$125,124.

SunTrust Loan Payable

In May 2007, the City entered into a loan agreement for \$974,850 with SunTrust Leasing Corporation for a fire truck. Payments are due annually in the amount of \$165,013 on July 15 each year at an annual interest rate of 4.25%; with the loan expiring on July 15, 2014. In July 2007, the agreement was amended for an additional \$605,000 for the purchase of three additional fire trucks. Payments are due annually in the amount of \$103,384 on July 16 of each year at an annual interest rate of 4.69% with the loan expiring on July 16, 2014.

In November 2008, the agreement was amended for an additional \$280,000 for the purchase of police vehicles and equipment. Payments are due annually in the amount of \$98,373 on October 31 of each year at an annual interest rate of 5.50% with the loan expiring on October 31, 2010. The current balance outstanding for these loans is \$964,579.

Water Revenue Bonds, 2003 Series A

In October 2003, the PFA issued revenue bonds in the amount of \$4,625,000. Serial bonds totaling \$825,000 are payable annually on May 1 in amounts ranging from \$45,000 to \$85,000 through May 1, 2023. Term bonds totaling \$1,140,000, and \$2,410,000 are due on May 1, 2028, and 2033, respectively. Interest is payable semiannually on May 1 and November 1 in each year at rates of 3.0% to 4.9%. Series A bonds maturing on or before May 1, 2014 are subject to redemption, in whole, or in part by lot, at the option of the PFA prior to their stated maturities, on any date commencing on or after May 1, 2013 at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium. The total amount outstanding as of June 30, 2011 is \$4,325,000.

The Bonds are payable from and secured by a pledge of revenues of the PFA, consisting primarily of amounts to be paid by the City to the PFA for the repurchase of the certain improvements to the water system pursuant to a 2003 Installment Sale Agreement. These payments consist primarily of net revenues of the City's water system and facilities. The City has covenanted in the Installment Sale Agreement to set rates and charges for water services for its customers sufficient to provide net revenues each fiscal year equal to at least 120% of the debt service due in such fiscal year. Net revenue is determined by the gross revenues received during such period minus the amount required to pay all operation and maintenance costs becoming payable during such period. Net revenue for the current year was \$686,200 against debt service payments of \$263,905. Total principal and interest outstanding is \$7,902,973.

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

Water Refunding Revenue Bonds, 2005 Series A

Revenue Bonds in the amount of \$3,705,000 were issued on May 1, 2005. The Revenue Bonds were issued to (1) provide funds for the refinancing of the 1996 Installment Sale Agreement and the defeasance of \$3,585,000 of the City's 1996 Water Revenue Bond Series A; (2) establish a reserve account for the Bonds; and (3) pay the costs of issuance associated with the issuance and sale of the Bonds. The Bonds are due in annual principal installments of \$130,000 to \$205,000 through 2026. Interest rates range from 3.25% to 4.625% and is payable semiannually on November 1 and May 1. The total amount outstanding as of June 30, 2011 is \$2,920,000.

The Bonds are payable from and secured by a pledge of revenues of the PFA, consisting primarily of amounts to be paid by the City to the PFA for the repurchase of the certain improvements to the water system pursuant to a 2005 Installment Sale Agreement. These payments consist primarily of net revenues of the City's water system and facilities. The City has covenanted in the Installment Sale Agreement to set rates and charges for water services for its customers sufficient to provide net revenues each fiscal year equal to at least 120% of the debt service due in such fiscal year. Net revenue is determined by the gross revenues received during such period minus the amount required to pay all operation and maintenance costs becoming payable during such period. Net revenue for the current year was \$722,862 against debt service payments of \$278,005. Total principal and interest outstanding is \$4,096,264.

Prior Year Defeasance of Debt

In prior years, the City defeased certain other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on all old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. All of the defeased debt outstanding was called during fiscal year 2011. The outstanding balance of these bonds was zero at June 30, 2011.

NOTE 15 - FUND BALANCES

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

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to first apply committed fund balance. It is at the discretion of the Council's designee to then apply the remaining expenditures to assigned or unassigned fund balance.

The City Council delegates to the Director of Finance and Administrative Services the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Fund balances for all the major and nonmajor governmental funds as of June 30, 2011, were distributed as follows:

	Debt Service Funds			Capital Project Funds		Nonmajor Governmental Funds	Total
	General Fund	Consolidated Redevelopment Project Fund	Washington Boulevard Redevelopment Fund	Consolidated Redevelopment Project Fund	Capital Improvements Fund		
Nonspendable:							
Loans receivable	\$ 821,788	\$ -	\$ -	\$ 637,444	\$ -	\$ 80,000	\$ 1,539,232
Inventory	649,157	-	-	-	-	-	649,157
Deposits	620,743	-	-	1,000,000	1,799,500	1,000,000	4,420,243
Advances	3,936,464	-	-	-	-	4,631,306	8,567,770
Subtotal	6,028,152	-	-	1,637,444	1,799,500	5,711,306	15,176,402
Restricted for:							
Debt service	1,167,441	33,461,706	2,103,909	-	-	-	36,733,056
Redevelopment	-	-	-	27,204,623	-	-	27,204,623
Low and Moderate Income Housing	-	-	-	-	-	4,308,828	4,308,828
Waste management	36,726	-	-	-	-	-	36,726
Community Facilities District	-	-	-	-	-	34,126	34,126
CUPA	122,365	-	-	-	-	-	122,365
Traffic congestion relief	-	-	-	-	-	44,900	44,900
Art in public places	-	-	-	-	-	1,080,697	1,080,697
Public safety	-	-	-	-	-	14,544	14,544
Public works	-	-	-	-	-	334,759	334,759
Subtotal	1,326,532	33,461,706	2,103,909	27,204,623	-	5,817,854	69,914,624
Committed to:							
Capital projects	1,115,048	-	-	-	-	-	1,115,048
Equipment replacement	340,270	-	-	-	-	-	340,270
Subtotal	1,455,318	-	-	-	-	-	1,455,318
Unassigned	16,439,102		(3,824,742)		(1,777,829)	(122,244)	10,714,287
Total	\$ 25,249,104	\$ 33,461,706	\$ (1,720,833)	\$ 28,842,067	\$ 21,671	\$ 11,406,916	\$ 97,260,631

NOTE 16 - CALIFORNIA JOINT POWERS INSURANCE AUTHORITY INSURANCE PROGRAM

(a) Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

(b) Self-Insurance Programs of the Authority

General Liability

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then

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JUNE 30, 2011 (CONTINUED)**

made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 are pooled based on payroll; (4) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies subject to a \$3,000,000 annual aggregate deductible and a quota-sharing agreement whereby the Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with the above are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

Workers' Compensation

The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

(c) Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are

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NOTES TO FINANCIAL STATEMENTS
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paid annually and are not subject to retroactive adjustments.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

(d) Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

NOTE 17 - RETIREMENT PLAN

Full-time Employees

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined pension benefit plan for the miscellaneous employees and a cost-sharing multiple-employer public employee defined pension benefit plan for the public safety employees that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All full-time employees are eligible to participate in PERS. Part-time employees are not eligible to participate in the PERS retirement system but participate in a defined contribution plan. Benefit provisions and all other requirements are established by State statute and City ordinance. PERS issues a separate comprehensive annual financial report. Copies of PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Participants are required to contribute 9% for public safety employees and 8% for miscellaneous employees of their annual covered salary. The City contributes the required contributions of the miscellaneous and public safety employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amount necessary to fund the benefits for its members, using the actuarial rates recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2011, was 18.137% for miscellaneous employees and 32.626% for safety. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS.

The funded status of the miscellaneous plan based on the June 30, 2010, actuarial valuation is as follows (in thousands):

Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability % of Payroll
\$ 127,068	\$ 94,443	\$ 32,625	74.3%	\$ 11,621	280.7%

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

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

For fiscal year ended June 30, 2011, the City's annual pension cost of \$4,047,581 was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45%; and (c) 3.25% cost of living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of PERS assets was determined using a technique that smooth the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 30 years for the miscellaneous plan. The actuarial assumptions used for the funded status are the same as those used to determine the annual required contribution.

The following is a summary of information for PERS for a three-year period ending each June 30:

Three-Year Trend Information for PERS (Dollar Amounts in Thousands)

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$4,704	100%	\$-
2010	4,676	100%	-
2011	4,047	100%	-

Part-time Employees

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan was created in accordance with Internal Revenue Code Section 457. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and the City Council resolved to match the employees' contributions of 3.75%. The City's contribution for each employee (and interest earned by the accounts) is fully vested immediately.

For the year ended June 30, 2011, the City's covered payroll for part-time employees was \$2,035,384. The City made employer contributions of \$76,327 (3.75% of covered payroll), and employees contributed \$81,567. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and are not included in the financial statements in accordance with GASB Statement No. 32.

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 18 - POST-EMPLOYMENT HEALTH CARE BENEFITS

(a) Plan Description

The City contributes to the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer public employee defined postemployment benefit plan. The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(b) Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) with 5 years or service and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2009, the date of the most recent actuarial valuation:

	<u>Management</u>	<u>Miscellaneous</u>	<u>Fire</u>	<u>Total</u>
Retirees and beneficiaries receiving benefits	39	95	62	196
Active plan members	<u>38</u>	<u>136</u>	<u>54</u>	<u>228</u>
Total	<u><u>77</u></u>	<u><u>231</u></u>	<u><u>116</u></u>	<u><u>424</u></u>

These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

(c) Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The contribution is based on projected pay-as-you-go financing requirements. The City's contribution rate was \$1,293 per month per retiree toward all premiums in which the individual is able to select, on an annual basis, an insurance carrier from a number of insurance carriers. For the year ended June 30, 2011, the City contributed \$1,855,042 to the plan. Plan members receiving benefits contributed \$26,644 (approximately 1% of total premiums) through their required contribution.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The City's Net OPEB obligation as of June 30, 2011, was \$5.3 million. The Annual Required Contribution (ARC) as of June 30, 2011, was \$4.027 million. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts are in thousands):

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

Annual required contribution	\$ 4,027
Interest on net OPEB obligation	214
Adjustment to annual required contribution	<u>(346)</u>
Annual OPEB cost (expense)	3,895
Contributions made	<u>(2,530)</u>
Increase in net OPEB obligation	1,365
Net OPEB Obligation, Beginning of Year	<u>3,899</u>
Net OPEB Obligation, End of Year	<u><u>\$ 5,264</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2011 were as follows (dollar amounts are in thousands):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/10	\$ 3,643	39.9%	3,899
6/30/11	\$ 3,895	62.9%	5,343

(d) Funding Status and Progress

The City has elected to join the California Employers' Retiree Benefit Trust (CERBT) which provides a means to pre-fund OPEB obligations. The City makes an annual contribution to the CERBT, pays benefits either directly to retirees or through PEMHCA during the year, and then seeks reimbursement for these pay-as-you-go expenses from the CERBT. The City's funding policy is to contribute consistently an amount at least equal to the pay-as-you-go-costs plus a percent of the difference between the ARC and pay-as-you-go. This percent is 10% for the 2008/09 fiscal year, increasing by 10% each year to 100% of the ARC for fiscal year 2017/18 and thereafter. For the year ended June 30, 2011, the City made a contribution of \$675,000 to the CERBT.

As of June 30, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$42.4 million, and the actuarial value of assets was \$191,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$42.2 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0.45% percent. The covered payroll (annual payroll of active employees covered by the plan) was \$20.5 million and the ratio of the UAAL to the covered payroll was 206% percent.

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

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

(e) Actuarial Methods and Assumptions

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

The actuarial method used to determine the actuarial value of assets is the 5-year smoothing with 80% and 120% market value corridor.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 5.48% discount rate. Each year's discount rate is 7.75% for portion of ARC funded and 4.5% for portion of ARC not funded. The valuation includes a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years with a closed amortization. It is assumed the City's payroll will increase 3.25% per year.

The medical trend rate represents the long-term expected growth of medical benefits paid by the plan. The following table sets forth the trend assumption used for the valuation:

Year	Pre-Medicare Eligible		Post-Medicare Eligible	
	HMO	PPO	HMO	PPO
2011/12	8.4%	9.0%	8.7%	9.3%
2012/13	7.8%	8.3%	8.0%	8.5%
2013/14	7.1%	7.5%	7.3%	7.7%
2014/15	6.5%	6.8%	6.6%	6.9%
2015/16	5.8%	6.0%	5.9%	6.1%
2016/17	5.2%	5.3%	5.2%	5.3%

NOTE 19 - DEFICIT FUND BALANCE

The Washington Boulevard Redevelopment Project Debt Service Fund had a deficit fund balance of \$1,869,987 at June 30, 2011. This is due to the requirements of GASB Statement No. 34, which requires that all advances to other funds reported previously as long-term debt must be reported in the fund which will repay them. The Washington Boulevard Redevelopment Project Debt Service Fund has outstanding advances from the General Fund of \$4,116,326, as described in Note 6. The deficit will be reduced by future revenues and repayments of the outstanding advances.

The Washington Boulevard Redevelopment Capital Projects Fund had a deficit fund balance of \$102,050, at June 30, 2011. This is due to expenditures exceeding revenues for the year. The deficit will be funded by future revenues.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

The Community Development Block Grant Program Income Special Revenue Fund had a deficit fund balance of \$54,976, at June 30, 2011. This is due to expenditures exceeding revenues for previous years. The deficit will be funded by future revenues.

The County Transit Tax Special Revenue Fund had a deficit fund balance of \$20,194, at June 30, 2011. This is due to expenditures exceeding revenues for the year. The deficit will be funded by future revenues.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

(a) Claims

Various claims for personal injury and for property damage are pending against the City. It is the opinion of the City Attorney that any liability arising out of such claims is adequately covered under insurance agreements.

(b) Disposition and Development Agreement

On November 17, 2005, the Commission entered into a disposition and development agreement (DDA) with Villages at Heritage Springs, LLC (Developer) to remediate property and develop housing units and related infrastructure and amenities. The Developer agreed to make an interest-free loan of \$2,690,000 to the Commission to assist in financing the cost of acquisition of the third parties' properties.

On November 21, 2006, the Commission and the Developer entered into the first amendment to the DDA to increase the interest-free loan of \$2,690,000 to \$3,152,000 due to additional costs pertaining to the acquisition of third parties' properties.

On March 26, 2009, the Commission entered into an agreement separate from the DDA to give a loan in the amount of \$1,800,000 to the Developer at 5% interest rate in order to secure the construction financing for the development project.

On July 9, 2009, the Commission and the Developer entered into the third amendment to the DDA agreement on the following terms:

**CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

1. Added the Purchase and Sale Agreement to the DDA due to the current economic uncertainty and lack of available financing for new residential construction. The Developer agreed to sell certain real property within the City's boundaries (Property) to the Commission. The purchase price for the Property was approximately \$17 million. The Commission made a \$2 million cash down payment at the execution of this agreement. \$1 million of the down payment derived from the Low and Moderate Income Housing Fund and utilized to provide credits to the sale price for moderate income purchasers equal to the difference between the market rate price and the affordable price for that qualified buyer. Transfer of title to the Commission will not occur until the full purchase price has been paid. The Developer has option to repurchase the Property at any time prior to the completion of the project, or up to 1 year after the completion of the project, or as extended by approval of the City to accommodate agreed upon and approved project changes. As of June 30, 2011, the Commission had not made additional payment for this purchase.
2. The Developer loan to the Commission for property acquisition in the amount of \$3,152,000 shall be repaid in part with a credit of payment on the \$1,800,000 loan from the Commission to the Developer. As of June 30, 2010, the Commission had repaid the remaining balance of \$1,352,000.
3. The Developer agreed to pay building permit fees of \$732,262 to City at the earlier of the time of issuance of the Mello-Roos bonds or June 30, 2014. The fee amounts bear simple interest at 4.5%.

(c) Recent Changes in Legislation Affecting California Redevelopment Agencies

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

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

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

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

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

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABX1 26.

On August 11, 2011, City Ordinance No. 1026 was introduced, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Commission. Because the stay was issued by the Court, the Ordinance was not brought back for the second reading and adoption. Depending on the outcome of the pending litigation, the Ordinance will be brought back for adoption in accordance with the Court's decision. The initial payment by the City is estimated to be approximately \$9.3 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$2.2 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the commission will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

NOTE 21 - NON-CITY OBLIGATION DEBT

The City issued \$2,315,000 of Heritage Springs Assessment District Improvement Bonds on August 9, 2001. The bonds are not included in the accompanying financial statements as neither the faith and credit nor the taxing powers of the City or the Commission have been pledged to the payment of the obligations. The outstanding balance at June 30, 2011 is \$1,970,000.

CITY OF SANTA FE SPRINGS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

NOTE 22 – PRIOR PERIOD ADJUSTMENT

The beginning fund balance of the governmental funds was restated as follows:

	General Fund	Consolidated Redevelopment Project Capital Projects Fund	Nonmajor Governmental Funds		Governmental Activities
			Low and Moderate Income Housing Special Revenue Fund	Community Development Block Grant Program Income Fund	
Fund balance/ net asset at June 30, 2010 as previously reported	\$ 23,610,319	\$ 52,901,725	\$ -	\$ -	\$ 92,191,970
To reduce beginning balance for loan receivable repaid in prior year	-	(1,800,000)	-	-	(1,800,000)
To reduce beginning balance for prior year debt service expenditure	-	(1,352,000)	-	-	-
To increase beginning balance for amount recorded as deposits that should have been a reduction of long-term debt	-	-	-	-	(890,000)
To increase beginning balance for long-term debt repaid in the prior year	-	-	-	-	2,690,000
Change in reporting entity	54,976	(8,399,187)	8,399,187	(54,976)	-
Fund balance/ net asset at June 30, 2010 as restated	<u>\$ 23,665,295</u>	<u>\$ 41,350,538</u>	<u>\$ 8,399,187</u>	<u>\$ (54,976)</u>	<u>\$ 92,191,970</u>

During fiscal year 2010, as part of the third amendment of the disposition and developer agreement discussed in Note 21(b), the Commission credited the Developer its loan balance owed to the Commission of \$1,800,000. In addition, the Commission repaid its outstanding loan balance payable to the Developer in the amount of \$1,352,000. The repayment was partially reported as a deposit instead of reducing the long-term debt balance on the government-wide statement of net assets. These transactions were not reported in the 2010 governmental fund financial statements, thus beginning fund balance for the Consolidated Redevelopment Project Capital Projects Bond Fund was reduced to reflect the loan forgiveness and debt service payment. These adjustments had no impact on the government-wide net asset balances.

In fiscal year 2010, the Low and Moderate Income Housing Special Revenue Fund was reported in the Consolidate Redevelopment Project Capital Projects Fund. The City elected to report the Low and Moderate Income Housing Special Revenue Fund separately as a nonmajor governmental fund in the fiscal year 2011.

In fiscal year 2010, the Community Development Block Grant Program Income Special Revenue Fund was reported in the General Fund. The City elected to report the Community Development Block Grant Program Income Special Revenue Fund separately as a nonmajor governmental fund in the fiscal year 2011.

CITY OF SANTA FE SPRINGS
Required Supplementary Information
Schedule of Funding Progress for Public Employees Retirement System
(most recent data available)

Miscellaneous Plan (Dollar Amounts in Thousands)						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Normal Accrued Liability	(b-a) Unfunded/ (Overfunded) Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a % of Covered Payroll
6/30/08	\$88,017	\$109,243	\$21,226	80.6%	\$13,349	159.0%
6/30/09	91,351	121,214	29,863	75.4%	13,076	228.4%
6/30/10	94,443	127,068	32,625	74.3%	11,621	280.7%

CITY OF SANTA FE SPRINGS
Required Supplementary Information
Schedule of Funding Progress for Postemployment Benefits
(most recent data available)

(Dollar Amounts in Thousands)						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Normal Accrued Liability	(b-a) Unfunded/ (Overfunded) Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a % of Covered Payroll
6/30/07	\$0	\$39,737	\$39,737	0%	\$20,167	196%
6/30/09	\$191	\$42,413	\$42,222	0.45%	\$20,484	206%

CITY OF SANTA FE SPRINGS
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 24,318,000	\$ 25,216,000	\$ 26,969,482	\$ 1,753,482
Licenses and permits	1,819,400	1,829,200	1,867,845	38,645
Fines, forfeitures and seizures	448,300	400,000	465,360	65,360
Interest and rentals	2,247,900	2,020,000	2,068,223	48,223
From other agencies	3,279,500	3,671,700	4,305,251	633,551
Charges for current services	4,265,700	3,951,600	5,292,591	1,340,991
Other	764,900	988,600	775,298	(213,302)
Total revenues	<u>37,143,700</u>	<u>38,077,100</u>	<u>41,744,050</u>	<u>3,666,950</u>
Expenditures:				
Current:				
General government	1,314,600	2,366,000	1,631,510	734,490
Public safety	24,419,400	25,141,200	25,429,291	(288,091)
Community development	5,683,000	5,441,200	5,214,873	226,327
Transportation	4,179,600	4,312,400	4,408,915	(96,515)
Culture and leisure	6,416,100	6,455,100	6,476,146	(21,046)
Human services	2,535,400	2,780,800	2,731,901	48,899
Capital outlay: Public safety	14,600	244,700	190,108	54,592
Debt service:				
Interest	71,900	71,900	62,235	9,665
Principal retirement	359,000	337,300	338,400	(1,100)
Total expenditures	<u>44,993,600</u>	<u>47,150,600</u>	<u>46,483,379</u>	<u>667,221</u>
Excess (deficiency) of revenues over expenditures	(7,849,900)	(9,073,500)	(4,739,329)	4,334,171
Other financing sources (uses):				
Proceeds from sale of assets	6,000	17,100	9,924	(7,176)
Loan issuance	-	220,100	190,108	
Transfers in	8,419,700	7,860,500	6,153,893	(1,706,607)
Transfers out	-	(5,200)	(30,787)	(25,587)
Net change in fund balance	575,800	(981,000)	1,583,809	2,594,801
Fund balance, beginning of year	<u>23,665,295</u>	<u>23,665,295</u>	<u>23,665,295</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,241,095</u>	<u>22,684,295</u>	<u>\$ 25,249,104</u>	<u>\$ 2,594,801</u>

The Note to Required Supplementary Information is an integral part of this statement.

City of Santa Fe Springs
Note to Required Supplementary Information
June 30, 2011

NOTE 1 - SUMMARY OF BUDGETARY POLICIES

Budgeting

The budget is prepared by the City Manager in accordance with City Code Section 31.13 and is legally adopted by the City Council. The budget includes activities for the following funds:

- General Fund
- Consolidated Redevelopment Project Debt Service Fund
- Washington Boulevard Redevelopment Debt Service Fund
- Consolidated Redevelopment Project Capital Projects Fund
- Supplemental Law Enforcement Services Special Revenue Fund
- Low and Moderated Income Housing Fund

Budgets for capital projects funds are not presented because they are budgeted on a project life basis. Revisions to the originally adopted budget were made during the year and have been incorporated into the budgetary amounts presented within the financial statements.

The basis for budgeting in the General Fund, Special Revenue Funds and Debt Service Funds is substantially consistent with generally accepted accounting principles, except that payments made on financing leases are recorded as functional expenditures. The lease agreements are not budgeted as a financing source and the acquisition price of the acquired asset is not budgeted as an expenditure.

The legal level of control is considered to be at the fund level since management can reassign resources within a fund without special approval from City Council.

The budget is formally integrated into the accounting system and employed as a management control tool during the year. At fiscal year-end, unexpended appropriations lapse, with the exception of capital improvements. All appropriations for capital improvements are carried forward until such time as the project is completed or terminated by action of the City Council.

CITY OF SANTA FE SPRINGS
Budgetary Comparison Schedule
Consolidated Redevelopment Project Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 24,450,000	\$ 24,450,000	\$ 24,634,556	\$ 184,556
Interest and rentals	135,000	135,000	92,962	(42,038)
Other	-	-	10	10
Total revenues	<u>24,585,000</u>	<u>24,585,000</u>	<u>24,727,528</u>	<u>142,528</u>
Expenditures:				
Current:				
Community development	5,787,000	7,671,500	7,978,771	(307,271)
Debt service:				
Interest	5,814,100	5,814,100	5,914,370	(100,270)
Principal retirement	<u>6,839,700</u>	<u>15,485,700</u>	<u>6,834,750</u>	<u>8,650,950</u>
Total expenditures	<u>18,440,800</u>	<u>28,971,300</u>	<u>20,727,891</u>	<u>8,243,409</u>
Excess (deficiency) of revenues over expenditures	6,144,200	(4,386,300)	3,999,637	8,385,937
Other financing sources (uses):				
Transfers in	985,500	985,500	11,492,825	10,507,325
Transfers out	<u>-</u>	<u>(5,152,000)</u>	<u>(5,152,000)</u>	<u>-</u>
Net change in fund balance	7,129,700	(8,552,800)	10,340,462	18,893,262
Fund balance, beginning of year	<u>23,121,244</u>	<u>23,121,244</u>	<u>23,121,244</u>	<u>-</u>
Fund balance, end of year	<u>\$ 30,250,944</u>	<u>\$ 14,568,444</u>	<u>\$ 33,461,706</u>	<u>\$ 18,893,262</u>

CITY OF SANTA FE SPRINGS
Budgetary Comparison Schedule
Washington Boulevard Redevelopment Project Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 435,000	\$ 435,000	\$ 438,104	\$ 3,104
Interest and rentals	9,000	9,000	6,388	(2,612)
From other agencies	-	-	-	-
Total revenues	444,000	444,000	444,492	492
Expenditures:				
Current:				
Community development	104,300	583,400	455,943	127,457
Debt service:				
Interest	49,700	174,700	104,969	69,731
Principal retirement	5,300	205,300	5,250	200,050
Total expenditures	159,300	963,400	566,162	397,238
Excess (deficiency) of revenues over expenditures	284,700	(519,400)	(121,670)	397,730
Other financing source:				
Loan issuance	-	142,200	405,967	548,167
Transfer out	-	(279,100)	(200,000)	(479,100)
Net change in fund balance	284,700	(656,300)	84,297	740,597
Fund balance (deficit), beginning of year	(1,954,284)	(1,954,284)	(1,954,284)	-
Fund balance (deficit), end of year	<u>\$ (1,669,584)</u>	<u>\$ (2,610,584)</u>	<u>\$ (1,869,987)</u>	<u>\$ 740,597</u>

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements and include the following:

SPECIAL REVENUE FUNDS

State Gasoline Tax

This fund is used to account for gasoline taxes received under Sections 2105, 2106, 2107 and 2107.5 of the Street and Highways Code. These funds are utilized solely for street related purposes such as new construction, rehabilitation, or maintenance.

Traffic Congestion Relief

This fund is used to account for traffic congestion relief funds received under State Assembly Bill 2928. These funds are utilized solely for street and highway maintenance, rehabilitation, reconstruction, and storm damage repair that provides traffic congestion relief.

County Transit Tax

This fund is used to account for the City's share of an additional one-half percent sales tax which was approved by the electorate in November 1980, restricted to financing transportation projects. This fund is also used to account for the City's share of an additional one-half percent sales tax which was approved by the electorate in November 1990, restricted to financing transit projects within the City.

Narcotics Forfeitures/Seizures

This fund is used to account for assets received for direct local law enforcement participation in investigation or prosecution resulting in a forfeiture.

Art In Public Places

This fund is used to account for Heritage Artwork Program fees imposed upon new development at one percent of the building permit valuation for the purpose of increasing public art and providing art educational programs.

Air Quality Improvement

This fund is used to account for additional motor vehicle registration fees imposed by the South Coast Air Quality Management District to finance the implementation of mobile source emission reduction programs and the provisions of the California Clean Air Act.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Street Lighting Maintenance District

This fund is used to account for revenues received for street lighting services in selected areas within the City. Monies are collected within the special revenue fund and are subsequently transferred to the General Fund to partially fund the costs of providing these services. Funds are derived from property-related assessments collected by the County. Financing for the district is provided by assessing areas of benefit under the 1972 Lighting and Maintenance District Act.

Heritage Springs Street Maintenance District

This fund is used to account for revenues received for street maintenance and repair services in selected areas within the City. Monies are collected within the special revenue fund and are subsequently transferred to the General Fund to partially fund the costs of providing these services. Funds are derived from property-related assessments collected by the County. Financing for the district is provided by assessing areas of benefit under the 1913 Municipal Improvement Act.

Public Safety Augmentation

This fund is used to account for the City's share of the one-half percent sales tax which was approved by the electorate in November of 1993. The proceeds are earmarked exclusively for public safety purposes.

Supplemental Law Enforcement Services

This fund is used to account for a State of California block grant providing for community oriented policing programs. The funds are to be spent on new programs supporting "front-line" law enforcement activities.

Community Development Block Grant

This fund is used to account for expenditures funded by the Community Development Block Grant Program authorized by Title I of the Housing and Community Development Act of 1974 for the purpose of developing viable urban communities, including decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

Community Development Block Grant Program Income

This fund is used to account for the receipt of repayments received by the City from loans funded by the Community Development Block Grant program. These funds may be retained by the City but must be expended under the Community Development Block Grant program.

Villages Service District

This fund is used to account for revenues received for incremental police and fire services in a specific Mello-Roos district within the City. Monies are collected within the special revenue fund and are subsequently transferred to the General Fund to partially fund the costs of providing these services. Funds are derived from property-related assessments collected by the County. Financing for the district is provided by assessing areas of benefit under the Community Facilities District Act of 1982, commonly known as Mello-Roos.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Low and Moderate Income Housing

The Low and Moderate Income Housing Special Revenue Fund is used for providing safe and sanitary dwelling accommodations in the City available to persons of low and moderate income.

CAPITAL PROJECTS FUND

Washington Boulevard Redevelopment Project

This fund is used to account for financial resources segregated for the acquisition of and rehabilitation of capital facilities within the Washington Boulevard Redevelopment Project Area.

CITY OF SANTA FE SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds			
	State Gasoline Tax	Traffic Congestion Relief	County Transit Tax	Narcotics Forfeitures/ Seizures
Assets:				
Cash and investments	\$ 93,583	\$ 44,900	\$ 3,167	\$ 7,441
Accounts receivable	-	-	-	-
Loans and notes receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	55,369	-	-	-
Deposits and other assets	-	-	-	-
Land and buildings held for resale	-	-	-	-
Advances to other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 148,952</u>	<u>\$ 44,900</u>	<u>\$ 3,167</u>	<u>\$ 7,441</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	23,361	-
Other accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>	<u>23,361</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	148,952	44,900	-	7,441
Unassigned	-	-	(20,194)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	<u>148,952</u>	<u>44,900</u>	<u>(20,194)</u>	<u>7,441</u>
Total liabilities and fund balances	<u>\$ 148,952</u>	<u>\$ 44,900</u>	<u>\$ 3,167</u>	<u>\$ 7,441</u>

Special Revenue Funds

Art In Public Places	Air Quality Improve- ment	Street Lighting Maintenance District	Heritage Springs Street Maintenance District	Public Safety Augmen- tation	Supplemental Law Enforcement Services
\$ 1,080,697	\$ -	\$ -	\$ 185,807	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,207	14,578	-	24,378	12,706
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,080,697</u>	<u>\$ 4,207</u>	<u>\$ 14,578</u>	<u>\$ 185,807</u>	<u>\$ 24,378</u>	<u>\$ 12,706</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,207	14,578	-	24,378	5,603
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>4,207</u>	<u>14,578</u>	<u>-</u>	<u>24,378</u>	<u>5,603</u>
-	-	-	-	-	-
1,080,697	-	-	185,807	-	7,103
-	-	-	-	-	-
<u>1,080,697</u>	<u>-</u>	<u>-</u>	<u>185,807</u>	<u>-</u>	<u>7,103</u>
<u>\$ 1,080,697</u>	<u>\$ 4,207</u>	<u>\$ 14,578</u>	<u>\$ 185,807</u>	<u>\$ 24,378</u>	<u>\$ 12,706</u>

CITY OF SANTA FE SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2011

	Special Revenue Funds			
	Community Development Block Grant	Community Development Block Grant Program Income	Villages Service District	Low and Moderate Income Housing
Assets:				
Cash and investments	\$ -	\$ 208,113	\$ 36,833	\$ 2,261,704
Accounts receivable	-	-	-	29,098
Loans and notes receivable	-	36,910	-	80,000
Accrued interest receivable	-	-	-	1,759
Due from other governments	2,235	-	-	790,685
Deposits and other assets	-	-	-	1,000,000
Land and buildings held for resale	-	-	-	1,264,988
Advances to other funds	-	-	-	4,631,306
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,235</u>	<u>\$ 245,023</u>	<u>\$ 36,833</u>	<u>\$ 10,059,540</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 28,012
Due to other funds	2,235	-	-	-
Other accrued liabilities	-	-	-	11,394
Deferred revenue	-	245,023	2,707	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,235</u>	<u>245,023</u>	<u>2,707</u>	<u>39,406</u>
Fund Balances:				
Nonspendable	-	-	-	5,711,306
Restricted	-	-	34,126	4,308,828
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>-</u>	<u>-</u>	<u>34,126</u>	<u>10,020,134</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 2,235</u>	<u>\$ 245,023</u>	<u>\$ 36,833</u>	<u>\$ 10,059,540</u>

Washington Boulevard Redevelopment Project Capital Project Fund		Total	
\$	-	\$	3,922,245
	10,000		39,098
	-		116,910
	-		1,759
	-		904,158
	-		1,000,000
	-		1,264,988
	-		4,631,306
<hr/>		<hr/>	
\$	10,000	\$	11,880,464
<hr/>		<hr/>	

\$	10,539	\$	38,551
	96,896		171,258
	4,615		16,009
	-		247,730
<hr/>		<hr/>	
	112,050		473,548
<hr/>		<hr/>	

	-		5,711,306
	-		5,817,854
	(102,050)		(122,244)
<hr/>		<hr/>	
	(102,050)		11,406,916
<hr/>		<hr/>	
\$	10,000	\$	11,880,464
<hr/>		<hr/>	

CITY OF SANTA FE SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds			
	State Gasoline Tax	Traffic Congestion Relief	County Transit Tax	Narcotics Forfeitures/ Seizures
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest and rentals	51	-	90	464
From other agencies	448,901	-	589,195	-
Other	-	-	6,574	-
Total revenues	<u>448,952</u>	<u>-</u>	<u>595,859</u>	<u>464</u>
Expenditures:				
Current:				
Public safety	-	-	-	8,767
Community development	-	-	-	-
Capital outlay:				
Culture and leisure	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,767</u>
Excess (deficiency) of revenues over expenditures	<u>448,952</u>	<u>-</u>	<u>595,859</u>	<u>(8,303)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(300,000)</u>	<u>(147,121)</u>	<u>(589,792)</u>	<u>(95,207)</u>
Total other financing sources and (uses)	<u>(300,000)</u>	<u>(147,121)</u>	<u>(589,792)</u>	<u>(95,207)</u>
Net change in fund balances	148,952	(147,121)	6,067	(103,510)
Fund balances (deficits), beginning of year, as restated	<u>-</u>	<u>192,021</u>	<u>(26,261)</u>	<u>110,951</u>
Fund balances (deficits), end of year	<u>\$ 148,952</u>	<u>\$ 44,900</u>	<u>\$ (20,194)</u>	<u>\$ 7,441</u>

Special Revenue Funds					
Art In Public Places	Air Quality Improve- ment	Street Lighting Maintenance District	Heritage Springs Street Maintenance District	Public Safety Augmen- tation	Supplemental Law Enforcement Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,804	-	-	-	-	216
-	19,592	-	-	137,071	100,000
311,757	-	179,514	31,674	-	-
317,561	19,592	179,514	31,674	137,071	100,216
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
317,561	19,592	179,514	31,674	137,071	100,216
-	-	-	-	-	-
(302,700)	(19,592)	(179,514)	(11,300)	(137,071)	(118,900)
(302,700)	(19,592)	(179,514)	(11,300)	(137,071)	(118,900)
14,861	-	-	20,374	-	(18,684)
1,065,836	-	-	165,433	-	25,787
\$ 1,080,697	\$ -	\$ -	\$ 185,807	\$ -	\$ 7,103

CITY OF SANTA FE SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds			
	Community Development Block Grant	Community Development Block Grant Program Income	Villages Service District	Low and Moderate Income Housing
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 6,268,165
Interest and rentals	-	-	-	16,476
From other agencies	33,014	101,536	34,838	-
Other	-	-	-	7,564
Total revenues	<u>33,014</u>	<u>101,536</u>	<u>34,838</u>	<u>6,292,205</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	33,014	-	712	1,256,463
Capital outlay:				
Culture and leisure	-	-	-	11,121
Total expenditures	<u>33,014</u>	<u>-</u>	<u>712</u>	<u>1,267,584</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>101,536</u>	<u>34,126</u>	<u>5,024,621</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(46,560)	-	(3,403,674)
Total other financing sources and (uses)	<u>-</u>	<u>(46,560)</u>	<u>-</u>	<u>(3,403,674)</u>
Net change in fund balances	-	54,976	34,126	1,620,947
Fund balances (deficits), beginning of year, as restated	-	(54,976)	-	8,399,187
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,126</u>	<u>\$ 10,020,134</u>

Washington Boulevard Redevelopment Project Capital Project Fund		Total
\$	-	\$ 6,268,165
	40	23,141
	-	1,464,147
	-	537,083
	40	8,292,536
	-	8,767
	286,331	1,576,520
	-	11,121
	286,331	1,596,408
	(286,291)	6,696,128
	200,000	200,000
	(5,244)	(5,356,675)
	194,756	(5,156,675)
	(91,535)	1,539,453
	(10,515)	9,867,463
\$	(102,050)	\$ 11,406,916

CITY OF SANTA FE SPRINGS
Budgetary Comparison Schedule
Supplemental Law Enforcement Services Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rentals	\$ -	\$ -	\$ 216	\$ 216
From other agencies	-	-	100,000	100,000
Total revenues	-	-	100,216	100,216
Other financing uses:				
Transfers out	(96,900)	(106,900)	(118,900)	(12,000)
Net change in fund balance	(96,900)	(106,900)	(18,684)	88,216
Fund balance, beginning of year	25,787	25,787	25,787	-
Fund balance (deficit), end of year	<u>\$ (71,113)</u>	<u>\$ (81,113)</u>	<u>\$ 7,103</u>	<u>\$ 88,216</u>

CITY OF SANTA FE SPRINGS
Budgetary Comparison Schedule
Low and Moderate Income Housing Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 6,040,000	\$ 6,040,000	\$ 6,268,165	\$ 228,165
Interest and rentals	45,000	45,000	16,476	(28,524)
From other agencies	-	-	7,564	7,564
Total revenues	6,085,000	6,085,000	6,292,205	207,205
Expenditures:				
Current:				
Community development	1,280,500	1,767,100	1,256,463	510,637
Capital outlay:				
Culture and leisure	-	-	11,121	(11,121)
Total expenditures	1,280,500	1,767,100	1,267,584	499,516
Excess (deficiency) of revenues over expenditures	4,804,500	4,317,900	5,024,621	706,721
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(856,200)	(3,312,500)	(3,403,674)	(91,174)
Net change in fund balance	3,948,300	1,005,400	1,620,947	615,547
Fund balance, beginning of year	8,399,187	8,399,187	8,399,187	-
Fund balance, end of year	\$ 12,347,487	\$ 9,404,587	\$ 10,020,134	\$ 615,547

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

AGENCY FUNDS

Section 8 Rental Assistance Program Fund

This fund is used to account for the deposit of monies from the Federal Department of Housing and Urban Development for the City's Housing Assistance Payment Program authorized under the United States Housing Act of 1937, with the objective of providing decent, safe, and sanitary housing for eligible families pursuant to Section 8 of the Act. The Program is administered by the Housing Authority of the County of Los Angeles, California.

Assessment Districts Fund

This fund is used to account for special assessments received by the City as agent for payment of special assessment district bonds.

Community Facilities Assessment Districts Fund

This fund is used to account for special assessments received by the City as agent for payment of community facilities district debt and expenses.

Southeast Water Coalition Fund

This fund is used to account for activities in Southeast Water Coalition organized under a Joint Powers Agreement.

CITY OF SANTA FE SPRINGS
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2011

	Section 8 Rental Assistance Program	Assessment District	Community Facilities Assessment District	Southeast Water Coalition	Total
Assets:					
Cash and investments	\$ 222,785	\$ (41,700)	\$ 7,471	\$ 143,233	\$ 331,789
Cash and investments with fiscal agent	-	317,620	-	-	317,620
Accounts receivable	-	-	35,687	-	35,687
Due from other governments	-	72,091	1,705	-	73,796
	<u>-</u>	<u>72,091</u>	<u>1,705</u>	<u>-</u>	<u>73,796</u>
Total assets	<u>\$ 222,785</u>	<u>\$ 348,011</u>	<u>\$ 44,863</u>	<u>\$ 143,233</u>	<u>\$ 758,892</u>
Liabilities:					
Due to other governments	\$ 222,785	\$ -	\$ -	\$ -	\$ 222,785
Accounts payable	-	-	1,185	3,367	4,552
Due to bondholders	-	348,011	-	-	348,011
Deposits	-	-	43,678	139,866	183,544
	<u>-</u>	<u>-</u>	<u>43,678</u>	<u>139,866</u>	<u>183,544</u>
Total liabilities	<u>\$ 222,785</u>	<u>\$ 348,011</u>	<u>\$ 44,863</u>	<u>\$ 143,233</u>	<u>\$ 758,892</u>

CITY OF SANTA FE SPRINGS
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2011

<u>Section 8 Rental Assistance Program</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets:				
Cash and investments	\$ 800,909	\$ 1,998,448	\$ 2,576,572	\$ 222,785
Liabilities:				
Due to other governments	\$ 800,909	\$ 1,998,448	\$ 2,576,572	\$ 222,785
Total liabilities	\$ 800,909	\$ 1,998,448	\$ 2,576,572	\$ 222,785
 <u>Assessment Districts</u>				
Assets:				
Cash and investments	\$ -	\$ 207,354	\$ 249,054	\$ (41,700)
Cash and investments with fiscal agent	313,798	170,466	166,644	317,620
Due from other governments	70,909	72,091	70,909	72,091
Total assets	\$ 384,707	\$ 449,911	\$ 486,607	\$ 348,011
Liabilities:				
Due to other governments	\$ 35,903	\$ -	\$ 35,903	\$ -
Due to bondholders	348,804	244,442	245,235	348,011
Total liabilities	\$ 384,707	\$ 244,442	\$ 281,138	\$ 348,011
 <u>Community Facilities Assessment Districts</u>				
Assets:				
Cash and investments	\$ -	\$ 127,159	\$ 119,688	\$ 7,471
Accounts receivable	-	35,687	-	35,687
Due from other governments	-	1,705	-	1,705
Total assets	\$ -	\$ 164,551	\$ 119,688	\$ 44,863
Liabilities:				
Accounts payable	\$ -	\$ 8,806	\$ 7,621	\$ 1,185
Deposits	-	120,508	76,830	43,678
Total liabilities	\$ -	\$ 129,314	\$ 84,451	\$ 44,863

CITY OF SANTA FE SPRINGS
Combining Statement of Changes in Assets and Liabilities - Agency Funds (Continued)
For the Fiscal Year Ended June 30, 2011

<u>Southeast Water Coalition</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets:				
Cash and investments	\$ -	\$ 216,178	\$ 72,945	\$ 143,233
Due from other governments	-	100,000	100,000	-
Total assets	<u>\$ -</u>	<u>\$ 316,178</u>	<u>\$ 172,945</u>	<u>\$ 143,233</u>
Liabilities:				
Accounts payable	\$ -	\$ 86,712	\$ 83,345	\$ 3,367
Deposits	-	139,866	-	139,866
Total liabilities	<u>\$ -</u>	<u>\$ 226,578</u>	<u>\$ 83,345</u>	<u>\$ 143,233</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 800,909	\$ 2,549,139	\$ 3,018,259	\$ 331,789
Cash and investments with fiscal agent	313,798	170,466	166,644	317,620
Accounts receivable	-	35,687	-	35,687
Due from other governments	70,909	173,796	170,909	73,796
Total assets	<u>\$ 1,185,616</u>	<u>\$ 2,929,088</u>	<u>\$ 3,355,812</u>	<u>\$ 758,892</u>
Liabilities:				
Due to other governments	\$ 836,812	\$ 1,998,448	\$ 2,612,475	\$ 222,785
Accounts payable	-	95,518	90,966	4,552
Due to bondholders	348,804	244,442	245,235	348,011
Deposits	-	260,374	76,830	183,544
Total liabilities	<u>\$ 1,185,616</u>	<u>\$ 2,598,782</u>	<u>\$ 3,025,506</u>	<u>\$ 758,892</u>

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City of Santa Fe Springs

Statistical Section (Not Covered by Auditor's Opinion)

CITY OF SANTA FE SPRINGS
Comprehensive Annual Financial Report
Year Ended June 30, 2011

STATISTICAL SECTION

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

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<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	88
Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax.</i>	98
Debt Capacity	
<i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	102
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<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	110
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	113

CITY OF SANTA FE SPRINGS
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ 6,824,544	\$ 34,923,891	\$ 38,548,147	\$ 16,802,657	\$ 31,856,729
Restricted	6,141,808	6,790,590	9,519,258	11,122,372	5,501,527
Unrestricted	48,578,049	50,731,163	47,198,101	68,046,186	64,776,353
Total governmental activities net assets	<u>\$ 61,544,401</u>	<u>\$ 92,445,644</u>	<u>\$ 95,265,506</u>	<u>\$ 95,971,215</u>	<u>\$ 102,134,609</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 14,284,285	\$ 10,286,201	\$ 10,315,423	\$ 10,161,603	\$ 10,160,632
Unrestricted	3,829,063	7,524,600	6,862,425	6,500,887	5,848,194
Total business-type activities net assets	<u>\$ 18,113,348</u>	<u>\$ 17,810,801</u>	<u>\$ 17,177,848</u>	<u>\$ 16,662,490</u>	<u>\$ 16,008,826</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 21,108,829	\$ 45,210,092	\$ 48,863,570	\$ 26,964,260	\$ 42,017,361
Restricted	6,141,808	6,790,590	9,519,258	11,122,372	5,501,527
Unrestricted	52,407,112	58,255,763	54,060,526	74,547,073	70,624,547
Total primary government net assets	<u>\$ 79,657,749</u>	<u>\$ 110,256,445</u>	<u>\$ 112,443,354</u>	<u>\$ 112,633,705</u>	<u>\$ 118,143,435</u>

The City of Santa Fe Springs has elected to show only eight years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department

<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 89,373,619	\$ 80,697,495	\$ 73,525,440
7,643,082	8,867,118	10,414,337
<u>6,730,597</u>	<u>2,627,357</u>	<u>12,973,592</u>
<u>\$ 103,747,298</u>	<u>\$ 92,191,970</u>	<u>\$ 96,913,369</u>

\$ 12,659,705	\$ 13,780,267	\$ 11,835,708
<u>2,074,635</u>	<u>(636,433)</u>	<u>521,782</u>
<u>\$ 14,734,340</u>	<u>\$ 13,143,834</u>	<u>\$ 12,357,490</u>

\$ 102,033,324	\$ 94,477,762	\$ 85,361,148
7,643,082	8,867,118	10,414,337
<u>8,805,232</u>	<u>1,990,924</u>	<u>13,495,374</u>
<u>\$ 118,481,638</u>	<u>\$ 105,335,804</u>	<u>\$ 109,270,859</u>

CITY OF SANTA FE SPRINGS
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses:					
Governmental activities:					
General government	\$ 1,841,242	\$ 3,334,830	\$ 6,343,005	\$ 8,969,662	\$ 10,752,925
Public safety	19,879,000	21,246,799	22,660,078	24,794,390	25,158,056
Community development	13,495,704	17,088,952	17,111,298	19,635,755	13,673,467
Transportation	7,536,765	6,108,969	4,980,176	7,343,144	6,800,109
Culture and leisure	7,598,682	9,240,321	10,296,861	9,661,420	9,490,393
Human services	3,448,706	2,326,120	3,517,043	4,150,468	5,070,440
Unallocated depreciation	711,212	59,483	59,767	59,449	13,421
Interest on long-term liabilities	5,703,049	5,783,391	5,991,751	6,284,405	7,935,213
Total governmental activities expenses	60,214,360	65,188,865	70,959,979	80,898,693	78,894,024
Business-type activities:					
Water utility	6,858,441	6,961,198	7,354,622	8,059,941	8,728,782
Total primary government expenses	67,072,801	72,150,063	78,314,601	88,958,634	87,622,806
Program revenues:					
Governmental activities:					
Charges for services:					
General government	222,473	261,725	927,573	612,834	1,048,110
Public safety	2,680,572	2,480,544	2,777,833	2,649,239	2,586,088
Community development	2,824,855	3,432,155	1,461,242	2,397,946	3,464,909
Transportation	458,777	353,878	413,577	549,718	698,895
Culture and leisure	1,190,484	968,617	1,720,559	1,186,334	1,186,328
Human services	566,077	596,186	628,775	696,758	747,761
Operating grants and contributions	4,677,366	3,483,837	3,537,619	4,386,968	3,834,943
Capital grants and contributions	1,541,741	2,445,825	2,374,859	758,661	2,701,218
Total governmental activities program revenues	14,162,345	14,022,767	13,842,037	13,238,458	16,268,252
Business-type activities:					
Charges for services:					
Water utility	8,753,664	7,895,332	8,007,277	8,724,832	9,008,023
Capital grants and contributions	183,203	236,938	76,832	104,327	142,589
Total business-type activities program revenues	8,936,867	8,132,270	8,084,109	8,829,159	9,150,612
Total primary government program revenues	23,099,212	22,155,037	21,926,146	22,067,617	25,418,864
Net revenues (expenses):					
Governmental activities	(46,052,015)	(51,166,098)	(57,117,942)	(67,660,235)	(62,625,772)
Business-type activities	2,078,426	1,171,072	729,487	769,218	421,830
Total net revenues (expenses)	(43,973,589)	(49,995,026)	(56,388,455)	(66,891,017)	(62,203,942)

2009	2010	2011
\$ 4,182,328	\$ 3,438,268	\$ 2,163,896
27,819,575	27,580,109	26,383,489
20,631,199	30,950,225	20,666,314
7,169,870	6,711,824	10,044,324
7,856,203	12,002,498	8,229,998
4,128,929	3,468,839	2,919,442
61,695	21,617	62,365
8,087,433	7,911,796	7,249,129
79,937,232	92,085,176	77,718,957
9,455,272	9,080,895	9,737,232
89,392,504	101,166,071	87,456,189
1,137,500	732,638	686,006
2,924,531	2,870,405	2,773,032
3,048,561	3,758,049	3,859,883
455,206	291,322	308,852
934,448	1,082,696	466,019
653,585	721,334	654,912
3,249,259	5,188,053	5,172,057
1,843,328	2,978,733	4,851,876
14,246,418	17,623,230	18,772,637
9,221,517	9,168,719	9,852,607
176,868	26,667	223,673
9,398,385	9,195,386	10,076,280
23,644,803	26,818,616	28,848,917
(65,690,814)	(74,461,946)	(58,946,320)
(56,887)	114,491	339,048
(65,747,701)	(74,347,455)	(58,607,272)
		(continued)

CITY OF SANTA FE SPRINGS
Changes in Net Assets
Last Eight Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales and use taxes	\$ 21,590,153	\$ 23,070,830	\$ 25,592,900	\$ 26,373,068	\$ 25,716,341
Property taxes	22,812,759	24,425,264	26,896,587	29,796,606	30,792,418
Franchise taxes	2,351,329	2,404,968	2,776,978	3,090,282	2,902,765
Motor vehicle in lieu tax - general purpose	868,719	1,561,110	1,324,255	1,390,299	1,446,785
Business operations taxes	793,574	780,041	790,175	867,675	816,384
Utility users taxes	-	-	-	-	-
Other taxes	598,415	598,250	673,786	660,346	734,885
Investment income	705,996	1,648,633	2,696,536	4,946,163	4,845,514
Other	502,300	1,270,288	1,090,511	1,348,127	287,751
Loss on disposal of asset	(234,818)	(541,510)	(3,559,185)	-	(54,467)
Transfers	1,615,007	1,627,294	1,655,261	1,609,356	1,300,790
Total governmental activities	<u>51,603,434</u>	<u>56,845,168</u>	<u>59,937,804</u>	<u>70,081,922</u>	<u>68,789,166</u>
Business-type activities:					
Investment income	56,843	153,675	292,821	324,780	225,296
Transfers	(1,615,007)	(1,627,294)	(1,655,261)	(1,609,356)	(1,300,790)
Total business-type activities	<u>(1,558,164)</u>	<u>(1,473,619)</u>	<u>(1,362,440)</u>	<u>(1,284,576)</u>	<u>(1,075,494)</u>
Total primary government	<u>50,045,270</u>	<u>55,371,549</u>	<u>58,575,364</u>	<u>68,797,346</u>	<u>67,713,672</u>
Special - donation of land and improvements	-	23,702,922	-	-	-
Changes in Net Assets:					
Governmental activities	5,551,419	5,679,070	2,819,862	2,421,687	6,163,394
Business-type activities	520,262	(302,547)	(632,953)	(515,358)	(653,664)
Total primary government	<u>\$ 6,071,681</u>	<u>\$ 5,376,523</u>	<u>\$ 2,186,909</u>	<u>\$ 1,906,329</u>	<u>\$ 5,509,730</u>

The City of Santa Fe Springs has elected to show only eight years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department

<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 23,237,402	\$ 19,214,299	\$ 20,254,386
33,478,543	34,470,314	33,167,105
2,857,707	2,524,816	2,553,493
1,505,277	1,569,001	1,574,226
805,857	783,107	775,506
-	-	1,023,863
723,819	576,767	570,792
3,006,525	1,699,361	2,380,810
391,132	356,634	236,254
-	-	-
1,297,241	1,712,319	1,131,284
<u>67,303,503</u>	<u>62,906,618</u>	<u>63,667,719</u>
79,642	7,322	5,892
<u>(1,297,241)</u>	<u>(1,712,319)</u>	<u>(1,131,284)</u>
<u>(1,217,599)</u>	<u>(1,704,997)</u>	<u>(1,125,392)</u>
<u>66,085,904</u>	<u>61,201,621</u>	<u>62,542,327</u>
-	-	-
1,612,689	(11,555,328)	4,721,399
<u>(1,274,486)</u>	<u>(1,590,506)</u>	<u>(786,344)</u>
<u>\$ 338,203</u>	<u>\$ (13,145,834)</u>	<u>\$ 3,935,055</u>

CITY OF SANTA FE SPRINGS
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund:					
Reserved	\$ 12,241,087	\$ 14,032,267	\$ 14,272,672	\$ 14,388,788	\$ 13,617,551
Unreserved	18,081,668	18,948,412	18,851,647	17,017,518	15,099,382
Total general fund	<u>\$ 30,322,755</u>	<u>\$ 32,980,679</u>	<u>\$ 33,124,319</u>	<u>\$ 31,406,306</u>	<u>\$ 28,716,933</u>
All other governmental funds:					
Reserved	\$ 26,318,775	\$ 27,603,708	\$ 31,370,232	\$ 39,559,163	\$ 42,709,013
Unreserved, reported in:					
Special revenue funds	2,969,295	1,989,508	2,666,450	2,640,445	2,158,778
Debt service funds	(2,342,282)	(2,640,256)	(2,355,832)	(2,040,292)	(1,679,421)
Capital project funds	21,659,330	23,479,870	21,234,317	56,216,049	47,613,794
Total all other governmental funds	<u>\$ 48,605,118</u>	<u>\$ 50,432,830</u>	<u>\$ 52,915,167</u>	<u>\$ 96,375,365</u>	<u>\$ 90,802,164</u>

	2011*
General fund:	
Nonspendable	\$ 6,028,152
Restricted	1,326,532
Committed	1,455,318
Unassigned	<u>16,439,102</u>
Total general fund	<u>\$ 25,249,104</u>
All other governmental funds:	
Nonspendable	\$ 9,148,250
Restricted	68,588,092
Unassigned	<u>(5,724,815)</u>
Total all other governmental funds	<u>\$ 72,011,527</u>

The City of Santa Fe Springs has elected to show only eight years of data for this schedule.

** The City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.*

Source: City of Santa Fe Springs Finance and Administrative Services Department

2009	2010
\$ 15,279,818	\$ 15,789,234
11,632,731	7,821,085
\$ 26,912,549	\$ 23,610,319
\$ 46,410,455	\$ 53,512,156
1,955,895	1,514,867
(1,679,353)	(1,954,284)
44,588,079	22,540,869
\$ 91,275,076	\$ 75,613,608

CITY OF SANTA FE SPRINGS
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues:					
Taxes	\$ 48,146,230	\$ 51,279,875	\$ 56,758,561	\$ 60,787,976	\$ 60,962,794
Licenses and permits	1,872,843	2,358,170	1,937,477	1,629,490	1,701,480
Fines, forfeitures and seizures	355,259	338,843	543,522	609,712	548,283
Interest and rentals	1,876,392	2,552,311	3,851,945	5,953,140	5,892,674
From other agencies	6,057,180	5,301,442	5,175,615	5,917,337	7,578,801
Charges for current services	4,439,811	4,178,852	4,897,205	4,739,147	5,305,063
Other	1,642,275	3,398,340	2,518,156	2,491,930	1,702,360
Total revenues	<u>64,389,990</u>	<u>69,407,833</u>	<u>75,682,481</u>	<u>82,128,732</u>	<u>83,691,455</u>
Expenditures:					
Current:					
General government	1,727,403	3,295,793	6,082,704	8,407,116	4,111,182
Public safety	19,517,165	20,881,213	23,632,838	25,077,753	25,824,532
Community development	11,834,822	17,149,044	16,709,315	16,535,419	19,500,243
Transportation	4,858,846	4,186,499	4,299,753	4,496,028	4,641,050
Culture and leisure	6,892,548	7,083,663	8,362,724	9,025,881	8,511,379
Human services	3,033,094	2,169,841	3,578,218	3,982,317	4,117,257
Capital outlay:					
General government	218,478	274,508	352,319	514,044	6,596,550
Public safety	174,057	4,198	65,961	374,023	188,100
Community development	1,542,804	1,077,781	555,209	966,204	2,919,363
Transportation	5,861,494	1,390,273	1,454,821	2,562,745	3,466,560
Culture and leisure	726,279	3,412,361	1,139,624	1,414,715	1,279,981
Human services	258,044	541,510	-	7,307	784,174
Loss on sale of property	234,818	-	3,250,937	2,394,149	-
Debt service:					
Interest	5,708,320	5,767,172	5,969,105	6,222,003	6,175,132
Principal retirement	3,467,251	4,181,415	4,303,173	4,814,783	6,309,031
Bond issuance costs	297,710	-	-	1,783,534	-
Total expenditures	<u>66,353,133</u>	<u>71,415,271</u>	<u>79,756,701</u>	<u>88,578,021</u>	<u>94,424,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,963,143)</u>	<u>(2,007,438)</u>	<u>(4,074,220)</u>	<u>(6,449,289)</u>	<u>(10,733,079)</u>
Other financing sources (uses):					
Proceeds (loss) from sale of assets	-	-	-	-	-
Lease purchase agreements	305,739	-	82,690	108,986	107,588
Loan issuance	273,406	3,864,370	4,962,246	1,326,493	1,062,127
Bond issuance	6,530,000	-	-	91,911,529	-
Payment to refunded bond escrow a	(6,693,972)	-	-	(45,656,679)	-
Transfers in	18,767,279	25,411,810	17,712,793	23,177,837	15,611,252
Transfers out	<u>(17,152,272)</u>	<u>(23,784,516)</u>	<u>(16,057,532)</u>	<u>(21,568,481)</u>	<u>(14,310,462)</u>
Total other financing sources (uses)	<u>2,030,180</u>	<u>5,491,664</u>	<u>6,700,197</u>	<u>49,299,685</u>	<u>2,470,505</u>
Net change in fund balances	<u>\$ 67,037</u>	<u>\$ 3,484,226</u>	<u>\$ 2,625,977</u>	<u>\$ 42,850,396</u>	<u>\$ (8,262,574)</u>
Debt service as a percentage of noncapital expenditures	15.9%	15.4%	13.7%	15.4%	15.9%

The City of Santa Fe Springs has elected to show only eight years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department

2009	2010	2011
\$ 61,103,328	\$ 57,569,302	\$ 58,310,307
1,524,535	2,115,081	1,867,845
529,748	503,749	465,360
4,062,816	2,745,752	2,321,749
5,641,140	9,270,391	10,644,890
5,212,477	5,365,282	5,292,591
2,178,637	1,194,374	1,573,488
<u>80,252,681</u>	<u>78,763,931</u>	<u>80,476,230</u>
3,381,651	2,718,500	1,670,047
26,691,447	26,459,351	25,439,776
18,917,170	29,453,154	19,344,105
4,503,733	4,413,626	7,563,987
7,507,153	6,886,004	7,295,141
3,905,691	3,238,862	2,731,901
243,549	167,570	2,500
104,149	48,180	235,472
1,325,014	1,489,530	313,643
1,484,761	3,439,283	1,511,229
2,085,627	7,764,597	1,657,034
28,784	4,113	-
-	-	-
7,022,705	6,801,175	6,081,574
6,587,336	6,962,183	7,178,400
-	-	-
<u>83,788,770</u>	<u>99,846,128</u>	<u>81,024,809</u>
<u>(3,536,089)</u>	<u>(21,082,197)</u>	<u>(548,579)</u>
80,445	(64,538)	9,924
-	-	-
826,931	470,718	596,075
-	-	-
-	-	-
14,613,933	14,483,825	23,360,976
<u>(13,316,692)</u>	<u>(12,771,506)</u>	<u>(22,229,692)</u>
2,204,617	2,118,499	1,737,283
<u>\$ (1,331,472)</u>	<u>\$ (18,963,698)</u>	<u>\$ 1,188,704</u>
17.2%	15.8%	17.2%

CITY OF SANTA FE SPRINGS
Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (In thousands of dollars)

Fiscal Year	Secured Property	Unsecured Property	Less Property Exemptions	Grand Total	Homeowner's Exemption	Net Taxable Value	Total Direct Tax Rate
2002	\$3,023,508	\$705,372	\$17,987	\$3,710,893	\$16,311	\$3,694,582	0.555%
2003	3,202,358	746,690	20,584	3,928,464	16,005	3,912,459	0.524%
2004	3,394,968	797,566	22,361	4,170,173	15,658	4,154,515	0.549%
2005	3,602,267	758,572	34,258	4,326,581	15,718	4,310,863	0.567%
2006	3,937,295	760,308	35,699	4,661,904	15,733	4,646,171	0.579%
2007	4,314,351	796,390	41,222	5,069,519	15,660	5,053,859	0.589%
2008	4,649,072	893,796	42,911	5,499,957	15,586	5,484,371	0.561%
2009	4,948,146	966,130	49,046	5,865,230	15,606	5,849,624	0.572%
2010	5,085,904	1,014,688	55,391	6,045,201	15,452	6,029,749	0.572%
2011	5,088,663	961,737	66,727	5,983,673	15,124	5,968,549	0.572%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Los Angeles County, Auditor-Controller

CITY OF SANTA FE SPRINGS
Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Per \$100 of Assessed Value)

Fiscal Year	<u>Basic 1% Direct Tax Rate</u>		<u>Override Assessments</u>						Total
	City of Santa Fe Springs	Los Angeles County	Elementary Schools	Los Angeles County	Rio Hondo Community College District	Whittier Union High School District	Los Angeles County Flood Control District	Metro. Water District	
2002	0.077	0.923	0.000	0.001	0.000	0.029	0.001	0.008	1.039
2003	0.077	0.923	0.000	0.001	0.000	0.026	0.001	0.007	1.035
2004	0.077	0.923	0.000	0.001	0.000	0.038	0.000	0.006	1.045
2005	0.077	0.923	0.000	0.001	0.022	0.031	0.000	0.006	1.060
2006	0.077	0.923	0.000	0.001	0.018	0.045	0.000	0.005	1.069
2007	0.077	0.923	0.035	0.001	0.015	0.044	0.000	0.004	1.099
2008	0.077	0.923	0.075	0.000	0.014	0.044	0.000	0.004	1.137
2009	0.077	0.923	0.074	0.000	0.023	0.037	0.000	0.004	1.138
2010	0.077	0.923	0.073	0.000	0.027	0.042	0.000	0.004	1.146
2011	0.077	0.923	0.076	0.000	0.034	0.042	0.000	0.004	1.156

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared taxing agencies for which the subject property resides within. In addition to the 1.00% general levy, Los Angeles County, Rio Hondo College District, Whittier Union High School District, Los Angeles County Flood Control District, and Metropolitan Water District levied direct assessments totaling an additional 14.6%.

The Basic 1% tax rates have been adjusted in prior years to reflect the correct allocation of the 1% rate.

CITY OF SANTA FE SPRINGS
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010/2011		2001/2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Golden Springs Development Company	\$ 261,835,453	4.38%	\$ 54,099,214	1.71%
Breitburn Operating LP	121,387,303	2.03%		
Legacy Partners II Santa Fe Springs	80,525,608	1.35%		
McMaster Carr Supply Company	76,258,642	1.27%	31,100,899	0.98%
Gateway Santa Fe Springs	69,195,616	1.16%		
Teachers Insurance & Annuity	68,571,460	1.15%		
AMB	67,858,332	1.13%		
Catellus Development Corp	57,533,531	0.96%	27,738,290	0.88%
Maruichi American Corp	43,247,486	0.72%	42,549,024	1.35%
Heraeus Metals Processing Inc	42,847,805	0.72%		
Patrician Associates Inc			37,623,916	1.19%
O'Donnell Brigham Partners			34,813,407	1.10%
Rreef America Reit Corp			34,635,898	1.10%
Town Center Associates			34,400,000	1.09%
Cenco Refining Co.			31,295,150	0.99%
Equitable Life Assurance			27,500,000	0.87%
	<u>\$ 889,261,236</u>	<u>14.86%</u>	<u>\$ 355,755,798</u>	<u>11.25%</u>

NOTE:

The amounts shown above include assessed value data for both the City and Redevelopment Agency.

Source: Los Angeles County Assessor data, MuniServices, LLC

CITY OF SANTA FE SPRINGS
Property Tax Levies and Collections
Last Six Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	\$25,002,400	\$25,379,360	101.51%	\$3,139	\$25,382,499	101.52%
2007	27,943,296	27,742,846	99.28%	3,167	27,746,013	99.29%
2008	30,606,477	29,968,507	97.92%	6,444	29,974,951	97.94%
2009	33,582,847	32,268,027	96.08%	2,576	32,270,603	96.09%
2010	35,553,303	33,444,853	94.07%	3,442	33,448,295	94.08%
2011	33,855,534	33,082,969	97.72%		33,082,969	97.72%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies

The City receives limited information from Los Angeles County in relation to tax levies and collections. The City was unable to obtain further detail from Los Angeles County regarding the 2006 collections in excess of the levy amount

The City of Santa Fe Springs has elected to show only six years of data for this schedule.

Source: Los Angeles County, Auditor-Controller

CITY OF SANTA FE SPRINGS
Ratios of Outstanding Debt by Type
Last Seven Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities	Total Primary Government	Percentage of Personal Income¹	Debt Per Capita¹
	Loans	Tax Allocation Bonds	Capitalized Lease Obligations	Total Governmental Activities	Revenue Bonds			
2005	\$ 5,177,233	\$ 111,171,415	\$ 159,121	\$ 116,507,769	\$ 8,085,479	\$ 124,593,248	\$ 22.17%	\$ 6,973
2006	10,004,479	107,226,731	138,902	117,370,112	7,935,290	125,305,402	21.24%	7,048
2007	11,035,729	149,005,755	133,348	160,174,832	7,781,103	167,955,935	27.33%	9,410
2008	11,637,827	144,980,330	96,936	156,715,093	7,621,416	164,336,509	26.62%	9,238
2009	11,938,543	140,121,585	35,815	152,095,943	7,456,728	159,552,671	23.20%	8,972
2010	11,717,893	135,078,706	-	146,796,599	7,282,040	154,078,639	25.15%	8,695
2011	8,910,568	129,859,479	-	138,770,047	7,102,352	145,872,399	25.02%	8,868

NOTES:

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

¹ These ratios are calculated using personal income and population for the prior calendar year.

The City of Santa Fe Springs has elected to show only seven years of data for this schedule.

Source: City of Santa Fe Springs Department of Finance and Administrative Services

CITY OF SANTA FE SPRINGS
Ratio of General Bonded Debt Outstanding
 Last Seven Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt Tax Allocation Bonds	Percent of Assessed Value¹	Per Capita
2005	\$ 111,171,415	2.58%	\$ 6,222
2006	107,226,731	2.31%	6,031
2007	149,005,755	2.95%	8,348
2008	144,980,330	2.64%	8,150
2009	140,121,585	2.40%	7,879
2010	135,078,706	2.24%	7,623
2011	129,859,479	2.17%	7,894

NOTE:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

The City of Santa Fe Springs has elected to show only seven years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department

**City of Santa Fe Springs
Direct and Overlapping Debt
June 30, 2011**

2010-11 Assessed Valuation: \$6,002,303,665
Redevelopment Incremental Valuation: 3,159,972,550
Adjusted Assessed Valuation: \$2,842,331,115

	Total Debt 6/30/11	% Applicable (1)	City's Share of Debt 6/30/11
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Los Angeles County Flood Control District Limited Obligations	\$ 53,795,000	0.285%	\$ 153,316
Metropolitan Water District	227,670,000	0.159	361,995
Cerritos Community College District	129,568,703	4.324	5,602,551
Rio Hondo Community College District	176,583,829	7.431	13,121,944
Whittier Union High School District	120,474,082	11.795	14,209,918
ABC Unified School District	48,499,966	5.436	2,636,458
Norwalk-La Mirada Unified School District	149,001,165	11.150	16,613,630
Little Lake City School District	29,344,901	35.527	10,425,363
Los Nietos School District	9,443,130	48.662	4,595,216
South Whittier School District	17,758,078	27.283	4,844,936
Whittier City School District	26,645,000	0.114	30,375
City of Santa Fe Springs Heritage Springs Assessment District	1,970,000	100.	1,970,000
Los Angeles County Regional Park and Open Space Assessment District	197,285,000	0.311	<u>613,556</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$75,179,258

Ratios to 2010-11 Assessed Valuation:

Total Overlapping Tax and Assessment Debt1.18%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Los Angeles County General Fund Obligations	\$1,496,977,755	0.311%	\$4,655,601
Los Angeles County Superintendent of Schools Certificates of Participation	12,204,890	0.311	37,957
Norwalk-La Mirada Unified School District Certificates of Participation	2,770,165	11.150	308,873
Whittier City School District Certificates of Participation	8,345,000	0.114	9,513
City of Santa Fe Springs	0	100.	0
Los Angeles County Sanitation District No. 18 Authority	18,467,952	11.194	<u>2,067,303</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$7,079,247
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>55,375</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$7,023,872

TOTAL DIRECT DEBT

\$0

GROSS TOTAL OVERLAPPING DEBT

\$82,258,505

NET TOTAL OVERLAPPING DEBT

\$82,203,130

GROSS COMBINED TOTAL DEBT

\$82,258,505

(2)

NET COMBINED TOTAL DEBT

\$82,203,130

(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 Adjusted Assessed Valuation:

Total Direct Debt0.00%
Gross Combined Total Debt.....2.89%
Net Combined Total Debt2.89%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

AB:(\$450)

Source: MuniServices, LLC

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CITY OF SANTA FE SPRINGS
Legal Debt Margin Information
Last Seven Fiscal Years

	Fiscal Year Ended June 30			
	2005	2006	2007	2008
Assessed valuation	\$ 4,326,579,975	\$ 4,661,903,295	\$ 5,069,519,480	\$ 5,499,958,005
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,081,644,994	\$ 1,165,475,824	\$ 1,267,379,870	\$ 1,374,989,501
Debt limit percentage	15%	15%	15%	15%
Debt limit	\$ 162,246,749	\$ 174,821,374	\$ 190,106,981	\$ 206,248,425
Total net debt applicable to the limit:				
General obligation bonds				
Legal Debt Margin	<u>\$ 162,246,749</u>	<u>\$ 174,821,374</u>	<u>\$ 190,106,981</u>	<u>\$ 206,248,425</u>
Total debt applicable to the limit				
as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

NOTE:

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

The City has no general obligation bonds.

The City of Santa Fe Springs has elected to show only seven years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department
Los Angeles County, Auditor-Controller

CITY OF SANTA FE SPRINGS
Legal Debt Margin Information
Last Seven Fiscal Years
(Continued)

	Fiscal Year Ended June 30		
	2009	2010	2011
Assessed valuation	\$ 5,865,229,569	\$ 6,045,200,975	\$ 6,002,303,665
Conversion percentage	25%	25%	25%
Adjusted assessed valuation	\$ 1,466,307,392	\$ 1,511,300,244	\$ 1,500,575,916
Debt limit percentage	15%	15%	15%
Debt limit	\$ 219,946,109	\$ 226,695,037	\$ 225,086,387
Total net debt applicable to the limit:			
General obligation bonds			
Legal Debt Margin	\$ <u>219,946,109</u>	\$ <u>226,695,037</u>	\$ <u>225,086,387</u>
Total debt applicable to the limit			
as a percentage of debt limit	0.0%	0.0%	0.0%

NOTE:

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

The City has no general obligation bonds.

The City of Santa Fe Springs has elected to show only seven years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department
Los Angeles County, Auditor-Controller

CITY OF SANTA FE SPRINGS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	7,917,937	5,713,825	2,204,112	80,000	214,351	7.49
2003	8,044,228	5,598,419	2,445,809	85,000	210,591	8.27
2004	8,825,139	5,763,724	3,061,415	130,000	427,229	5.49
2005	8,049,007	5,769,942	2,279,065	160,000	382,566	4.20
2006	8,300,098	6,180,382	2,119,716	160,000	391,207	3.85
2007	9,049,612	6,903,387	2,146,225	165,000	383,363	3.91
2008	9,233,319	7,585,307	1,648,012	170,000	378,588	3.00
2009	9,301,159	8,308,715	992,444	175,000	373,576	1.81
2010	9,176,041	7,916,630	1,259,411	185,000	367,928	2.28
2011	9,858,499	8,570,700	1,287,799	190,000	362,907	2.33

NOTE:

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 expenses.

The City has elected to show only six years of data for the Tax Allocation Bonds.

Source: City of Santa Fe Springs Finance and Administrative Services Department

CITY OF SANTA FE SPRINGS

Pledged-Revenue Coverage

Last Ten Fiscal Years

(continued)

Fiscal Year	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2002				
2003				
2004				
2005				
2006	\$ 25,378,492	\$ 4,015,000	\$ 5,124,763	2.78
2007	28,310,437	4,405,000	5,260,420	2.93
2008	28,794,524	5,705,000	5,277,460	2.62
2009	31,542,884	6,000,000	5,588,855	2.72
2010	32,484,836	6,235,000	5,348,548	2.80
2011	31,340,825	6,465,000	5,071,797	2.72

NOTE:

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 expenses.

The City has elected to show only six years of data for the Tax Allocation Bonds.

Source: City of Santa Fe Springs Finance and Administrative Services Department

CITY OF SANTA FE SPRINGS
Demographic and Economic Statistics
 Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2001	17,942	500,072	29,232	6.8%
2002	17,107	541,215	30,503	7.2%
2003	17,743	550,804	30,828	8.1%
2004	17,867	559,217	31,452	4.7%
2005	17,780	589,923	33,179	4.4%
2006	17,849	614,470	34,426	3.9%
2007	17,790	617,277	34,698	4.3%
2008	17,784	687,707	38,670	6.2%
2009	17,721	612,704	34,575	9.7%
2010	16,450	583,035	35,443	10.6%

Sources: Population - State of California, Department of Finance
 Per Capita Personal Income - U.S. Department of Commerce, Bureau of Economic
 Unemployment Rate - State of California, Employment Development Department

CITY OF SANTA FE SPRINGS
Principal Employers
Current Year and Nine Years Ago

	<u>2010/2011</u>		<u>2001/2002</u>	
<u>Employer</u>	<u>Number of</u> <u>Employees</u>	<u>Percent of</u> <u>Total</u> <u>Employment</u>	<u>Number of</u> <u>Employees</u> *	<u>Percent of</u> <u>Total</u> <u>Employment</u> *
The Vons Companies, Inc.	824	2.11%		
McMaster Carr Supply Company	686	1.75%		
Presto Food Products, Inc.	460	1.18%		
Shaw Diversified Services, Inc.	385	0.98%		
L. A. Specialty Produce Company	383	0.98%		
Southern Wine and Spirits	357	0.91%		
Vance and Hines, Inc.	339	0.87%		
Wal-Mart	300	0.77%		
Trojan Battery	285	0.73%		
Superior Super Warehouse	252	0.64%		
	<u>4,271</u>	<u>10.92%</u>	<u>0</u>	<u>0.00%</u>

NOTE:

"Total Employment" as used above represents the total employment of all employers located within C

* Data unavailable for 2001/2002.

Source: City of Santa Fe Springs Finance and Administrative Services Department

CITY OF SANTA FE SPRINGS
Full-time and Part-time City Employees by Function
Last Five Fiscal Years

	Full-time and Part-time Employees as of June 30				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	51	52	49	41	39
Public Safety	103	91	94	84	87
Public Works	61	66	66	61	56
Planning and Community Development	25	23	23	21	19
Community Services - Administration	4	5	3	0	0
Community Services - Parks and Recreation	125	128	118	94	103
Community Services - Library Services	45	38	40	24	23
Community Services - Human Services	<u>65</u>	<u>63</u>	<u>65</u>	<u>46</u>	<u>40</u>
Total	<u><u>479</u></u>	<u><u>466</u></u>	<u><u>458</u></u>	<u><u>371</u></u>	<u><u>367</u></u>

The City of Santa Fe Springs has elected to show only five years of data for this schedule.

Source: City of Santa Fe Springs Finance and Administrative Services Department

CITY OF SANTA FE SPRINGS
Operating Indicators by Function
Last Five Fiscal Years

	Fiscal Year Ended June 30				
	2007	2008	2009	2010	2011
Fire:					
Number of emergency calls	2,800	3,200	3,200	3,340	3,410
Inspections	2,459	2,540	2,519	2,573	2,645
Public works:					
Street resurfacing (miles)	1.5	1.5	1.5	2	2.5
Parks and recreation:					
Number of recreation classes	462	480	413	401	412
Number of facility rentals	1,501	2,105	1,302	1,196	1,208
Human services:					
Children served in the City's chilcare centers	500	500	489	463	426
Number of facility rentals	1,389	1,115	971	452	73
Water:					
Average daily consumption (thousands of gallons)	7,547	7,550	7,549	7,468	6,015

* Reflective of the limited availability of the Neighborhood Center due to construction.

The City of Santa Fe Springs has elected to show only five years of data for this schedule.

Source: City of Santa Fe Springs

CITY OF SANTA FE SPRINGS
Capital Asset Statistics by Function
 Last Five Fiscal Years

	Fiscal Year Ended June 30				
	2007	2008	2009	2010	2011
Fire:					
Fire stations	4	4	4	4	4
Public works:					
Streets (miles)	110	110	110	110	110
Traffic signals	71	71	71	75	75
Streetlights	2,407	2,407	2,407	2,960	2,960
Parks and recreation:					
Parks	8	8	8	8	8
Community centers	4	4	4	4	4
Human services:					
Child care centers	3	3	3	3	3
Community centers	1	1	1	1	1
Water:					
Water mains (miles)	91	91	91	107	107
Number of service connections	5,730	5,730	5,730	5,922	5,922

The City of Santa Fe Springs has elected to show only five years of data for this schedule.

Source: City of Santa Fe Springs