

**CITY OF BUELLTON,
CALIFORNIA**

FINANCIAL STATEMENTS
June 30, 2011

CITY OF BUELLTON
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June 30, 2011

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INTRODUCTORY SECTION

**CITY OF BUELLTON
ORGANIZATION
June 30, 2011**

City Council Members

<u>Council Member</u>	<u>Title</u>
Ed Andrisek	Mayor
Holly Sierra	Mayor Pro Tem
John Connolly	Council Member
Dave King	Council Member
Judith Dale	Council Member

Principal Officers

John Kunkel	City Manager
Linda Reid	City Clerk
Ralph Hanson	City Attorney
Annette Munoz	Finance Director
William R. Albrecht	Public Works Director
Marc Bierdzinski	Planning Director

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FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

802 EAST MAIN
SANTA MARIA, CA 93454
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

INDEPENDENT AUDITORS' REPORT

City Council of the City of Buellton
Buellton, California

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 Buellton (City), as of and for the fiscal 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in note 1 to basic financial statements effective July 1, 2010, the City of Buellton adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Statements Omnibus*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, the budgetary information on pages 43 through 45, and the schedule of funding progress for post employment benefits other than pensions on page 46, 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 of Buellton's financial statements as a whole. The introductory section and combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and 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 auditing procedures applied in the audit of the financial statements. The information has been subjected to 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2012, on our consideration of the City of Buellton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on 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.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

February 10, 2012

City of Buellton
107 West Highway 246
Buellton, CA 93427

Management's Discussion and Analysis

As management of the City of Buellton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City, for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements, which can be found on pages 13-26 of this report.

Financial Highlights

- The assets of the City of Buellton exceeded its liabilities at the close of the most recent fiscal year by \$40,332,541 (*net assets*). Of this amount, \$14,074,600 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$100,153. This decrease is attributable to an increase of \$256,467 in the City's total assets and an increase of \$356,620 in total liabilities.
- As of the close of the current fiscal year, the City of Buellton's governmental funds reported combined ending fund balances of \$12,887,716 an increase of \$482,760 in comparison with the prior fiscal year. Approximately 43 percent of this total amount, \$5,605,484 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, there was an unassigned fund balance for the general fund of \$9,045,094.
- The City of Buellton had no long term debt during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Buellton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Buellton include general government, public works/engineering, public safety, library services, and community development/planning. The business-type activities of the City of Buellton include Water and Sewer (wastewater) operations.

The government-wide financial statements include not only the City of Buellton itself (known as the *primary government*), but also the Buellton Redevelopment Agency (*component unit*). The financial activities of the Redevelopment Agency have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as the Agency meets the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The government-wide financial statements can be found on pages 13-15 of this report.

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

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

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

The City of Buellton maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the parks and recreation fund, the rda community development fund, and the rda capital projects fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 48 through 54 in this report.

The City of Buellton adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 16-22 of this report.

Proprietary funds. The City of Buellton maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Buellton uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

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

The basic fiduciary fund financial statements can be found on page 26 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 27-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Buellton's budgetary comparison schedules for the General Fund and the Parks and Recreation Fund. Required supplementary information can be found on pages 43-46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the Parks and Recreation Fund. Combining and individual fund statements and schedules can be found on pages 48-54 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Buellton, assets exceeded liabilities by \$40,332,541 at the close of the most recent fiscal year.

The largest portion of the City's net assets (54 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City of Buellton currently has no outstanding debt related to these assets. The City of Buellton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Buellton's investment in its capital assets is reported net of related debt, it is not a spendable resource.

CITY OF BUELLTON'S Net Assets

Description	Governmental activities		Business - type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	13,533,929	12,874,629	5,794,383	6,513,065	19,328,312	19,387,694
Capital assets	16,445,038	16,562,754	5,530,407	5,096,842	21,975,445	21,659,596
Total assets	29,978,967	29,437,383	11,324,790	11,609,907	41,303,757	41,047,290
Long-term liabilities outstanding	279,650	158,481	117,722	69,866	397,372	228,347
Other liabilities	501,328	324,788	72,516	61,461	573,844	386,249
Total liabilities	780,978	483,269	190,238	131,327	971,216	614,596
Net assets:						
Invested in capital assets, net of related debt	16,445,038	16,562,754	5,530,407	5,096,842	21,975,445	21,659,596
Restricted	4,282,496	0	0	0	4,282,496	0
Unrestricted	8,470,455	12,391,360	5,604,145	6,381,738	14,074,600	18,773,098
Total net assets	29,197,989	28,954,114	11,134,552	11,478,580	40,332,541	40,432,694

None of the City of Buellton's net assets represent resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$14,074,600) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Buellton is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was no change in restricted net assets reported in connection with the City of Buellton's business-type activities.

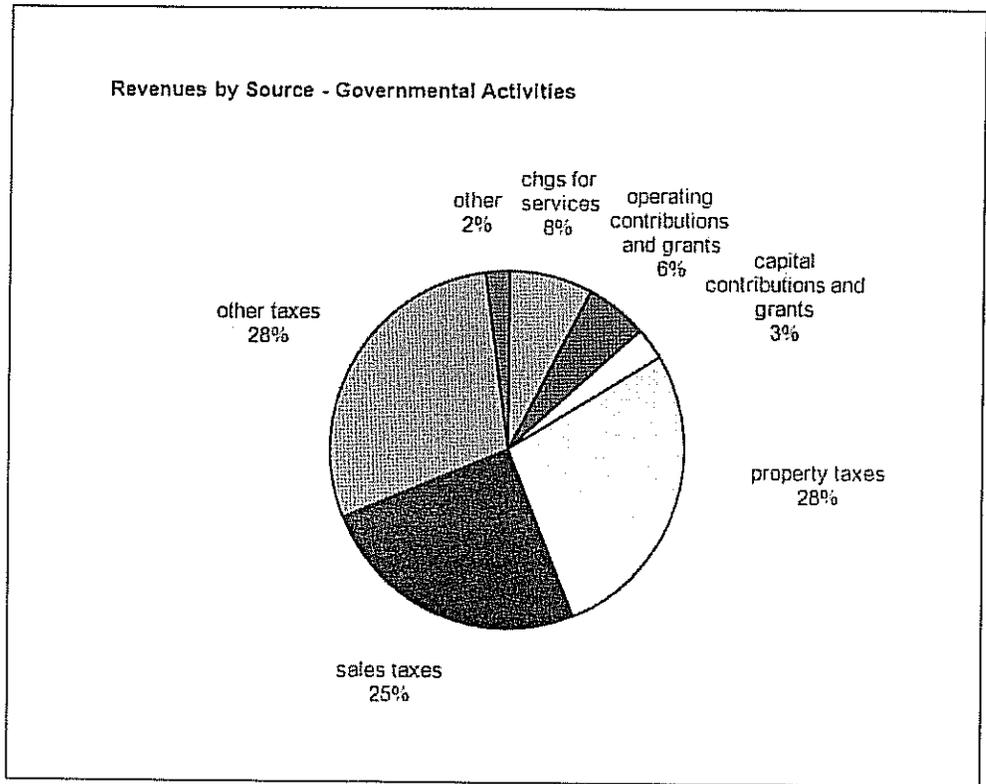
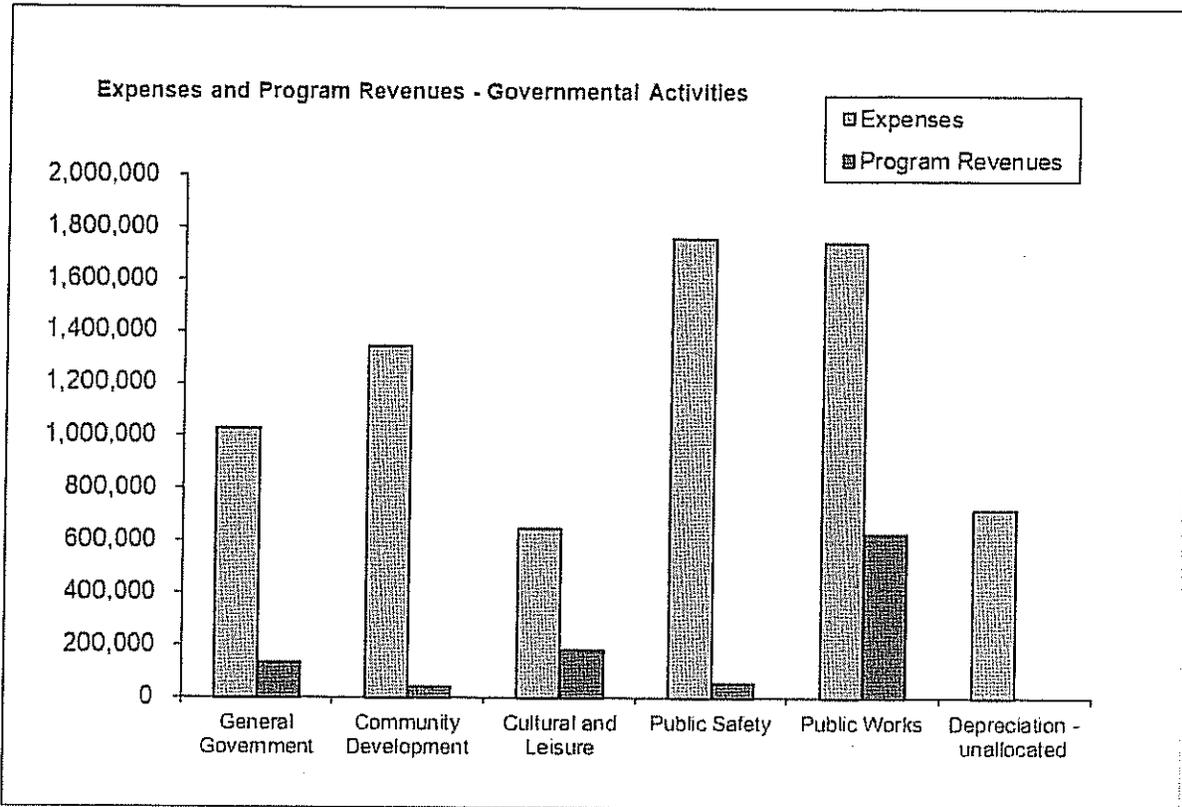
The City's total net assets decreased by \$100,153. This decrease is attributable to an increase of \$256,467 in the City's total assets and an increase of \$356,620 in total liabilities.

Governmental activities. Governmental activities increased the City's net assets by \$243,875, which assisted in reducing the overall decrease in the net assets of the City of Buellton. Key elements of these changes are as follows:

CITY OF BUELLTON'S Changes in Net assets

Description	Governmental activities		Business - type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	475,404	418,953	1,960,196	2,037,275	2,435,600	2,456,228
Operating contributions and grants	356,627	400,787	0	0	356,627	400,787
Capital contributions and grants	182,490	225,429	114,575	108,960	182,490	334,389
General revenues:						
Property Taxes	1,718,074	1,750,774	0	0	1,718,074	1,750,774
Other taxes	3,366,702	3,113,865	0	0	3,366,702	3,113,865
Other fees	5,917	13,632	23,140	29,243	29,057	42,875
Other income	127,128	129,300	23,774	39,922	150,902	169,222
Total Revenues	6,232,342	6,052,740	2,121,685	2,215,400	8,354,027	8,268,140
Expenses:						
General Government	1,040,330	1,027,858	0	0	1,040,330	1,027,858
Public Safety	1,804,188	1,755,474	0	0	1,804,188	1,755,474
Public Works/Engineering	819,223	1,743,224	0	0	819,223	1,743,224
Community Development/Planning	947,844	1,343,533	0	0	947,844	1,343,533
Cultural and Leisure	638,904	648,944	0	0	638,904	648,944
Depreciation - unallocated	737,978	723,587	0	0	737,978	723,587
Interest on long term debt	0	0	0	0	0	0
Water	0	0	1,623,335	1,633,422	1,623,335	1,633,422
Sewer	0	0	842,378	909,121	842,378	909,121
Total Expenses	5,988,467	7,242,620	2,465,713	2,542,543	8,454,180	9,785,163
Increase (decrease) in net assets before transfers	243,875	(1,189,880)	(344,028)	(327,143)	(100,153)	(1,517,023)
Net assets, beginning	28,954,114	30,076,904	11,478,580	11,805,723	40,432,694	41,882,627
Prior period adjustment	0	67,090	0	0	0	67,090
Net assets, ending	29,197,989	28,954,114	11,134,552	11,478,580	40,332,541	40,432,694

- The decrease in total assets for 2011 was \$100,153. There was an increase in total revenues (\$85,887) as well as a decrease in total expenses (\$1,330,983).
- There was an increase in Other Taxes for governmental activities due to a 59% increase in Franchise Fees, a 32% increase in Proposition 57 revenues (Triple Flip) and a 4% increase in Sales Tax revenues.
- There was a decrease in Public Works/Engineering for governmental activities due to the expiration of Measure D and a 25% decrease in Gas Tax Fund expenditures.
- There was a decrease in Community Development/Planning for governmental activities due to an 83% decrease in RDA activities specifically in capital improvements and SERAF payment to the State.



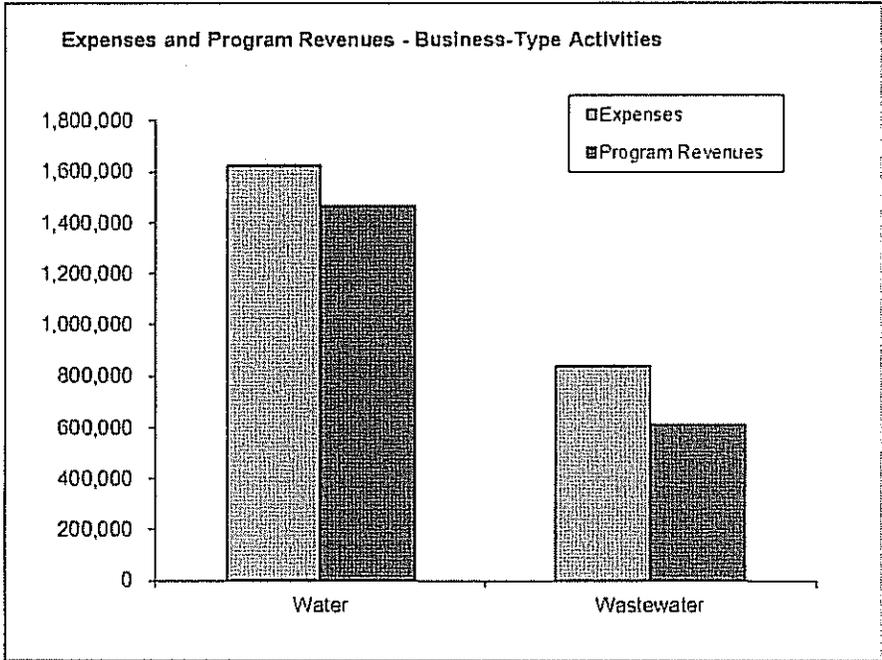
Business-type activities. Business-type activities decreased the City of Buellton's net assets by \$344,028. Key elements of this decrease are as follows.

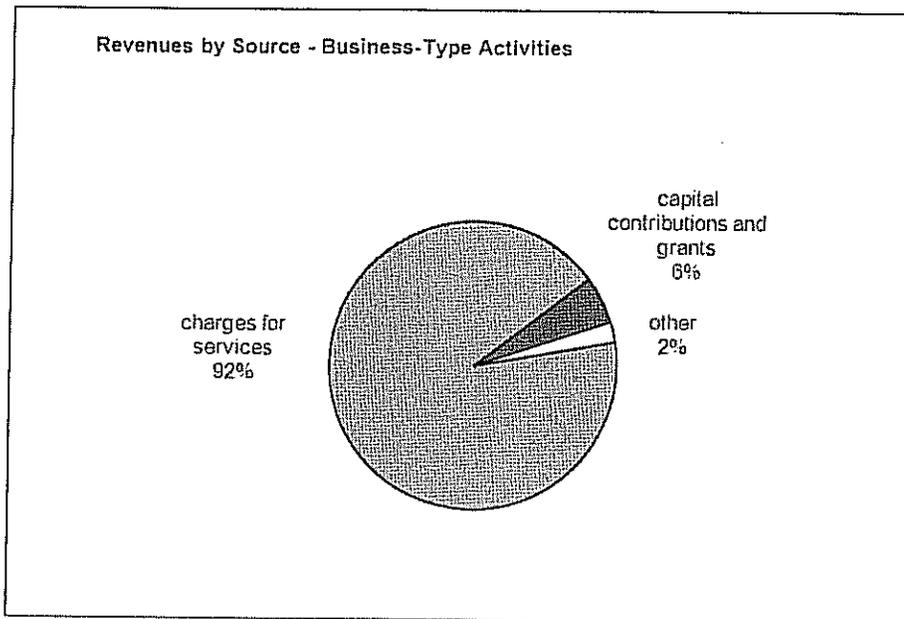
- Total Revenue for business-type activities decreased by \$93,715 from the prior fiscal year.
- Water Sales decreased by \$79,501 due to a wet winter season
- Investment earnings decreased by \$16,148 for business-type activities primarily due to a weakening market.
- Total Expenses for business-type activities increased by \$76,830 from the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, the City of Buellton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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





As of the end of the current fiscal year, the City of Buellton's governmental funds reported combined ending fund balances of \$12,887,716, an increase of \$482,760 in comparison with the prior fiscal year. Approximately 43 percent of this total amount (\$5,605,484) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted or assigned* to indicate that it is not available for new spending because it has already been committed 1) to cover the advances receivable which constitute long-term borrowing between the Redevelopment Agency Community Development Fund (\$1,876,208), the Parks and Recreation Fund (\$986,039) and the City's General Fund, 2) to fund amounts prepaid for the following fiscal year (\$112,489), 3) to fund other post-employment benefits (\$25,000), and 4) for a variety of other restricted purposes (\$4,282,496).

The general fund is the chief operating fund of the City of Buellton. The total fund balance in the general fund was \$12,038,859. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance (\$9,045,094) represents 239 percent of total general fund expenditures, while total fund balance represents 318 percent of that same amount.

The fund balance of the City of Buellton's general fund increased by \$784,746 during the current fiscal year. Key factors in this growth are as follows:

- A net increase in general fund revenues of \$381,459.
- A net decrease in general fund expenditures of \$80,449.

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

Unrestricted net assets of the water fund at the end of the fiscal year amounted to \$3,554,082 and those for the wastewater fund amounted to \$2,050,063. The total change in unrestricted net assets for both funds were (\$198) and (\$777,791), respectively. Other factors concerning the finance of these two funds have already been addressed in the discussion of the City of Buellton's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, there were no changes in appropriations between the original and final budgets.

Capital Assets and Debt Administration

Capital assets. The City of Buellton's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$21,975,445 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, park facilities, roads, machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$315,849. Of the total increase, governmental activities showed a decrease of \$117,716, resulting from a decrease in net depreciable capital assets. Business-type activities increased by \$433,565, due to an increase in net depreciable capital assets.

CITY OF BUELLTON'S Capital Assets (Net of depreciation)

Description	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	1,536,248	1,118,648	247,691	247,691	1,783,939	1,366,339
Construction in Progress	0	0	0	88,645	0	88,645
Total Nondepreciable Capital Assets	1,536,248	1,118,648	247,691	336,336	1,783,939	1,454,984
Equipment	392,039	306,543	557,499	552,625	949,538	859,168
Buildings and Improvements	8,346,414	8,318,333	0	0	8,346,414	8,318,333
Infrastructure	16,183,515	16,094,430	10,968,077	10,116,246	27,151,592	26,210,676
Total Depreciable Capital Assets	24,921,968	24,719,306	11,525,576	10,668,871	36,447,544	35,388,177
Less: Accumulated Depreciation	10,013,178	9,275,200	6,242,860	5,908,365	16,256,038	15,183,565
Net Depreciable Capital Assets	14,908,790	15,444,106	5,282,716	4,760,506	20,191,506	20,204,612
Net Capital Assets	16,445,038	16,562,754	5,530,407	5,096,842	21,975,445	21,659,596

Additional information on the City of Buellton's capital assets can be found in Note 5 on pages 34-35 of this report.

Long-term debt. At the end of the current fiscal year, the City of Buellton had no long-term debt outstanding. The City has no general obligation or revenue bonds.

Economic Factors and Next Fiscal Year's Budget and Rates

- The unemployment rate for the City of Buellton is currently 6.3 percent, which is a decrease from a rate of 6.7 percent a year ago. This compares favorably to the unemployment rate of 8.7 percent for Santa Barbara County (the county where Buellton is located), the State of California's average unemployment rate of 11.1 percent and the national average unemployment rate of 8.5 percent.
- The City increased water and sewer meter rates beginning June 1, 2011 and will continue approximately every six months over a four year period. The last meter rate increase is scheduled for January 2015.

All of these factors were considered in preparing the City of Buellton's budget for the 2011-12 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Buellton's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Buellton, Office of the Finance Director, PO Box 1819, Buellton, CA 93427.

CITY OF BUELLTON
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 12,376,488	\$ 4,906,981	\$ 17,283,469
Accounts receivable, net	515,912	218,715	734,627
Interest receivable	36,457	4,454	40,911
Inventory		6,141	6,141
Internal balances	292,583	(292,583)	
Prepaid items	112,489	950,675	1,063,164
Note receivable	200,000		200,000
Capital assets:			
Non Depreciable:			
Land	1,536,248	247,691	1,783,939
Depreciable:			
Equipment	392,039	557,499	949,538
Buildings and improvements	8,346,414		8,346,414
Infrastructure	16,183,515	10,968,077	27,151,592
Accumulated depreciation	(10,013,178)	(6,242,860)	(16,256,038)
Total assets	<u>29,978,967</u>	<u>11,324,790</u>	<u>41,303,757</u>
LIABILITIES			
Accounts payable	284,186	47,604	331,790
Accrued wages	51,287		51,287
Deposits	855	24,912	25,767
Deferred revenue	165,000		165,000
Noncurrent liabilities:			
Due in more than one year	<u>279,650</u>	<u>117,722</u>	<u>397,372</u>
Total liabilities	<u>780,978</u>	<u>190,238</u>	<u>971,216</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,445,038	5,530,407	21,975,445
Restricted:			
Community development	4,855		4,855
Streets and roads	1,906,178		1,906,178
Housing	2,362,274		2,362,274
Maintenance	9,189		9,189
Unrestricted	<u>8,470,455</u>	<u>5,604,145</u>	<u>14,074,600</u>
Total net assets	<u>\$ 29,197,989</u>	<u>\$ 11,134,552</u>	<u>\$ 40,332,541</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BUELLTON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
General government	\$ 1,040,330	\$ 92,618	\$ -
Community development	947,844	160,854	
Cultural and leisure	638,904	155,316	
Public safety	1,804,188	66,616	
Public works	819,223		356,627
Depreciation - unallocated	737,978		
Total governmental activities	<u>5,988,467</u>	<u>475,404</u>	<u>356,627</u>
Business-type activities:			
Water	1,623,335	1,387,651	
Wastewater	842,378	572,545	
Total business-type activities	<u>2,465,713</u>	<u>1,960,196</u>	
Total	<u>\$ 8,454,180</u>	<u>\$ 2,435,600</u>	<u>\$ 356,627</u>

General Revenues

Taxes:

Secured and unsecured property taxes

Sales and use taxes

Transient lodging tax

Franchise taxes

Other taxes

Investment income

Other general revenues

Total general revenues

Change in net assets

Net assets, beginning of fiscal year

Net assets, end of fiscal year

The notes to basic financial statements are an integral part of this statement.

Capital Contributions and Grants	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (947,712)	\$ -	\$ (947,712)
	(786,990)		(786,990)
	(483,588)		(483,588)
	(1,737,572)		(1,737,572)
182,490	(280,106)		(280,106)
	(737,978)		(737,978)
<u>182,490</u>	<u>(4,973,946)</u>		<u>(4,973,946)</u>
77,600		(158,084)	(158,084)
36,975		(232,858)	(232,858)
<u>114,575</u>		<u>(390,942)</u>	<u>(390,942)</u>
<u>\$ 297,065</u>	<u>(4,973,946)</u>	<u>(390,942)</u>	<u>(5,364,888)</u>
	1,718,074		1,718,074
	1,552,752		1,552,752
	1,193,216		1,193,216
	209,220		209,220
	411,514		411,514
	127,128	23,774	150,902
	5,917	23,140	29,057
	<u>5,217,821</u>	<u>46,914</u>	<u>5,264,735</u>
	243,875	(344,028)	(100,153)
	<u>28,954,114</u>	<u>11,478,580</u>	<u>40,432,694</u>
<u>\$ 29,197,989</u>	<u>\$ 11,134,552</u>	<u>\$ 40,332,541</u>	

CITY OF BUELLTON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

	General Fund	Parks & Recreation Fund
	<u>Fund</u>	<u>Fund</u>
ASSETS		
Cash and investments	\$ 8,109,104	\$ -
Accounts receivable	286,599	13,463
Interest receivable	12,428	13,863
Due from other funds	978,442	
Note receivable		
Advance receivable	2,862,247	
Due from other governments	144,885	
Prepaid items	<u>106,518</u>	
Total assets	<u>\$ 12,500,223</u>	<u>\$ 27,326</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 101,353	\$ 33,258
Accrued wages	49,626	1,661
Deposits	500	355
Deferred revenue	309,885	
Due to other funds		
Advances payable		<u>986,039</u>
Total liabilities	<u>461,364</u>	<u>1,021,313</u>
Fund Balances:		
Nonspendable:		
Prepaid items	106,518	
Advances receivable	2,862,247	
Restricted:		
Community development		
Streets and roads		
Housing		
Maintenance		
Assigned:		
Other post employment benefits	25,000	
Unassigned	<u>9,045,094</u>	<u>(993,987)</u>
Total fund balances	<u>12,038,859</u>	<u>(993,987)</u>
Total liabilities and fund balances	<u>\$ 12,500,223</u>	<u>\$ 27,326</u>

The notes to basic financial statements are an integral part of this statement.

Stormwater Fund	Redevelopment Agency Community Development Fund	Other Governmental Funds	Totals
\$ -	\$ -	\$ 4,267,384	\$ 12,376,488
		70,965	371,027
	1,298	8,868	36,457
	206,566	219,413	1,404,421
		200,000	200,000
			2,862,247
			144,885
	4,304	1,667	112,489
<u>\$ -</u>	<u>\$ 212,168</u>	<u>\$ 4,768,297</u>	<u>\$ 17,508,014</u>
\$ 17,374	\$ 15,157	\$ 117,044	\$ 284,186
			51,287
			855
			309,885
503,576		608,262	1,111,838
	1,876,208		2,862,247
<u>520,950</u>	<u>1,891,365</u>	<u>725,306</u>	<u>4,620,298</u>
	4,304	1,667	112,489
			2,862,247
		4,855	4,855
		1,906,178	1,906,178
		2,362,274	2,362,274
		9,189	9,189
			25,000
<u>(520,950)</u>	<u>(1,683,501)</u>	<u>(241,172)</u>	<u>5,605,484</u>
<u>(520,950)</u>	<u>(1,679,197)</u>	<u>4,042,991</u>	<u>12,887,716</u>
<u>\$ -</u>	<u>\$ 212,168</u>	<u>\$ 4,768,297</u>	<u>\$ 17,508,014</u>

CITY OF BUELLTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances - governmental funds \$ 12,887,716

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	26,458,216	
Accumulated depreciation		<u>(10,013,178)</u>	
Net			16,445,038

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	\$	54,369	
OPEB payable		<u>225,281</u>	
Total			(279,650)

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

144,885

Total net assets - governmental activities \$ 29,197,989

The notes to basic financial statements are an integral part of this statement.

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CITY OF BUELLTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

	<u>General Fund</u>	<u>Parks & Recreation Fund</u>
Revenues:		
Taxes	\$ 3,908,655	\$ -
Licenses, permits, and fees	30,049	
Intergovernmental	436,589	
Charges for services		155,316
Fines and forfeitures	48,342	
Use of money and property	142,114	
Other	<u>5,917</u>	
 Total revenues	 <u>4,571,666</u>	 <u>155,316</u>
Expenditures:		
General government	1,002,400	
Community development	369,706	
Cultural and leisure	81,504	539,677
Public safety	1,804,188	
Public works	529,122	
Capital outlay		<u>531,177</u>
 Total expenditures	 <u>3,786,920</u>	 <u>1,070,854</u>
 Excess of revenues over (under) expenditures	 <u>784,746</u>	 <u>(915,538)</u>
Other financing sources (uses):		
Transfers in		
Transfers out		
 Total other financing sources (uses)	 <u> </u>	 <u> </u>
 Net change in fund balances	 784,746	 (915,538)
 Fund balances - July 1	 <u>11,254,113</u>	 <u>(78,449)</u>
 Fund balances - June 30	 <u>\$ 12,038,859</u>	 <u>\$ (993,987)</u>

The notes to basic financial statements are an integral part of this statement.

<u>Stormwater Fund</u>	<u>Redevelopment Agency Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ 788,012	\$ 4,696,667
			30,049
		669,766	1,106,355
			155,316
			48,342
	6,857	40,725	189,696
			5,917
	<u>6,857</u>	<u>1,498,503</u>	<u>6,232,342</u>
			1,002,400
138,370	299,259	104,508	911,843
			621,181
			1,804,188
		260,586	789,708
		89,085	620,262
<u>138,370</u>	<u>299,259</u>	<u>454,179</u>	<u>5,749,582</u>
<u>(138,370)</u>	<u>(292,402)</u>	<u>1,044,324</u>	<u>482,760</u>
	4,602,777		4,602,777
		(4,602,777)	(4,602,777)
	<u>4,602,777</u>	<u>(4,602,777)</u>	
(138,370)	4,310,375	(3,558,453)	482,760
<u>(382,580)</u>	<u>(5,989,572)</u>	<u>7,601,444</u>	<u>12,404,956</u>
<u>\$ (520,950)</u>	<u>\$ (1,679,197)</u>	<u>\$ 4,042,991</u>	<u>\$ 12,887,716</u>

CITY OF BUELLTON
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

Total net change in fund balances - governmental funds	\$ 482,760
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$737,978) exceed additions to capital outlay of \$620,262 in the period.	(117,716)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$10,646.	(10,646)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contribution was:	<u>(110,523)</u>
Changes in net assets - governmental activities	<u>\$ 243,875</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BUELLTON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2011

	Water Fund	Wastewater Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 2,346,118	\$ 2,560,863	\$ 4,906,981
Accounts receivable, net	152,272	66,443	218,715
Interest receivable	2,197	2,257	4,454
Due from other funds	221,882		221,882
Inventory	6,141		6,141
Prepaid items	931,476	19,199	950,675
Total current assets	<u>3,660,086</u>	<u>2,648,762</u>	<u>6,308,848</u>
Capital assets:			
Land	231,876	15,815	247,691
Equipment	259,309	298,190	557,499
Infrastructure	5,762,175	5,205,902	10,968,077
	<u>6,253,360</u>	<u>5,519,907</u>	<u>11,773,267</u>
Less accumulated depreciation	<u>(3,296,944)</u>	<u>(2,945,916)</u>	<u>(6,242,860)</u>
Total capital assets (net of accumulated depreciation)	<u>2,956,416</u>	<u>2,573,991</u>	<u>5,530,407</u>
Total assets	<u>6,616,502</u>	<u>5,222,753</u>	<u>11,839,255</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,231	25,373	47,604
Deposits	24,912		24,912
Due to other funds		514,465	514,465
Total current liabilities	<u>47,143</u>	<u>539,838</u>	<u>586,981</u>
Noncurrent liabilities:			
Compensated absences	14,611	14,611	29,222
OPEB payable	44,250	44,250	88,500
Total noncurrent liabilities	<u>58,861</u>	<u>58,861</u>	<u>117,722</u>
Total liabilities	<u>106,004</u>	<u>598,699</u>	<u>704,703</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,956,416	2,573,991	5,530,407
Unrestricted	3,554,082	2,050,063	5,604,145
Total net assets	<u>\$ 6,510,498</u>	<u>\$ 4,624,054</u>	<u>\$ 11,134,552</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BUELLTON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	Water Fund	Wastewater Fund	Totals
Operating Revenues:			
Charges for services	\$ 1,387,651	\$ 572,545	\$ 1,960,196
Other operating revenues	17,756	5,384	23,140
Total operating revenues	1,405,407	577,929	1,983,336
Operating Expenses:			
Personnel services	254,920	254,926	509,846
Operations and maintenance	1,199,582	421,790	1,621,372
Depreciation	168,833	165,662	334,495
Total operating expenses	1,623,335	842,378	2,465,713
Operating income (loss)	(217,928)	(264,449)	(482,377)
Non-Operating Revenues (Expenses):			
Interest income	11,301	12,473	23,774
Total non-operating revenues (expenses)	11,301	12,473	23,774
Income (loss) before transfers and capital contributions	(206,627)	(251,976)	(458,603)
Capital Contributions:			
Infrastructure contribution	36,000		36,000
Capital impact fees	41,600	36,975	78,575
Total capital contributions	77,600	36,975	114,575
Change in net assets	(129,027)	(215,001)	(344,028)
Net assets, July 1	6,639,525	4,839,055	11,478,580
Net assets, June 30	<u>\$ 6,510,498</u>	<u>\$ 4,624,054</u>	<u>\$ 11,134,552</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BUELLTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

	Water Fund	Wastewater Fund	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,380,886	\$ 567,800	\$ 1,948,686
Payments to suppliers	(1,175,032)	(416,415)	(1,591,447)
Payments to employees	(230,992)	(230,998)	(461,990)
Other receipts	17,756	5,384	23,140
Net cash provided (used) by operating activities	<u>(7,382)</u>	<u>(74,229)</u>	<u>(81,611)</u>
Cash Flows From Noncapital Financing Activities:			
Due from other funds	(29,422)		(29,422)
Due to other funds		58,373	58,373
Net cash provided (used) by noncapital financing activities	<u>(29,422)</u>	<u>58,373</u>	<u>28,951</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(3,608)	(728,452)	(732,060)
Capital contributions	41,600	36,975	78,575
Net cash used by capital and related financing activities	<u>37,992</u>	<u>(691,477)</u>	<u>(653,485)</u>
Cash Flows From Investing Activities:			
Interest income	12,717	14,804	27,521
Net cash provided by investing activities	<u>12,717</u>	<u>14,804</u>	<u>27,521</u>
Net increase in cash and cash equivalents	13,905	(692,529)	(678,624)
Cash and cash equivalents - July 1	<u>2,332,213</u>	<u>3,253,392</u>	<u>5,585,605</u>
Cash and cash equivalents - June 30	<u>\$ 2,346,118</u>	<u>\$ 2,560,863</u>	<u>\$ 4,906,981</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (217,928)	\$ (264,449)	\$ (482,377)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	168,833	165,662	334,495
Change in assets and liabilities:			
Receivables, net	(4,893)	(4,745)	(9,638)
Prepaid expenses	8,577	5,341	13,918
Inventories	3,080		3,080
Accounts and other payables	12,893	34	12,927
Deposits	(1,872)		(1,872)
OPEB payable	21,490	21,490	42,980
Compensated absences	2,438	2,438	4,876
Net cash provided (used) by operating activities	<u>\$ (7,382)</u>	<u>\$ (74,229)</u>	<u>\$ (81,611)</u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BUELLTON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2011

Assets

Cash and cash equivalents	<u>\$ 139,956</u>
Total assets	<u><u>\$ 139,956</u></u>

Liabilities

Accounts payable	\$ 3,258
Refundable deposits and accruals	<u>136,698</u>
Total liabilities	<u><u>\$ 139,956</u></u>

The notes to basic financial statements are an integral part of this statement.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government, along with the financial activities of its component unit, which is the entity for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's basic financial statements. This City's component unit, which is described below, is a blended unit of the City.

The City Council serves in a separate session as the governing body of the Buellton Redevelopment Agency, although this Agency is a legal entity apart from the City.

The Buellton Redevelopment Agency is included as a component unit in the accompanying financial statements. The financial activities of the foregoing Agency has been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as it meets the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The Buellton Redevelopment Agency was established in 1993, by the City Council to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. The Redevelopment Agency exists for the purpose of facilitating the City's capital projects. Separate financial statements are prepared by the Buellton Redevelopment Agency and are available at City Hall offices.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds.

C. Major Funds

GASB Statement No. 34, defines major funds and requires that the City's major funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

Parks and Recreation Fund

This fund is used to account for the accumulation of resources for, and the payment of, operations for park development and repair and maintenance.

Stormwater Fund

This fund is used to account for the accumulation of resources for, and the payment of, operations and related costs of the City's storm drain system.

Redevelopment Agency Community Development Fund

This fund is used to account for the accumulation of resources for, and the payment of, operations and related costs in the Redevelopment Agency.

The City reported the following major proprietary funds:

Water Fund

This fund accounts for the activities of providing water to residents of the City.

Wastewater Fund

This fund accounts for the activities associated with the sewage treatment plant, pumping stations, and collection systems.

D. Basis of Accounting

The government-wide, proprietary funds, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

E. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued vacation in relevant funds. For governmental type funds, the current liability appears in the respective funds. All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for the current employees at the current rates of pay. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

Accumulated employee sick leave benefits are not recognized as liabilities of the City. The City's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

F. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Taxes

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The State Legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Dates	January 1	January 1
Levy Dates	July 1	July 1
Due Dates	November 1 (50%) February 1 (50%)	August 1
Delinquency Dates	December 10 (Nov.) April 10 (Feb.)	August 31

The City adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year end.

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$2,000 and with useful lives exceeding one year.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	3-15 years
Infrastructure	15-100 years

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures or expenses as appropriate. Actual results could differ from those estimates.

J. Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of the Statement and the impact on the City's financial statements are explained in Note 1 – F Fund Balances.

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 59, "Financial Instruments Omnibus." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of the GASB Statement No. 59, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2011.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June for the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager. Budget modifications between funds; increases or decreases to a fund's overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting is employed (e.g., purchase orders) to avoid expenditures over budget. Encumbrances outstanding at fiscal year end are automatically rebudgeted in the following fiscal year.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

Major Fund:

Park and Recreation Fund	\$ 485,229
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Nonmajor Fund

Special Revenue Fund:

Local Transportation Fund	\$ 29,872
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C. Deficit Fund Balances/Net Assets

Major Funds

A deficit fund balance of \$1,679,197, exists in the Redevelopment Agency Community Development Fund. This fund balance deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$993,987, exists in the Parks and Recreation Fund. The fund balance deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$520,950, exists in the Stormwater Fund. This fund balance deficit is due to the City incurring costs in advance of receiving revenue.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Deficit Fund Balances/Net Assets (Continued)

Nonmajor Funds

A deficit fund balance of \$162,954, exists in the Traffic Mitigation Fund. This fund balance deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$78,218, exists in the Transportation Planning Fund. This fund balance deficit is due to the City incurring costs in advance of receiving revenue.

NOTE 3 – CASH AND INVESTMENTS

The composition of cash and investments as of June 30, 2011, by fund is as follows:

	Available		Total
	For Operations	Restricted	
General Fund	\$ 8,109,104	\$ -	\$ 8,109,104
Special Revenue Funds	4,267,384		4,267,384
Proprietary Funds	4,906,981		4,906,981
Fiduciary Funds		139,956	139,956
Total	\$ 17,283,469	\$ 139,956	\$ 17,423,425

The City's cash and investments at June 30, 2011, consisted of the following:

Cash on hand and in banks	\$ 281,822
Investments	17,141,603
Total cash and investments	\$ 17,423,425

Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the City's debt instruments or the Agency's agreements:

Cash and investments, statement of net assets	\$ 17,283,469
Cash and investments, statement of fiduciary net assets	139,956
Total cash and investments	\$ 17,423,425

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

The table below identifies the investment types that are authorized for the City by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Certificates of deposit	\$ 742,299	\$ 493,222	\$ 124,658	\$ 124,419	\$ -
Money market	201,952	201,952			
LAIF	12,703,040	12,703,040			
U.S. Agency securities	3,494,312			3,494,312	
Total	\$ 17,141,603	\$ 13,398,214	\$ 124,658	\$ 3,618,731	\$ -

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
Certificates of deposit	\$ 742,299		\$ -	\$ -	\$ 742,299
Money market	201,952				201,952
LAIF	12,703,040	N/A			12,703,040
U.S. Agency securities	3,494,312	N/A		3,494,312	
Total	\$ 17,141,603		\$ -	\$ 3,494,312	\$ 13,647,291

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

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 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, 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying basic financial statements at the 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.

NOTE 4 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% in the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Buellton was \$144,885.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July, 1 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities				
Nondepreciable capital assets:				
Land	\$ 1,118,648	\$ 417,600	\$ -	\$ 1,536,248
Total nondepreciable capital assets	1,118,648	417,600		1,536,248
Depreciable capital assets:				
Equipment	306,543	85,496		392,039
Buildings and improvements	8,318,333	28,081		8,346,414
Infrastructure	16,094,430	89,085		16,183,515
Total depreciable capital assets	24,719,306	202,662		24,921,968
Less accumulated depreciation	9,275,200	737,978		10,013,178
Net depreciable capital assets	15,444,106	(535,316)		14,908,790
Net capital assets	\$ 16,562,754	\$ (117,716)	\$ -	\$ 16,445,038

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance July, 1 2010	Additions	Deletions	Balance June 30, 2011
Business-Type Activities				
Nondepreciable capital assets:				
Land	\$ 247,691	\$ -	\$ -	\$ 247,691
Construction in progress	88,645		88,645	
Total nondepreciable capital assets	336,336		88,645	247,691
Depreciable capital assets:				
Equipment	552,625	4,874		557,499
Infrastructure	10,116,246	851,831		10,968,077
Total depreciable capital assets	10,668,871	856,705		11,525,576
Less accumulated depreciation	5,908,365	334,495		6,242,860
Net depreciable capital assets	4,760,506	522,210		5,282,716
Net capital assets	\$ 5,096,842	\$ 522,210	\$ (88,645)	\$ 5,530,407

Depreciation Allocations

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or programs were as follows:

Governmental Activities:

Unallocated	\$ 737,978
Total depreciation expense - governmental activities	\$ 737,978

Business-type Activities:

Water	\$ 168,833
Wastewater	165,662
Total depreciation expense - business-type activities	\$ 334,495

NOTE 6 – NOTE RECEIVABLE

The City extended a loan in the amount of \$200,000 on September 13, 1998 to Horizon Homes Association, LP. The annual rate is 3% of outstanding principal per annum. Interest payments are due monthly, and the remaining principal is due on September 13, 2013. The principal balance of the note at June 30, 2011, was \$200,000.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2011, is as follows:

	<u>Due From</u>	<u>Due to</u>
Major Funds		
General Fund	\$ 978,442	\$
Stormwater Fund		503,576
Redevelopment Agency Community Development Fund	206,566	
Water Fund	221,882	
Wastewater Fund		514,465
Nonmajor Funds		
Housing Fund	161,920	
Traffic Mitigation Fund		180,835
Gas Tax Fund		260,056
Measure D Fund	55,881	
Local Transportation Fund		12,980
Transportation Planning Fund		71,978
Redevelopment Agency Low & Mod Fund	735	
Landscape Maintenance Fund		82,413
Redevelopment Agency Capital Projects Fund	877	
	<u>\$ 1,626,303</u>	<u>\$ 1,626,303</u>

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
Redevelopment Agency Community Development Fund	\$ 4,602,777	\$ -
Nonmajor Fund		
Redevelopment Agency Capital Projects Fund		4,602,777
	<u>\$ 4,602,777</u>	<u>\$ 4,602,777</u>

Advances Receivable and Payable

Advances receivable and payable constitute long-term borrowing between funds. Each advance carries a stated interest rate and has scheduled debt service payments. Interfund advances receivable and payable balances at June 30, 2011, are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
Major Funds:		
General Fund	\$ 2,862,247	\$ -
Parks and Recreation Fund		986,039
Redevelopment Agency Community Development Fund		1,876,208
	<u>\$ 2,862,247</u>	<u>\$ 2,862,247</u>

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 8 – LONG-TERM DEBT

Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits which can be converted to cash at termination of employment. The non-current portion of these vested benefits at June 30, 2011, total \$54,369 for governmental activities and \$29,222 for business-type activities.

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Compensated absences	\$ 43,723	\$ 10,646	\$ -	\$ 54,369	\$ -
OPEB payable	114,758	144,279	33,756	225,281	
	<u>\$ 158,481</u>	<u>\$ 154,925</u>	<u>\$ 33,756</u>	<u>\$ 279,650</u>	<u>\$ -</u>
Business-type activities:					
Compensated absences	\$ 24,346	\$ 4,876	\$ -	\$ 29,222	\$ -
OPEB payable	45,520	56,108	13,128	88,500	
	<u>\$ 69,866</u>	<u>\$ 60,984</u>	<u>\$ 13,128</u>	<u>\$ 117,722</u>	<u>\$ -</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Medical coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. The City contributes up to \$800 per month on behalf of each active employee and covered dependents. The employee is responsible for excess, if any of the total PEMHCA premium over \$800 per month.

The City offers the same medical plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverage's offered under PEMHCA.

Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City's contribution on behalf of retirees is the same as for active employees – 100% of PEMHCA premium for retiree and covered dependents, but not to exceed \$800 per month. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses.

The City pays a 0.43% of premium administrative fee on behalf of employees and retirees.

B. Funding Policy

As required by GASB Statement No. 45, an actuary will determine the City's Annual Required Contribution (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB Statement No. 45 does not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The City has elected not to establish an irrevocable trust at this time.

The City Council reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the City.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

C. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the City's Annual OPEB Cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan (including administrative costs), and changes in the City's Net OPEB Obligation/(Asset):

<u>Item</u>	<u>FYE 6/30/11</u>
Annual Required Contributions	\$ 192,373
Interest on Net OPEB Obligation/(Asset)	8,014
Annual OPEB costs (expense)	200,387
Contributions made	(46,884)
Increase in Net OPEB Obligation/(Asset)	153,503
Net OPEB Obligation/(Asset) - beginning of year	160,278
Net OPEB Obligation/(Asset) - end of year	<u>\$ 313,781</u>

The City's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligations/(Asset) for the fiscal year ended June 30, 2011, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/10	\$ 192,373	\$ 32,095	16.68%	\$ 160,278
6/30/11	\$ 200,387	\$ 46,884	23.40%	\$ 313,781

D. Funded Status and Funding Progress

The funded status of the plan as June 30, 2011, the end of the first year of GASB Statement No. 45 applicability, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Projected Unit Credit Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2009	\$ 0	\$ 1,210,956	\$ 1,210,956	0.00%	\$ 1,077,040	112.43%

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 City are subject to continual revisions 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 basic financial statements, presents multiyear trend information that show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2009. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5 percent investment rate (net of administrative expense) and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent after 2 years. These assumptions reflect an implicit 3.0 percent general inflation assumption. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years. The remaining amortization period as of July 1, 2009, was 30 years.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 - CITY EMPLOYEES' RETIREMENT PLAN

Plan Description

The City of Buellton's defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

The City contributes the employee and employer shares for the Miscellaneous Plan. The City of Buellton is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2010/2011, was 11.320% of annual payroll. The contribution requirements of the plan members are established by the State statute and the employer contribution rate is established and may be amended by CalPERS. The City of Buellton's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$124,757, \$123,515, and \$134,143, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 11 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code 457. The Plan, available to all permanent employees, permits them to defer a portion of their current salary until future years. Distributions may be made only at termination, retirement, death, or in an emergency as defined by the Plan.

Effective January 1, 1998, the law governing deferred compensation plan assets now require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not in the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

NOTE 12 – LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Buellton 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 lines of coverage. The California JPIA 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 nine-member Executive Committee.

B. Self-Insurance Programs of the Authority

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 made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (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 \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c 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.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE (Continued)

Workers' Compensation The City of Buellton 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

Environmental Insurance The City of Buellton 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 of Buellton. 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 sub-limit during the 3-year term of the policy.

Property Insurance The City of Buellton participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Buellton property is currently insured according to a schedule of covered property submitted by the City of Buellton to the Authority. City of Buellton property currently has all-risk property insurance protection in the amount of \$12,802,732. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance The City of Buellton purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Buellton property currently has earthquake protection in the amount of \$6,262,385. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance The City of Buellton purchases crime insurance coverage in the amount of \$1,000,000 with a \$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 fiscal year.

NOTE 13 – CONTINGENCIES AND COMMITMENTS

The City is involved in various litigations. In the opinion of management and legal counsel, the disposition of all litigations pending will not have a material effect on the City's financial statements.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 14 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218, provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

CITY OF BUELLTON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 15 – JOINT OPERATING AGREEMENTS

Water operations. The Central Coast Water Authority (CCWA) is a Joint Power Authority authorized to finance, develop, operate, and maintain the Mission Hills and Santa Ynez extension to the Coastal Branch Phase II Extension of the California aqueduct of the State water project. Each member has entered into a water supply agreement with the Authority to pay their proportionate share of the project costs from local water revenues.

NOTE 16- SUBSEQUENT EVENT

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 except 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 Grover Beach intends to use available monies of its redevelopment agency for this purpose and the City and Agency 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 state legislature.

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

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

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all 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 AB X 26.

On December 29, 2011, the California Supreme Court rendered an opinion upholding the State of California's rights to abolish redevelopment agencies (Assembly Bill 1X 26). The California Supreme Court also rendered an opinion invalidating the State of California's allowance of redevelopment agencies to make payments to various funds benefitting schools and special districts as a condition of continued operation (Assembly Bill 1X 27). Under the timeline of the AB X126, if the City of Buellton does not want to serve as the "successor agency" to its redevelopment agency, then it must submit a resolution to that effect to the County Auditor-Controller by January 13, 2012. If the City wishes to serve as the "successor agency", no action is required and the redevelopment agency will be dissolved starting February 1, 2012.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

CITY OF BUELLTON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,301,500	\$ 3,301,500	\$ 3,908,655	\$ 607,155
Licenses, permits, and fees	1,700	1,700	30,049	28,349
Intergovernmental	358,000	358,000	436,589	78,589
Fines and forfeitures	34,000	34,000	48,342	14,342
Use of money and property	77,850	77,850	142,114	64,264
Other revenues	13,000	13,000	5,917	(7,083)
Total revenues	<u>3,786,050</u>	<u>3,786,050</u>	<u>4,571,666</u>	<u>785,616</u>
Expenditures:				
General government	967,327	1,016,006	1,002,400	13,606
Community development	478,531	429,852	369,706	60,146
Cultural and leisure	82,650	82,650	81,504	1,146
Public safety	1,717,300	1,717,300	1,804,188	(86,888)
Public works	569,709	569,709	529,122	40,587
Capital outlay				
Total expenditures	<u>3,815,517</u>	<u>3,815,517</u>	<u>3,786,920</u>	<u>28,597</u>
Excess of revenues over (under) expenditures	(29,467)	(29,467)	784,746	814,213
Fund balance - July 1	<u>11,254,113</u>	<u>11,254,113</u>	<u>11,254,113</u>	
Fund balance - June 30	<u>\$ 11,224,646</u>	<u>\$ 11,224,646</u>	<u>\$ 12,038,859</u>	<u>\$ 814,213</u>

CITY OF BUELLTON
 PARKS AND RECREATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 93,000	\$ 93,000	\$ 155,316	\$ 62,316
Total revenues	<u>93,000</u>	<u>93,000</u>	<u>155,316</u>	<u>62,316</u>
Expenditures:				
Culture and leisure	585,625	585,625	539,677	45,948
Capital outlay			<u>531,177</u>	<u>(531,177)</u>
Total expenditures	<u>585,625</u>	<u>585,625</u>	<u>1,070,854</u>	<u>(485,229)</u>
Excess of revenues over (under) expenditures	(492,625)	(492,625)	(915,538)	(422,913)
Fund balance - July 1	<u>(78,449)</u>	<u>(78,449)</u>	<u>(78,449)</u>	
Fund balance - June 30	<u>\$ (571,074)</u>	<u>\$ (571,074)</u>	<u>\$ (993,987)</u>	<u>\$ (422,913)</u>

CITY OF BUELLTON
 STORMWATER FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Community development	\$ 150,000	\$ 150,000	\$ 138,370	\$ 11,630
Total expenditures	150,000	150,000	138,370	11,630
Excess of revenues over (under) expenditures	(150,000)	(150,000)	(138,370)	11,630
Fund balance - July 1	(382,580)	(382,580)	(382,580)	
Fund balance - June 30	<u>\$ (532,580)</u>	<u>\$ (532,580)</u>	<u>\$ (520,950)</u>	<u>\$ 11,630</u>

CITY OF BUELLTON
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table provides required supplementary information regarding the City's post employment healthcare benefits.

SCHEDULE OF FUNDING PROGRSS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Projected Unit Credit Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2009	\$ 0	\$ 1,210,956	\$ 1,210,956	0.00%	\$ 1,077,040	112.43%

SUPPLEMENTARY INFORMATION SECTION

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CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Special				
	Housing Fund	Traffic Mitigation Fund	Gas Tax Fund	Measure A Fund	Measure D Fund
ASSETS					
Cash and investments	\$ 280,805	\$ 17,866	\$ 1,567,991	\$ 277,956	\$ 132,819
Accounts receivable			70,965		
Interest receivable	1,738	15	1,322		113
Due from other funds	161,920				55,881
Note receivable	200,000				
Prepaid items					
Total assets	<u>\$ 644,463</u>	<u>\$ 17,881</u>	<u>\$ 1,640,278</u>	<u>\$ 277,956</u>	<u>\$ 188,813</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 108,759	\$ -	\$ -
Due to other funds		180,835	260,056		
Total liabilities		<u>180,835</u>	<u>368,815</u>		
Fund Balances:					
Nonspendable					
Restricted	644,463		1,271,463	277,956	188,813
Unassigned		(162,954)			
Total fund balances	<u>644,463</u>	<u>(162,954)</u>	<u>1,271,463</u>	<u>277,956</u>	<u>188,813</u>
Total liabilities and fund balances	<u>\$ 644,463</u>	<u>\$ 17,881</u>	<u>\$ 1,640,278</u>	<u>\$ 277,956</u>	<u>\$ 188,813</u>

Revenue Funds				Capital Projects Fund	
Local Transportation Fund	Transportation Planning Fund	Redevelopment Agency Low & Moderate Fund	Landscape Maintenance Fund	Redevelopment Agency Capital Projects Fund	Totals
\$ 182,738	\$ -	\$ 1,715,615	\$ 91,594	\$ -	\$ 4,267,384
					70,965
158		1,461	83	3,978	8,868
		735		877	219,413
1,667					200,000
<u>184,563</u>	<u>-</u>	<u>1,717,811</u>	<u>91,677</u>	<u>4,855</u>	<u>4,768,297</u>
\$ 1,970	\$ 6,240	\$ -	\$ 75	\$ -	\$ 117,044
12,980	71,978		82,413		608,262
14,950	78,218		82,488		725,306
1,667					1,667
167,946		1,717,811	9,189	4,855	4,282,496
	(78,218)				(241,172)
169,613	(78,218)	1,717,811	9,189	4,855	4,042,991
<u>184,563</u>	<u>-</u>	<u>1,717,811</u>	<u>91,677</u>	<u>4,855</u>	<u>4,768,297</u>

CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

	Special				
	Housing Fund	Traffic Mitigation Fund	Gas Tax Fund	Measure A Fund	Measure D Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	160,854	17,856	182,490	280,710	27
Use of money and property	7,165	25	6,345	333	555
Total revenues	168,019	17,881	188,835	281,043	582
Expenditures:					
Community development	604				
Public works			49,530	3,087	
Capital outlay			89,085		
Total expenditures	604		138,615	3,087	
Excess of revenues over (under) expenditures	167,415	17,881	50,220	277,956	582
Other financing sources (uses):					
Transfers out					
Total other financing sources (uses)					
Net change in fund balances	167,415	17,881	50,220	277,956	582
Fund balances - July 1	477,048	(180,835)	1,221,243	188,231	
Fund balances - June 30	\$ 644,463	\$ (162,954)	\$ 1,271,463	\$ 277,956	\$ 188,813

Revenue Funds				Capital Projects Fund	
Local Transportation Fund	Transportation Planning Fund	Redevelopment Agency Low & Moderate Fund	Landscape Maintenance Fund	Redevelopment Agency Capital Projects Fund	Totals
\$ -	\$ -	\$ 197,003	\$ -	\$ 591,009	\$ 788,012
2,669	25,160				669,766
919	6	6,678	540	18,159	40,725
<u>3,588</u>	<u>25,166</u>	<u>203,681</u>	<u>540</u>	<u>609,168</u>	<u>1,498,503</u>
				103,904	104,508
71,372	45,213		91,384		260,586
					89,085
<u>71,372</u>	<u>45,213</u>		<u>91,384</u>	<u>103,904</u>	<u>454,179</u>
<u>(67,784)</u>	<u>(20,047)</u>	<u>203,681</u>	<u>(90,844)</u>	<u>505,264</u>	<u>1,044,324</u>
				(4,602,777)	(4,602,777)
				(4,602,777)	(4,602,777)
(67,784)	(20,047)	203,681	(90,844)	(4,097,513)	(3,558,453)
<u>237,397</u>	<u>(58,171)</u>	<u>1,514,130</u>	<u>100,033</u>	<u>4,102,368</u>	<u>7,601,444</u>
<u>\$ 169,613</u>	<u>\$ (78,218)</u>	<u>\$ 1,717,811</u>	<u>\$ 9,189</u>	<u>\$ 4,855</u>	<u>\$ 4,042,991</u>

CITY OF BUELLETON
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

Special Revenue Funds

	Housing Fund			Traffic Allocation Fund			Car Tax Fund			Measure A Fund			Measure D Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues															
Property taxes															
Intergovernmental	160,814	160,814	-	10,000	17,856	7,856	180,204	182,490	(6,714)	207,436	280,710	(16,726)	-	-	-
Use of money and property	6,400	7,165	765	25	25	-	10,000	6,345	(3,655)	333	333	-	1,100	333	(767)
Total revenues	167,214	168,019	765	10,000	17,881	7,881	190,204	188,835	(1,369)	207,436	281,043	(1,639)	1,100	367	(518)
Expenditures															
Community development	1,000	604	396	10,000	10,000	-	181,100	49,530	131,770	50,000	3,087	46,913	50,000	50,000	50,000
Public works							180,000	89,085	90,915	247,436		247,436	130,000		130,000
Capital outlay							361,300	138,615	222,685	297,436	3,087	294,349	180,000		180,000
Total expenditures	1,000	604	396	10,000	10,000	-	(102,000)	50,220	212,316	297,436	3,087	271,956	(378,000)	367	179,482
Excess of revenues over (under) expenditures	166,214	167,415	1,161	-	17,881	17,881	-	138,615	170,615	135,120	277,956	138,727	178,966	179,482	179,482
Other financing sources (uses):															
Transfer out															
Total other financing sources (uses)															
Net change in fund balances	166,214	167,415	1,161	-	17,881	17,881	(102,000)	138,615	170,615	135,120	277,956	138,727	178,966	179,482	179,482
Fund balances - July 1		477,048													
Fund balances - June 30		644,463			(160,815)			1,271,465			277,956			188,231	
					(160,815)			1,271,465			277,956			188,231	

CITY OF BUELLTON
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				Redevelopment Agency				Capital Projects Fund			
	Local Transportation Fund		Transportation Planning Fund		Low & Moderate Fund		Landscaping Maintenance Fund		Redevelopment Agency		Capital Projects Fund	
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues												
Property taxes	\$ 2,300	\$ 2,669	\$ 369	\$ -	\$ 120,000	\$ 71,003	\$ 48,997	\$ -	\$ -	\$ 360,000	\$ 521,000	\$ 161,000
Intergovernmental	1,500	919	(581)	25,166	6,678	(18,488)	1,000	540	(460)	30,000	18,139	(11,861)
Use of money and property				0								
Total revenues	4,300	3,588	(712)	25,166	207,081	71,003	130,000	1,000	540	390,000	600,168	229,168
Expenditures												
Community development	41,500	71,372	(29,872)	50,000	28,500	21,500	28,500	109,384	18,016	110,000	101,904	8,096
Public works												
Capital outlay												
Total expenditures	41,500	71,372	(29,872)	50,000	28,500	21,500	28,500	109,384	18,016	110,000	101,904	8,096
Excess of revenues over (under) expenditures	(37,200)	(67,784)	(30,584)	(24,834)	(101,500)	(102,181)	(109,400)	(108,444)	(17,536)	(20,000)	(505,264)	(235,264)
Other financing sources (uses):												
Treasury out											(6,602,177)	(6,602,177)
Total other financing sources (uses)											(6,602,177)	(6,602,177)
Net change in fund balances	\$ (37,200)	\$ (67,784)	\$ (30,584)	\$ (24,834)	\$ (101,500)	\$ (102,181)	\$ (109,400)	\$ (108,444)	\$ (17,536)	\$ (20,000)	\$ (4,097,513)	\$ (4,326,513)
Fund balances - July 1	237,307		(8,171)		1,514,130			100,033		4,102,308		
Fund balances - June 30	\$ 169,613		(78,218)		\$ 1,717,811			\$ 9,189		\$ 4,082,308		

CITY OF BUELLTON
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds		
	Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 480,000	\$ 788,012	\$ 308,012
Intergovernmental	659,994	669,766	9,772
Use of money and property	50,000	40,725	(9,275)
Total revenues	<u>1,189,994</u>	<u>1,498,503</u>	<u>308,509</u>
Expenditures			
Community development	139,700	104,508	34,992
Public works	492,000	260,586	231,414
Capital outlay	557,316	89,085	468,231
Total expenditures	<u>1,189,016</u>	<u>454,179</u>	<u>734,937</u>
Excess of revenues over (under) expenditures	<u>858</u>	<u>1,044,324</u>	<u>1,043,466</u>
Other financing sources (uses):			
Transfers out		(4,602,777)	(4,602,777)
Total other financing sources (uses)		<u>(4,602,777)</u>	<u>(4,602,777)</u>
Net change in fund balances	<u>\$ 858</u>	<u>(3,558,453)</u>	<u>(3,559,311)</u>
Fund balances - July 1		<u>7,601,444</u>	
Fund balances - June 30		<u>\$ 4,042,991</u>	



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

802 EAST MAIN
SANTA MARIA, CA 93454
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council of the City of Buellton
Buellton, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the City of Buellton as of and for the fiscal year ended June 30, 2011, which collectively comprise the City of Buellton's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 10, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Buellton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Buellton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Buellton's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Buellton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

February 10, 2012

