

CITY OF BUELLTON, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012



Prepared by:

Annette Munoz
Finance Director

This page intentionally left blank.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Table of Contents

Page

INTRODUCTORY SECTION

Table of Contents i

Organization Chart iv

List of Officials v

FINANCIAL SECTION

Independent Auditors’ Report 1

Management’s Discussion and Analysis (Required Supplementary Information) 3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets 19

Statement of Activities 20

Fund Financial Statements:

Governmental Funds:

Balance Sheet 23

Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets 24

Reconciliation of Fund Basis Balance Sheet to Government-wide
Statement of Net Assets – Governmental Activities 25

Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds 26

Reconciliation of Fund Basis Statements to Government-wide
Statement of Activities 27

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities 28

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget to Actual – General Fund and
Major Special Revenue Funds 29

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Table of Contents, Continued

Basic Financial Statements, Continued:

Fund Financial Statements, Continued:

Proprietary Funds:

Statement of Net Assets – Proprietary Funds	32
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34

Fiduciary Funds:

Statement of Fiduciary New Assets – Fiduciary Funds.....	35
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds.....	36

Notes to Basic Financial Statements	40
--	----

Other Supplemental Information:

Combining and Individual Fund Financial Statements and Schedules:

Non-major Governmental Funds:

Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	77

Non-major Special Revenue Funds:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Housing Fund.....	82
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Traffic Mitigation	83
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax.....	84
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Measure A	85
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Measure D	86
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Local Transportation	87
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Transportation Planning	88
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Redevelopment Agency Low and Moderate	89

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Table of Contents, Continued

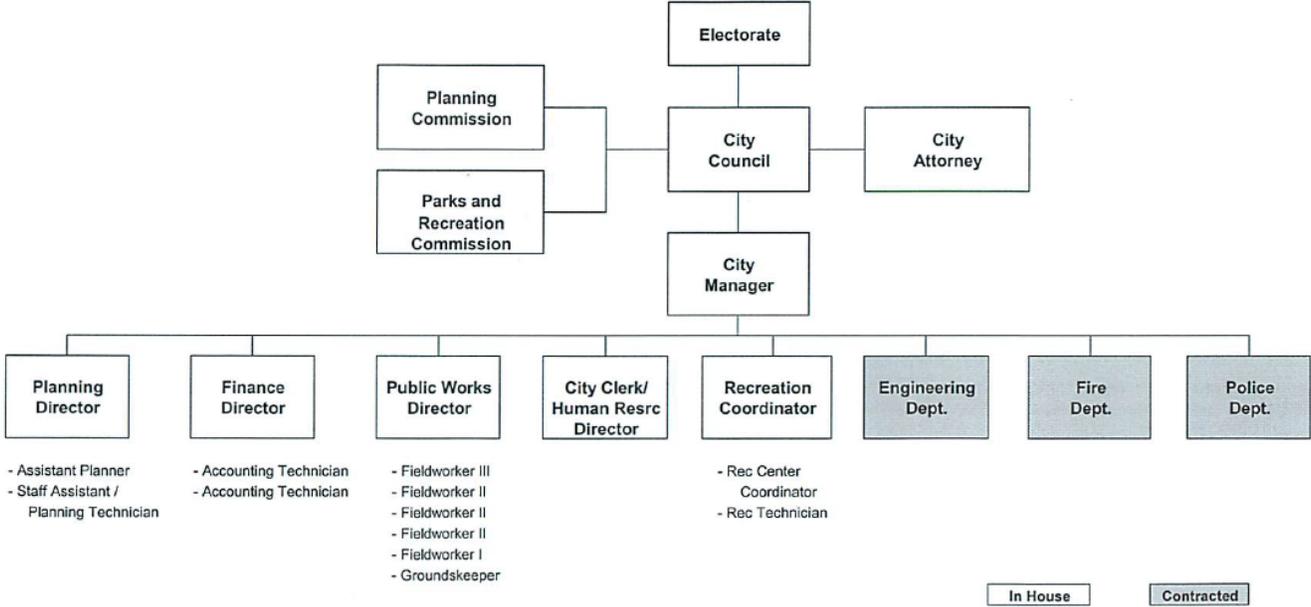
Combining and Individual Fund Financial Statements and Schedules, Continued:

Non-major Special Revenue Funds, Continued:

Combining Statement of Net Assets – Private Purpose Trust Funds	91
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds	92
Statement of Assets and Liabilities – Deposit Agency Fund	93
Statement of Changes in Assets Liabilities – Deposit Agency Fund	94
 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	 95

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Organization Chart



City of Buellton California
Basic Financial Statements
For the year ended June 30, 2012

List of Officials

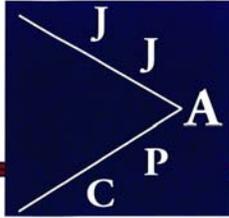
CITY COUNCIL

- Holly Sierra, Mayor
- Judith Dale, Vice Mayor
- Ed Andrisek
- David King
- John Connolly

CITY OFFICIALS

- John Kunkel, City Manager
- Annette Munoz, Finance Director
- Marc Bierdzinski, Planning Director
- Rose Hess, Public Works Director/ City Engineer
- Linda Reid, City Clerk/ Human Resources Director
- Kyle Abello, Parks & Recreation Coordinator

This page intentionally left blank.



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and 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, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and City Council
of the City of Buellton
Buellton, California
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–16 and 29–30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 it.

JJACPA, Inc.

JJACPA, Inc.

June 10, 2013

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Buellton (City) for the fiscal year ended June 30, 2012. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Buellton exceeded its liabilities at the close of the most recent fiscal year by \$40,966,460 (net assets). Of this amount, \$16,150,788 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Government's total net assets increased by \$633,919. This increase is attributable to an increase of \$773,019 in the City's total assets and an increase of (\$139,100) 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 \$13,219,995 an increase of \$332,279 in comparison with the prior fiscal year. Approximately 84 percent of this total amount, \$11,056,477 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 \$11,334,055.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes general information;
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, and Combining and Individual Fund Financial Statements and Schedules.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, community development, culture and leisure, public safety, and public works. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees. The City's governmental activities include the activities of a separately legal entity, the former Buellton Redevelopment Agency (RDA) because the City was financially accountable for this entity.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

The Government-wide Financial Statements, Continued

- ◆ **Business-type activities** – All the City's enterprise activities are reported here, including Water and Wastewater. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 the Governmental Fund Financial Statements 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 Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2012, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Former Redevelopment Agency Community Development Special Revenue Fund

PROPRIETARY FUNDS:

- ◆ Water Enterprise Fund
- ◆ Wastewater Enterprise Fund

Proprietary funds. The City maintains Enterprise-type proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Wastewater operations. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail.

Fiduciary funds. The City maintains two private-purpose trust funds and one agency fiduciary fund. The agency funds are used to account for resources held for the benefit of parties outside the government. Since agency funds are custodial in nature, (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Private-purpose trust funds are not reflected in the government-wide financial statements for this reason.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 40–71 of this report.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 76–95 of this report.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

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, assets exceeded liabilities by \$40,966,460 as of June 30, 2012.

The Summary of Net Assets as of June 30, 2012, and 2011, follows:

	Summary of Net Assets					
	2012			2011		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 11,590,482	\$ 5,443,195	\$ 17,033,677	\$ 13,533,929	\$ 5,794,383	\$ 19,328,312
Noncurrent assets	19,479,661	5,563,438	25,043,099	16,445,038	5,530,407	21,975,445
Total assets	<u>31,070,143</u>	<u>11,006,633</u>	<u>42,076,776</u>	<u>29,978,967</u>	<u>11,324,790</u>	<u>41,303,757</u>
Current and other liabilities	301,810	194,597	496,407	501,328	72,516	573,844
Noncurrent liabilities	501,505	112,404	613,909	279,650	117,722	397,372
Total liabilities	<u>803,315</u>	<u>307,001</u>	<u>1,110,316</u>	<u>780,978</u>	<u>190,238</u>	<u>971,216</u>
Net assets:						
Invested in capital assets	17,403,453	5,563,438	22,966,891	16,445,038	5,530,407	21,975,445
Restricted	1,848,781	-	1,848,781	4,282,496	-	4,282,496
Unrestricted	<u>11,014,594</u>	<u>5,136,194</u>	<u>16,150,788</u>	<u>8,470,455</u>	<u>5,604,145</u>	<u>14,074,600</u>
Total net assets	<u><u>\$ 30,266,828</u></u>	<u><u>\$ 10,699,632</u></u>	<u><u>\$ 40,966,460</u></u>	<u><u>\$ 29,197,989</u></u>	<u><u>\$ 11,134,552</u></u>	<u><u>\$ 40,332,541</u></u>

Restricted net assets decreased by \$2,433,715 due to the reclassification of previously restricted balances that have now been determined to be unrestricted.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net assets for the fiscal years ended June 30, 2012, and 2011, follows:

	Changes in Net Assets					
	2012			2011		
	Gov- ern- men- tal Acti- vities	Busi- ness- type Acti- vities	Total	Gov- ern- men- tal Acti- vities	Busi- ness- type Acti- vities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 199,041	\$ 1,986,776	\$ 2,185,817	\$ 475,404	\$ 1,960,196	\$ 2,435,600
Grants and contributions:						
Operating	1,225,407	462	1,225,869	356,627	-	356,627
Capital	-	34,720	34,720	182,490	114,575	297,065
General revenues:						
Secured and unsecured property taxes	1,479,869	-	1,479,869	1,718,074	-	1,718,074
Sales and use tax	1,611,788	-	1,611,788	1,552,752	-	1,552,752
Other taxes	1,826,202	-	1,826,202	1,813,950	-	1,813,950
Investment income	468,543	14,519	483,062	127,128	23,774	150,902
Other income	-	-	-	5,917	23,140	29,057
Total revenues	<u>6,810,850</u>	<u>2,036,477</u>	<u>8,847,327</u>	<u>6,232,342</u>	<u>2,121,685</u>	<u>8,354,027</u>
Expenses:						
Governmental activities:						
General government	1,484,345	-	1,484,345	1,040,330	-	1,040,330
Community development	1,131,764	-	1,131,764	1,804,188	-	1,804,188
Culture and leisure	621,570	-	621,570	819,223	-	819,223
Public safety	1,350,473	-	1,350,473	947,844	-	947,844
Public works	862,578	-	862,578	638,904	-	638,904
Depreciation - unallocated	-	-	-	737,978	-	737,978
Business-type activities:						
Water	-	1,699,457	1,699,457	-	1,623,335	1,623,335
Sewer	-	771,940	771,940	-	842,378	842,378
Total expenses	<u>5,450,730</u>	<u>2,471,397</u>	<u>7,922,127</u>	<u>5,988,467</u>	<u>2,465,713</u>	<u>8,454,180</u>
Excess (Deficiency) of revenues over expenses before transfers	1,360,120	(434,920)	925,200	243,875	(344,028)	(100,153)
Transfers	-	-	-	-	-	-
Extraordinary item	(291,281)	-	(291,281)	-	-	-
Change in net assets	1,068,839	(434,920)	633,919	243,875	(344,028)	(100,153)
Net assets:						
Beginning of year	29,197,989	11,134,552	40,332,541	28,954,114	11,478,580	40,432,694
End of year	<u>\$ 30,266,828</u>	<u>\$ 10,699,632</u>	<u>\$ 40,966,460</u>	<u>\$ 29,197,989</u>	<u>\$ 11,134,552</u>	<u>\$ 40,332,541</u>

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$8,847,327 for the fiscal year ended June 30, 2012. Approximately 49% of the City's key revenues are generated from three major sources.

The following discusses variances in key revenues from the prior fiscal year:

1. **Sales and Use Taxes** – The change in sales and use tax was mainly due to increased consumer spending as the economy slowly recovers.
2. **Secured and Unsecured Property Taxes** – Annual receipts decreased by 14%, due to a continued decline in property values and foreclosures throughout the state.
3. **Grants and Contributions – Governmental Activities Operating** – The increase in Governmental operating grants and contributions was mainly due to street, road, and community enhancement operating grants.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$7,922,127. Governmental activity expenses totaled \$5,450,730 or 69% of total expenses. Business-type activities incurred \$2,471,397 of expenses during the fiscal year. General government expenses represented 27% of total governmental activities expenses and include City Council, City Manager, City Clerk, City Attorney, Non-departmental and Finance. Charges for services and other fees partially offset the cost of this category.

Public safety expenses represented 25% of total governmental activities expenses. Revenues from fines and grants partially offset the cost of this category.

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2012, and 2011, are as follows:

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,484,345	\$ 1,430,694	\$ 1,040,330	\$ 947,712
Community development	1,131,764	1,131,764	947,844	786,990
Culture and leisure	621,570	561,784	638,904	483,588
Public safety	1,350,473	1,183,919	1,804,188	1,737,572
Public works	862,578	(281,879)	819,223	280,106
Depreciation -unallocated	-	-	737,978	737,978
Total	<u>\$ 5,450,730</u>	<u>\$ 4,026,282</u>	<u>\$ 5,988,467</u>	<u>\$ 4,973,946</u>

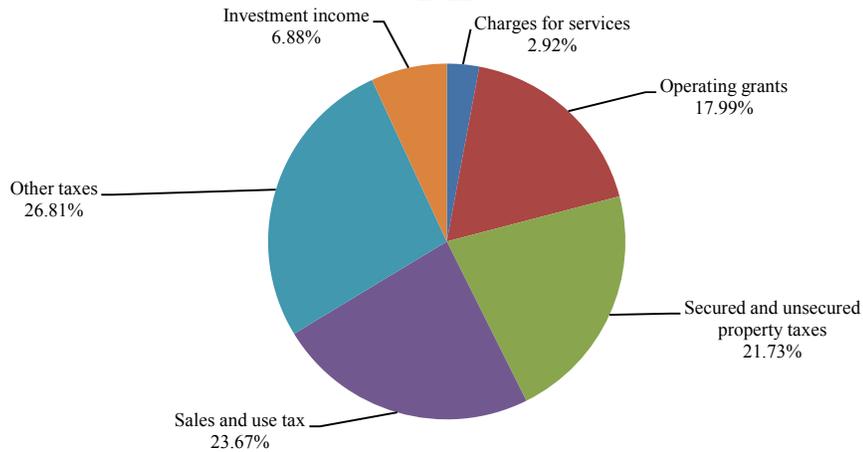
City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

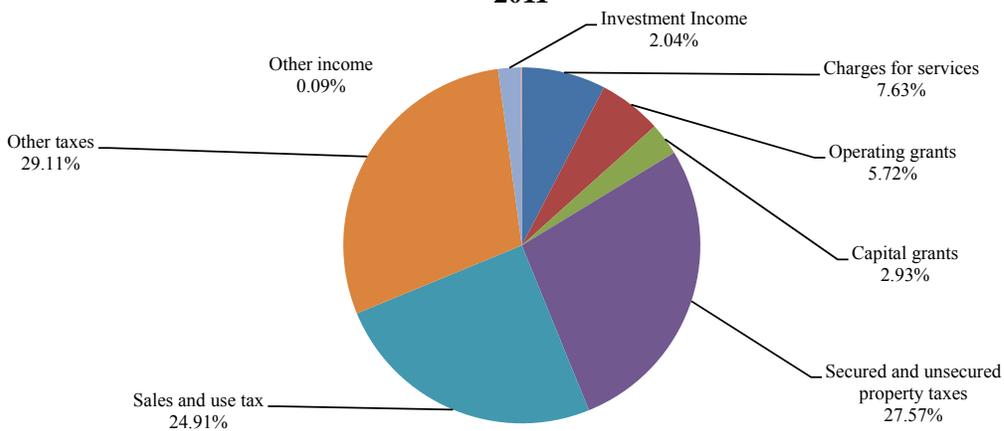
GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues by source for the fiscal years ended June 30, 2012, and 2011, are as follows:

Revenues by Source - Governmental Activities
2012



Revenues by Source - Governmental Activities
2011



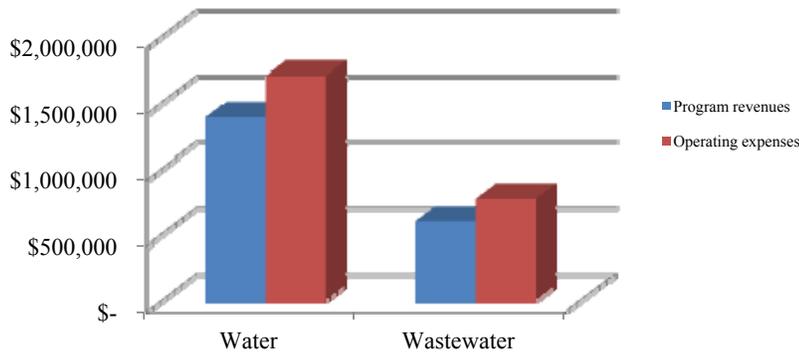
City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management’s Discussion and Analysis, Continued

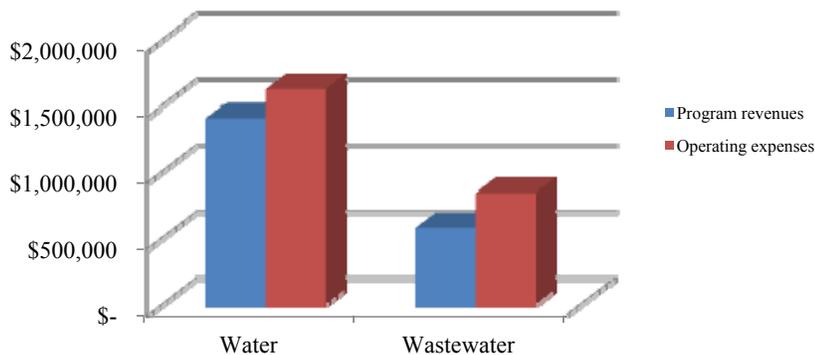
GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type activities. Business-type activities decreased the City’s net assets by \$434,920. The City has two business-type activities: Water and Wastewater. Water accounts for 69%, and Wastewater accounts for 31% of total business-type activity revenue. The expenses and program revenues for the business-type activities for the fiscal year ended June 30, 2012, and 2011, are as follows:

**Expenses and Program Revenues
 Business-type Activities
 2012**



**Expenses and Program Revenues
 Business-type Activities
 2011**



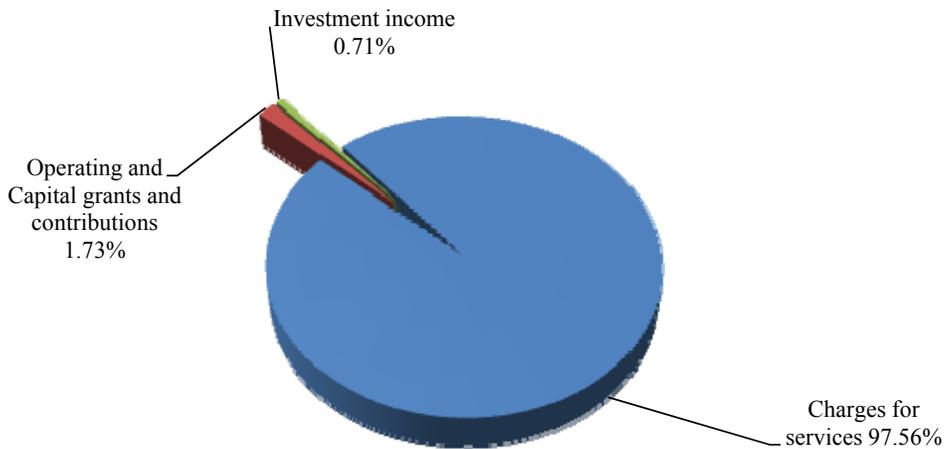
City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

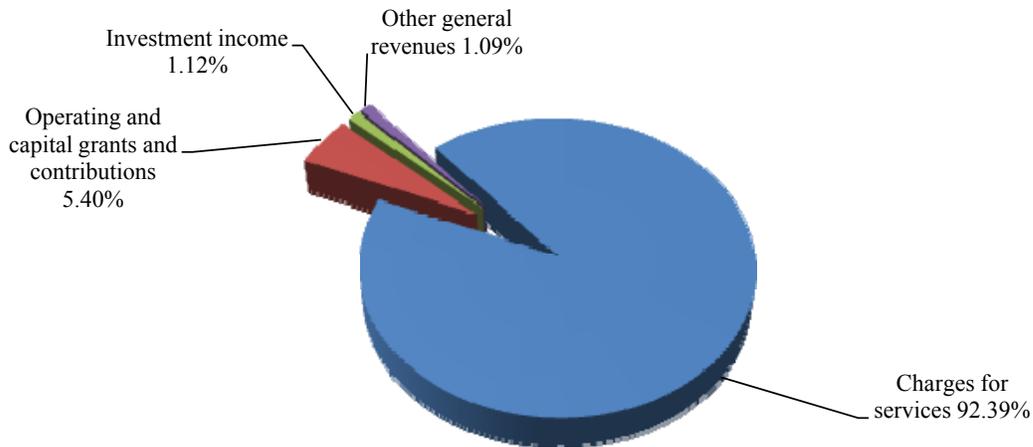
GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2012, and 2011, are as follows:

**Revenues by Source - Business-type Activities
2012**



**Revenues by Source - Business-type Activities
2011**



City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

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

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 \$13,219,995, an increase of \$332,279 in comparison with the prior fiscal year. Approximately 84 percent of this total amount (\$11,056,477) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it has already been committed 1) to cover a note receivable for the Housing Fund (\$200,000), 2) to fund amounts prepaid for the following fiscal year (\$114,737) for the General Fund and 3) for a variety of other restricted purposes (\$1,848,781).

The general fund is the chief operating fund of the City of Buellton. The total fund balance in the general fund was \$11,448,792.

The fund balance of the City of Buellton's general fund increased by \$915,681 during the current fiscal year. Key factors in this growth are as follows:

- A net increase in general fund revenues of \$724,964.

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 \$3,204,873 and those for the wastewater fund amounted to \$1,931,321. The total change in unrestricted net assets for both funds were (\$349,209) and (\$118,742), respectively.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management's Discussion and Analysis, Continued

General Fund Budgetary Highlights

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

Capital Assets

The City of Buellton's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$22,966,891 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$991,446. Of the total increase, governmental activities showed an increase of \$958,415, resulting from an increase in net depreciable capital assets. Accumulated depreciation decreased to adjust the balances of the remaining assets, total asset valuations did not change. Business-type activities increased by \$33,031, due to an increase in net depreciable capital assets.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Nondepreciable -Land	\$ 1,536,248	\$ 1,536,248	\$ 247,691	\$ 247,691	\$ 1,783,939	\$ 1,783,939
Buildings and improvements	4,221,448	8,346,414	574,387	-	4,795,835	8,346,414
Equipment	385,766	392,039	582,952	557,499	968,718	949,538
Infrastructure	15,815,655	16,183,515	10,729,454	10,968,077	26,545,109	27,151,592
Total Depreciable Capital Assets	20,422,869	24,921,968	11,886,793	11,525,576	32,309,662	36,447,544
Less: Accumulated Depreciation	4,555,664	10,013,178	6,571,046	6,242,860	11,126,710	16,256,038
Net Depreciable Capital Assets	15,867,205	14,908,790	5,315,747	5,282,716	21,182,952	20,191,506
Net Capital Assets	\$ 17,403,453	\$ 16,445,038	\$ 5,563,438	\$ 5,530,407	\$ 22,966,891	\$ 21,975,445

More detail of the capital assets and current activity can be found in the notes to the financial statements on Pages 46 and 47 for significant accounting policies and Note 5 on Page 57 for other capital asset information.

Debt Administration

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 Outlook

- The unemployment rate for the City of Buellton is currently 5.8 percent, which is a decrease from a rate of 6.3 percent a year ago. This compares favorably to the unemployment rate of 8.0 percent for Santa Barbara County (the county where Buellton is located), the State of California's average unemployment rate of 10.6 percent and the national average unemployment rate of 8.2 percent.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2012

Management’s Discussion and Analysis, Continued

Economic Outlook, continued

- The City increased water and wastewater 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.

NEXT YEAR’S BUDGETED APPROPRIATIONS

The adopted budget for all City funds for the new fiscal year of 2012-2013 was \$6,849,034 and is summarized as follows:

	<u>FY 2012-13</u>	<u>FY 2011-12</u>	<u>Amount Change</u>	<u>Percentage Change</u>
General fund	\$ 4,172,865	\$ 3,948,016	\$ 224,849	5.4%
Special revenue funds	2,676,169	2,629,149	47,020	1.8%
Total budget	<u>\$ 6,849,034</u>	<u>\$ 6,577,165</u>	<u>\$ 271,869</u>	<u>7.1%</u>

1. General Fund – Shows an increase of \$224,849 or approximately 5.4%. The increase is the result of operation and personnel increases and reallocations.
2. Special Revenue Funds – Show an increase of \$47,020 or approximately 1.8%. The increase is the result of operation and personnel increases and reallocations.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City’s finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact Annette Munoz, Finance Director, 107 West Highway 246, Buellton, CA 93427, or visit the City’s web page at www.cityofbuellton.com.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Buellton, California

Statement of Net Assets

June 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and investments	\$ 4,708,722	\$ 4,322,079	\$ 9,030,801
Restricted cash and investments	6,142,856	-	6,142,856
Receivables:			
Taxes receivable	144,885	-	144,885
Accounts receivable	464,951	200,631	665,582
Interest receivable	14,331	3,286	17,617
Inventory	-	10,280	10,280
Internal balances	-	-	-
Prepaid items	114,737	906,919	1,021,656
Total current assets	11,590,482	5,443,195	17,033,677
Noncurrent assets:			
Notes receivable	200,000	-	200,000
Advances to fiduciary activities	1,876,208	-	1,876,208
Capital assets:			
Nondepreciable	1,536,248	247,691	1,783,939
Depreciable	15,867,205	5,315,747	21,182,952
Total noncurrent assets	19,479,661	5,563,438	25,043,099
Total assets	31,070,143	11,006,633	42,076,776
LIABILITIES			
Current liabilities:			
Accounts payable	189,460	170,080	359,540
Accrued wages	111,600	-	111,600
Deposits payable	750	24,517	25,267
Total current liabilities	301,810	194,597	496,407
Noncurrent liabilities:			
Claims liabilities	82,690	-	82,690
Compensated absences	56,396	23,904	80,300
Net OPEB obligation	362,419	88,500	450,919
Total noncurrent liabilities	501,505	112,404	613,909
Total liabilities	803,315	307,001	1,110,316
NET ASSETS			
Invested in capital assets	17,403,453	5,563,438	22,966,891
Restricted:			
Streets and roads	1,341,645	-	1,341,645
Housing	451,255	-	451,255
Maintenance	55,881	-	55,881
Unrestricted	11,014,594	5,136,194	16,150,788
Total net assets	30,266,828	10,699,632	40,966,460
Total liabilities and net assets	\$ 31,070,143	\$ 11,006,633	\$ 42,076,776

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California
Statement of Activities
For the year ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,484,345	\$ 1,712	\$ 51,939	\$ -
Community development	1,131,764	-	-	-
Culture and leisure	621,570	59,786	-	-
Public safety	1,350,473	48,678	117,876	-
Public works	862,578	88,865	1,055,592	-
Total governmental activities	<u>5,450,730</u>	<u>199,041</u>	<u>1,225,407</u>	<u>-</u>
Business-type activities:				
Water	1,699,457	1,388,813	462	34,720
Wastewater	771,940	597,963	-	-
Total business-type activities	<u>2,471,397</u>	<u>1,986,776</u>	<u>462</u>	<u>34,720</u>
Total primary government	<u>\$ 7,922,127</u>	<u>\$ 2,185,817</u>	<u>\$ 1,225,869</u>	<u>\$ 34,720</u>

General revenues:

Taxes:

 Secured and unsecured property taxes

 Sales and use tax

 Other taxes

Investment income

 Total general revenues

Transfers

 Total general revenues and transfers

Extraordinary item:

 Loss on dissolution of redevelopment agency

Change in net assets

Net assets:

 Beginning of year

 Net assets - Ending

The accompanying notes are an integral part of these basic financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-Type Activities	Totals
\$ (1,430,694)	\$ -	\$ (1,430,694)
(1,131,764)	-	(1,131,764)
(561,784)	-	(561,784)
(1,183,919)	-	(1,183,919)
281,879	-	281,879
(4,026,282)	-	(4,026,282)
-	(275,462)	(275,462)
-	(173,977)	(173,977)
-	(449,439)	(449,439)
(4,026,282)	(449,439)	(4,475,721)
1,479,869	-	1,479,869
1,611,788	-	1,611,788
1,826,202	-	1,826,202
468,543	14,519	483,062
5,386,402	14,519	5,400,921
-	-	-
5,386,402	14,519	5,400,921
(291,281)	-	(291,281)
1,068,839	(434,920)	633,919
29,197,989	11,134,552	40,332,541
\$ 30,266,828	\$ 10,699,632	\$ 40,966,460

FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	
General Fund	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
Former 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.

City of Buellton, California

Balance Sheet

Governmental Funds

June 30, 2012

	Major Funds			Totals
	General Fund	Former Redevelopment Agency	Nonmajor Governmental Funds	
		Community Development Special Revenue		
ASSETS				
Cash and investments	\$ 2,958,590	\$ -	\$ 1,750,132	\$ 4,708,722
Restricted cash and investments	6,142,856	-	-	6,142,856
Receivables:				
Taxes	144,885	-	-	144,885
Accounts	356,603	-	108,348	464,951
Interest	5,660	-	8,671	14,331
Loans/Notes receivable	-	-	200,000	200,000
Due from other funds	272,450	-	192	272,642
Prepaid items	114,737	-	-	114,737
Advances to Successor Agency private purpose trust fund	1,876,208	-	-	1,876,208
Total assets	\$ 11,871,989	\$ -	\$ 2,067,343	\$ 13,939,332
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 165,962	\$ -	\$ 23,498	\$ 189,460
Accrued wages	111,600	-	-	111,600
Deposits payable	750	-	-	750
Due to other funds	-	-	272,642	272,642
Deferred revenue	144,885	-	-	144,885
Total liabilities	423,197	-	296,140	719,337
Fund balances:				
Nonspendable:				
Prepaid items	114,737	-	-	114,737
Notes receivable	-	-	200,000	200,000
Restricted:	-	-	1,848,781	1,848,781
Unassigned (deficit):	11,334,055	-	(277,578)	11,056,477
Total fund balances	11,448,792	-	1,771,203	13,219,995
Total liabilities and fund balances	\$ 11,871,989	\$ -	\$ 2,067,343	\$ 13,939,332

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances - total governmental funds \$ 13,219,995

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 17,403,453

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

Claims liabilities	\$ (82,690)	
Compensated absences	(56,396)	
Net OPEB obligation	(362,419)	(501,505)

Long-term receivables are not available to pay current period expenditures and, therefore, are deferred in the governmental funds:

Taxes receivable		144,885
------------------	--	---------

Internal services funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are:

Current assets		
Noncurrent assets		
Accounts payable and accrued liabilities		
Compensated absences		-

Net assets of governmental activities \$ 30,266,828

City of Buellton, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Assets

Governmental Activities

June 30, 2012

ASSETS	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Statement of Net Assets
Current assets:				
Cash and investments	\$ 4,708,722	\$ -	\$ -	\$ 4,708,722
Restricted cash and investments	6,142,856			6,142,856
Receivables:				
Taxes receivable	144,885	-	-	144,885
Accounts receivable	464,951	-	-	464,951
Interest receivable	14,331	-	-	14,331
Notes receivable	200,000	-	-	200,000
Advances to private purpose trust/fiduciary activities	1,876,208	-	-	1,876,208
Internal balances	-	-	-	-
Prepaid items	114,737	-	-	114,737
Due from other funds	272,642	(272,642)	-	-
Total current assets	<u>13,939,332</u>	<u>(272,642)</u>	<u>-</u>	<u>13,666,690</u>
Noncurrent assets:				
Capital assets, net:				
Nondepreciable	-	-	1,536,248	1,536,248
Depreciable	-	-	15,867,205	15,867,205
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>17,403,453</u>	<u>17,403,453</u>
Total assets	<u>\$ 13,939,332</u>	<u>\$ (272,642)</u>	<u>\$ 17,403,453</u>	<u>\$ 31,070,143</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 189,460	\$ -	\$ -	\$ 189,460
Accrued wages	111,600	-	-	111,600
Deposits payable	750	-	-	750
Due to other funds	272,642	(272,642)	-	-
Deferred/Unearned revenue	144,885	-	(144,885)	-
Advances from other funds	-	-	-	-
Total current liabilities	<u>719,337</u>	<u>(272,642)</u>	<u>(144,885)</u>	<u>301,810</u>
Noncurrent liabilities:				
Claims liabilities	-	-	82,690	82,690
Compensated absences	-	-	56,396	56,396
Net OPEB obligation	-	-	362,419	362,419
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>501,505</u>	<u>501,505</u>
Total liabilities	<u>719,337</u>	<u>(272,642)</u>	<u>356,620</u>	<u>803,315</u>
FUND BALANCES/NET ASSETS				
Fund balances:				
Nonspendable				
Prepaid items	114,737	(114,737)	-	-
Advances receivable	200,000	(200,000)	-	-
Restricted				
Streets and roads	1,341,645	(1,341,645)	-	-
Housing	451,255	(451,255)	-	-
Maintenance	55,881	(55,881)	-	-
Unassigned (deficit)	11,056,477	(11,056,477)	-	-
Net assets:				
Invested in capital assets	-	-	17,403,453	17,403,453
Restricted	-	1,848,781	-	1,848,781
Unrestricted	-	11,371,214	(356,620)	11,014,594
Total fund balances/ net assets	<u>13,219,995</u>	<u>-</u>	<u>17,046,833</u>	<u>30,266,828</u>
Total liabilities and net assets	<u>\$ 13,939,332</u>	<u>\$ (272,642)</u>	<u>\$ 17,403,453</u>	<u>\$ 31,070,143</u>

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	<u>Major Funds</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Former Redevelopment Agency Community Development Special Revenue</u>	<u>Other Governmental Funds</u>	
REVENUES:				
Taxes	\$ 4,495,371	\$ 422,488	\$ -	\$ 4,917,859
Licenses, permits, and fees	85,777	-	-	85,777
Intergovernmental	169,815	-	1,060,792	1,230,607
Fines and forfeitures	49,223	-	-	49,223
Use of money and property	494,568	174	30,766	525,508
Other	1,876	-	-	1,876
Total revenues	<u>5,296,630</u>	<u>422,662</u>	<u>1,091,558</u>	<u>6,810,850</u>
EXPENDITURES:				
Current:				
General government	1,046,267	-	-	1,046,267
Community development	988,241	-	143,523	1,131,764
Culture and leisure	608,804	-	-	608,804
Public safety	1,350,473	-	-	1,350,473
Public works	325,693	-	334,822	660,515
Capital outlay	61,471	-	1,327,996	1,389,467
Total expenditures	<u>4,380,949</u>	<u>-</u>	<u>1,806,341</u>	<u>6,187,290</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>915,681</u>	<u>422,662</u>	<u>(714,783)</u>	<u>623,560</u>
OTHER FINANCING SOURCES (USES):				
Extraordinary gain (loss) on the dissolution of redevelopment	-	1,256,535	(1,547,816)	(291,281)
Total other financing sources (uses)	<u>-</u>	<u>1,256,535</u>	<u>(1,547,816)</u>	<u>(291,281)</u>
Net change in fund balances	<u>915,681</u>	<u>1,679,197</u>	<u>(2,262,599)</u>	<u>332,279</u>
FUND BALANCES:				
Beginning of year	10,533,111	(1,679,197)	4,033,802	12,887,716
End of year	<u>\$ 11,448,792</u>	<u>\$ -</u>	<u>\$ 1,771,203</u>	<u>\$ 13,219,995</u>

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2012

Functions/Programs	Fund Based Totals	Compensated Absences	Depreciation	Capital Asset (Additions)/ Retirements	Claims/ OPEB Obligation	Government- wide Totals
Governmental activities:						
General government	\$ 1,046,267	\$ 2,027	\$ 22,911	\$ 193,312	\$ 219,828	\$ 1,484,345
Community development	1,131,764	-	-	-	-	1,131,764
Culture and leisure	608,804	-	12,766	-	-	621,570
Public safety	1,350,473	-	-	-	-	1,350,473
Public works	660,515	-	202,063	-	-	862,578
Capital outlay	1,389,467	-	-	(1,389,467)	-	-
Total governmental activities	\$ 6,187,290	\$ 2,027	\$ 237,740	\$ (1,196,155)	\$ 219,828	\$ 5,450,730

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in

Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 332,279
---	-------------------

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 1,196,155	
Capital asset retirements	-	
Depreciation expense	<u>(237,740)</u>	958,415

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in claim liabilities	(82,690)
Change in compensated absences	(2,027)

Certain employee benefit obligations are recorded on a pay-as-you-go basis in the governmental funds, but are accrued as liabilities in the Statement of Net Assets:

Net OPEB obligation	<u>(137,138)</u>	(137,138)
---------------------	------------------	-----------

Change in net assets of governmental activities

\$ 1,068,839

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget to Actual - General Fund and Major Special Revenue Funds

For the year ended June 30, 2012

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes	\$ 3,673,451	\$ 3,673,451	\$ 4,495,371	\$ 821,920
Licenses, permits, and fees	4,000	4,000	85,777	81,777
Intergovernmental	165,000	165,000	169,815	4,815
Fines and forfeitures	31,700	31,700	49,223	17,523
Use of money and property	64,315	64,315	494,568	430,253
Other	10,000	10,000	1,876	(8,124)
Total revenues	3,948,466	3,948,466	5,296,630	1,348,164
EXPENDITURES:				
Current:				
General government	939,602	939,602	1,046,267	(106,665)
Community development	1,043,964	1,043,964	988,241	55,723
Culture and leisure	789,744	789,744	608,804	180,940
Public safety	1,855,592	1,855,592	1,350,473	505,119
Public works	361,351	361,351	325,693	35,658
Capital outlay	80,200	80,200	61,471	18,729
Total expenditures	5,070,453	5,070,453	4,380,949	689,504
REVENUES OVER (UNDER) EXPENDITURES	(1,121,987)	(1,121,987)	915,681	2,037,668
OTHER FINANCING SOURCES (USES):				
Extraordinary gain (loss) on the dissolution of redevelopment	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,121,987)	(1,121,987)	915,681	2,037,668
FUND BALANCES:				
Beginning of year	10,533,111	10,533,111	10,533,111	-
End of year	\$ 9,411,124	\$ 9,411,124	\$ 11,448,792	\$ 2,037,668

The accompanying notes are an integral part of these basic financial statements.

**Former Redevelopment Agency
Community Development Fund**

Budgeted Amounts		Actual	Variance w/Final
Original	Final		Positive (Negative)
\$ 600,000	\$ 600,000	\$ 422,488	\$ (177,512)
-	-	-	-
-	-	-	-
-	-	-	-
15,000	15,000	174	(14,826)
-	-	-	-
<u>615,000</u>	<u>615,000</u>	<u>422,662</u>	<u>(192,338)</u>
-	-	-	-
110,000	110,000	-	110,000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>
505,000	505,000	422,662	(82,338)
-	-	1,256,535	1,256,535
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>1,256,535</u>	<u>1,256,535</u>
505,000	505,000	1,679,197	1,174,197
<u>(1,679,197)</u>	<u>(1,679,197)</u>	<u>(1,679,197)</u>	<u>-</u>
<u><u>\$(1,174,197)</u></u>	<u><u>\$(1,174,197)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,174,197</u></u>

PROPRIETARY FUNDS

Fund	Description
MAJOR FUNDS:	
Water Fund	Accounts for revenues and expenses associated with the administration and coordination of stormwater drainage activities in conjunction with the County of Santa Barbara transferred to Special Revenue because of discontinuance of the user fee.
Wastewater Fund	Accounts for all activities associated with the operation and maintenance of providing solid waste services.

City of Buellton, California

Statement of Net Assets

Proprietary Funds

June 30, 2012

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 2,380,188	\$ 1,941,891	\$ 4,322,079
Receivables:			
Accounts	137,697	62,934	200,631
Interest	1,604	1,682	3,286
Inventory	10,280	-	10,280
Prepaid items	888,953	17,966	906,919
Total current assets	<u>3,418,722</u>	<u>2,024,473</u>	<u>5,443,195</u>
Noncurrent assets:			
Capital assets, net			
Buildings and improvements	822,078	-	822,078
Equipment	259,309	323,643	582,952
Infrastructure	5,407,275	5,322,179	10,729,454
Less: accumulated depreciation	(3,451,041)	(3,120,005)	(6,571,046)
Total capital assets (net of accumulated depreciation)	<u>3,037,621</u>	<u>2,525,817</u>	<u>5,563,438</u>
Total noncurrent assets	<u>3,037,621</u>	<u>2,525,817</u>	<u>5,563,438</u>
Total assets	<u>\$ 6,456,343</u>	<u>\$ 4,550,290</u>	<u>\$ 11,006,633</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 133,130	\$ 36,950	\$ 170,080
Deposits	24,517	-	24,517
Total current liabilities	<u>157,647</u>	<u>36,950</u>	<u>194,597</u>
Noncurrent liabilities:			
Compensated absences	11,952	11,952	23,904
OPEB payable	44,250	44,250	88,500
Total noncurrent liabilities	<u>56,202</u>	<u>56,202</u>	<u>112,404</u>
Total liabilities	<u>213,849</u>	<u>93,152</u>	<u>307,001</u>
Net Assets:			
Invested in capital assets	3,037,621	2,525,817	5,563,438
Unrestricted	3,204,873	1,931,321	5,136,194
Total net assets	<u>6,242,494</u>	<u>4,457,138</u>	<u>10,699,632</u>
Total liabilities and net assets	<u>\$ 6,456,343</u>	<u>\$ 4,550,290</u>	<u>\$ 11,006,633</u>

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the year ended June 30, 2012

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for services	\$ 1,388,813	\$ 597,963	\$ 1,986,776
Other operating revenues	462	-	462
Total operating revenues	<u>1,389,275</u>	<u>597,963</u>	<u>1,987,238</u>
OPERATING EXPENSES:			
Personnel services	246,420	245,595	492,015
Operations and maintenance	1,298,940	352,256	1,651,196
Depreciation	154,097	174,089	328,186
Total operating expenses	<u>1,699,457</u>	<u>771,940</u>	<u>2,471,397</u>
OPERATING LOSS	<u>(310,182)</u>	<u>(173,977)</u>	<u>(484,159)</u>
NONOPERATING REVENUES:			
Interest revenue	7,458	7,061	14,519
Total non-operating revenues, net	<u>7,458</u>	<u>7,061</u>	<u>14,519</u>
NET INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS			
Capital contributions	34,720	-	34,720
Total capital contributions	<u>34,720</u>	<u>-</u>	<u>34,720</u>
CHANGE IN NET ASSETS	(268,004)	(166,916)	(434,920)
NET ASSETS:			
Beginning of year	6,510,498	4,624,054	11,134,552
End of year	<u>\$ 6,242,494</u>	<u>\$ 4,457,138</u>	<u>\$ 10,699,632</u>

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Water Fund	Wastewater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received (refunds paid) from (to) customers/users for services provided	\$ 1,403,455	\$ 601,472	\$ 2,004,927
Cash payments to suppliers for goods and services	(1,149,657)	(339,446)	(1,489,103)
Cash payments to employees for services	(249,079)	(248,254)	(497,333)
Net cash provided by operating activities	4,719	13,772	18,491
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Due to/from other funds	221,882	(514,465)	(292,583)
Net cash used by noncapital financing activities	221,882	(514,465)	(292,583)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants received	34,720	-	34,720
Acquisition and construction of capital assets	(235,302)	(125,915)	(361,217)
Net cash (used) by capital and related financing activities	(200,582)	(125,915)	(326,497)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	8,051	7,636	15,687
Net cash provided by investing activities	8,051	7,636	15,687
Net increase (decrease) in cash and cash equivalents	34,070	(618,972)	(584,902)
CASH AND CASH EQUIVALENTS:			
Beginning of year	2,346,118	2,560,863	4,906,981
End of year	<u>\$ 2,380,188</u>	<u>\$ 1,941,891</u>	<u>\$ 4,322,079</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income	\$ (310,182)	\$ (173,977)	\$ (484,159)
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in current assets:			
Accounts receivable	14,575	3,509	18,084
Inventory	(4,139)	-	(4,139)
Prepaid items	42,523	1,233	43,756
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	110,899	11,577	122,476
Deposits payable	(395)	-	(395)
Compensated absences	(2,659)	(2,659)	(5,318)
OPEB payable	-	-	-
Net cash provided by operating activities	\$ 4,719	\$ 13,772	\$ 18,491

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Successor Agency</u>		<u>Totals</u>
	<u>Private Purpose</u> <u>Trust Funds</u>	<u>Deposits</u> <u>Agency Fund</u>	
ASSETS			
Current Assets:			
Cash and investments	\$ 1,885,046	\$ 143,242	\$ 2,028,288
Receivables:			
Accounts	91,926	-	91,926
Interest	1,313	-	1,313
Prepays	3,866	-	3,866
Total current assets	<u>1,982,151</u>	<u>143,242</u>	<u>2,125,393</u>
Noncurrent Assets			
Property, plant and equipment, net	345,683	-	345,683
Total noncurrent Assets:	<u>345,683</u>	<u>-</u>	<u>345,683</u>
Total assets	<u>\$ 2,327,834</u>	<u>\$ 143,242</u>	<u>\$ 2,471,076</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 280,650	\$ -	\$ 280,650
Refundable deposits	-	143,242	143,242
Total current liabilities:	<u>280,650</u>	<u>143,242</u>	<u>423,892</u>
Noncurrent liabilities:			
Advances from Governmental Activities	1,876,208	-	1,876,208
Total noncurrent liabilities	<u>1,876,208</u>	<u>-</u>	<u>1,876,208</u>
Total liabilities	<u>2,156,858</u>	<u>\$ 143,242</u>	<u>2,300,100</u>
Net Assets (Deficit)			
Net assets held in trust for Redevelopment Dissolution	<u>170,976</u>		<u>170,976</u>
Total liabilities and net assets	<u>\$ 2,327,834</u>		<u>\$ 2,471,076</u>

The accompanying notes are an integral part of these basic financial statements.

City of Buellton, California
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2012

	Successor Agency
	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Property taxes	\$ 94,926
Investment earnings	1,466
Net assets received upon dissolution of redevelopment agency	<u>291,281</u>
Total additions:	387,673
DEDUCTIONS:	
Community development	<u>216,697</u>
Total deductions:	216,697
CHANGE IN FIDUCIARY NET ASSETS	170,976
NET ASSETS (DEFICIT):	
Beginning of year	-
End of year	<u><u>\$ 170,976</u></u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Buellton, California
Notes to Basic Financial Statements
For the year ended June 30, 2012

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies	40
Financial Reporting Entity.....	40
Basis of Accounting.....	42
Measurement Focus.....	42
Assets, Liabilities, and Equity.....	45
Revenues, Expenditures, and Expenses.....	50
Budgetary Accounting.....	51
Note 2 – Cash and Investments	53
Note 3 – Accounts Receivable	56
Note 4 – Loans and Notes Receivable	56
Note 5 – Capital Assets	57
Note 6 – Accounts Payable and Accrued Liabilities	58
Note 7 – Noncurrent Liabilities	59
Note 8 – Net Assets/ Fund Balances	60
Note 9 – Interfund Transactions	62
Note 10 – Risk Management	63
Note 11 – Public Employee Retirement System	64
Plan Description and Funding Policy.....	64
Note 12 – Postemployment Health Care Benefits	65
Note 13 – Successor Agency Trust for Assets of Former Redevelopment Agency	67
Note 14 – Commitments and Contingencies	69
Note 15 – Joint Operating Agreements	69
Note 16 – New Accounting Pronouncements	70

City of Buellton, California
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Buellton, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Buellton (City) was incorporated in 1992, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety (Police and Fire), highways and streets, water service, wastewater, public improvements, planning and zoning, and general administration.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

The City was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City uses the City Council/Manager form of government. The financial reporting entity consists of: (a) the primary government, the City; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

The following is a brief review of the component units included in the accompanying basic financial statements of the City:

Former Redevelopment Agency of the City of Buellton (RDA) was established in fiscal year 1992-93 pursuant to the State of California Health and Safety Codes, Section 33000, entitled "Community Redevelopment Law." Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City. In fiscal year 2011-12, due to dissolution of all redevelopment agencies by the State, all redevelopment activities were transferred to a Successor Agency reported in private purpose trust funds.

The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The RDA has been accounted for as a "blended" component unit of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City's special revenue and capital project funds.

The following specific criteria were used in determining that the RDA was a blended component unit:

- The members of the City Council also acted as the governing body of the RDA.
- The RDA was managed by employees of the City. A portion of the employee's salary and overhead expenses that work with Redevelopment was charged to the RDA each year.
- The City and RDA were financially interdependent. The City made loans to the RDA to use for redevelopment purposes. Property tax revenues of the RDA were used to repay the loans to the City.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government–Wide Financial Statements

The government–wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in 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 the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government–Wide Financial Statements, Continued

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, to proprietary funds, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria. The following were the City’s major governmental funds:

- ***The General Fund*** - Accounts for all general revenues of the city not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in other funds.
- ***Former 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.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences between the two methods of measurement focus.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds. The City has determined that all its enterprise funds are major funds. The following were the City’s major enterprise funds:

- ***The Water Fund*** - This fund was established as a separate fund to account for the operation of the City's water utility. It is a self-supporting activity that provides services on a user-charge basis to residents and businesses located in the City.
- ***The Wastewater Fund*** - This fund was established as a separate fund to account for the operation of the City's wastewater utility. It is a self-supporting activity that provides services on a user-charge basis to residents and businesses located in the City.

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 Net Assets presents 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 a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations 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.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The fiduciary funds are accounted for using the accrual basis of accounting.

C. Cash, Cash Equivalents, and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments. For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

Disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds.

E. Inventories

The City accounts for inventories using the first-in, first-out method. Inventories consist primarily of supplies and are carried at cost. Governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

F. Capital Assets

Government-Wide Financial Statements

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$2,000 and with useful lives exceeding one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, wastewater, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping, and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach defined by GASB Statement No. 34, which requires all infrastructures be reported at historical cost and be depreciated over their estimated useful lives.

G. Long-Term Liabilities

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

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

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. *Compensated Absences*

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported in the appropriate activity.

Fund Financial Statements

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.

I. *Net Assets and Fund Equity*

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets and Fund Equity, Continued

Government-Wide Financial Statements, Continued

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets” or “restricted net assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (Creditors, Grantors, Contributors and Other Governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period. (Encumbrances, economic contingencies and uncertainties)
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets and Fund Equity, Continued

Fund Financial Statements, Continued

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

J. 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	August 1
Due Dates	November 1 (50%) February 1 (50%)	
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.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

L. Reclassifications

Certain amounts have been reclassified to provide for comparables results on a year to year basis.

M. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund liability or by deferred revenue in the applicable governmental funds to indicate that they are not expendable available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

N. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first.

O. Budgetary Accounting

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

- Public hearings are conducted to obtain public comments. The City Council annually adopts the budget for the ensuing fiscal year prior to July 1st.
- The City Manager is authorized to transfer budgetary amounts within a Department; however, any revisions that alter the total expenditures of any Department must be approved by the City Council.
- Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for all funds.
- All Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Budgetary Accounting, continued

- Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. The City Manager may amend the budgeted amounts within departmental expenditure classifications. Appropriation revisions made during the year ended June 30, 2012, were not significant.

Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2012, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit. Budgeted appropriations for the various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS

At June 30, 2012, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair market value:

	Maturities (in years)			Deposits	Fair Market Value
	< 1	1 to 2	> 2		
<u>Cash equivalents and investments pooled</u>					
Pooled cash, at fair value:					
Cash in bank	\$ -	\$ -	\$ -	\$ 489,687	\$ 489,687
Petty cash	-	-	-	550	550
Total pooled items	-	-	-	490,237	490,237
Pooled investments, at fair value					
<u>Interest obligations</u>					
FNMA - STEP 1% \$250,000 par value	-	-	250,801	-	250,801
State Bank of India - Negotiable CD	-	125,818	-	-	125,818
Negotiable Certificates of Deposit 1.2% - 1.85% \$2,232,000 par	-	-	2,240,115	-	2,240,115
FNMA Notes 1.125%-2.125% \$1,000,000 par	-	-	1,002,998	-	1,002,998
State of California Local Agency Investment Fund	13,091,976	-	-	-	13,091,976
Total pooled investments - interest obligations	13,091,976	125,818	3,493,914	-	16,711,708
Total cash equivalents and investments pooled	\$ 13,091,976	\$ 125,818	\$ 3,493,914	\$ 490,237	\$ 17,201,945
Amounts reported in:					
Governmental activities					\$ 4,708,722
Governmental activities - restricted					6,142,856
Business-type activities					4,322,079
Fiduciary activities					2,028,288
Total					\$ 17,201,945

Investment Type	Fair Value	Maturity (in years)
US Agency Securities	\$ 1,253,799	5
Certificates of Deposit	2,365,933	5
Local Agency Investment Fund	13,091,976	0.25
Total fair value	\$ 16,711,708	
Portfolio weighted average maturity		3.42

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2012, the City's permissible investments included the following instruments:

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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.	N/A	None	None

Interest rate risk – In accordance with its investment policy, the City manages its exposures to declines in fair values by limiting the weighted average maturity of its investment portfolio to not exceed 5 years. As of June 30, 2012, the weighted average maturity was 3.42 years.

Credit risk – It is the City’s policy that medium-term notes, with a final maturity not exceeding five years from the date of purchase, must have a rating of “AAAm” or “AAAm-G” or better by the Standard & Poor’s Corporation. The LAIF, administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 0.76% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's Investment Policy addresses custodial credit risk, which follows the Government Code. As of June 30, 2012, the City had a balance of \$222,484 in the pool exposed to custodial credit risk because they exceeded the \$250,000 Federal Deposit Insurance Corporation's insurance limits. The uninsured bank balance is collateralized by the pledging financial institutions at 110% of the deposits, in accordance with the State of California Government Code.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2012, the carrying amount of the City's deposits was \$489,687 and the balances in financial institutions was \$483,941. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$233,941 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2012, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$60,612,199,285 of which the City had a balance of \$13,091,976, which approximated market value and was managed by the State Treasurer. Of the total invested, 99.24% was invested in non-derivative financial products and 0.76% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2012:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Current:				
Taxes receivable	\$ 144,885	\$ -	\$ -	\$ 144,885
Accounts receivable	464,951	200,631	91,926	757,508
Interest receivable	14,331	3,286	1,313	18,930
Total current	<u>624,167</u>	<u>203,917</u>	<u>93,239</u>	<u>921,323</u>
Noncurrent:				
Notes receivable	200,000	-	-	200,000
Total noncurrent	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total receivables	<u>\$ 824,167</u>	<u>\$ 203,917</u>	<u>\$ 93,239</u>	<u>\$ 1,121,323</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	12.9%
Individuals/Businesses	85.4%
Financial	1.7%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business, or agency.

4. LOANS AND NOTES 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, 2012, was \$200,000.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Governmental activities:</u>				
Nondepreciable assets:				
Land	\$ 1,536,248	\$ -	\$ -	\$ 1,536,248
Total nondepreciable assets	1,536,248	-	-	1,536,248
Depreciable assets:				
Buildings and improvements	8,346,414	-	(4,124,966)	4,221,448
Equipment	392,039	-	(6,273)	385,766
Infrastructure	16,183,515	-	(367,860)	15,815,655
Total depreciable assets	24,921,968	-	(4,499,099)	20,422,869
Total	26,458,216	-	(4,499,099)	21,959,117
Accumulated depreciation:				
Total accumulated depreciation	(10,013,178)	(237,740)	5,695,254	(4,555,664)
Net depreciable assets	14,908,790	(237,740)	1,196,155	15,867,205
Total net capital assets	\$ 16,445,038	\$ (237,740)	\$ 1,196,155	\$ 17,403,453

Capital asset activity for business-type activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Business-type activities:</u>				
Nondepreciable assets:				
Land	\$ 247,691	\$ -	\$ -	\$ 247,691
Total nondepreciable assets	247,691	-	-	247,691
Depreciable assets:				
Buildings and improvements	-	574,387	-	574,387
Equipment	557,499	25,453	-	582,952
Infrastructure	10,968,077	-	(238,623)	10,729,454
Total depreciable assets	11,525,576	599,840	(238,623)	11,886,793
Total	11,773,267	599,840	(238,623)	12,134,484
Accumulated depreciation:				
Total accumulated depreciation	(6,242,860)	(328,186)	-	(6,571,046)
Net depreciable assets	5,282,716	271,654	(238,623)	5,315,747
Total net capital assets	\$ 5,530,407	\$ 271,654	\$ (238,623)	\$ 5,563,438

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS, Continued

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:			
General government		\$	22,911
Culture and leisure			12,766
Public works			202,063
Total depreciation expense governmental activities		\$	<u>237,740</u>
Business-type Activities:			
Water		\$	154,097
Wastewater			174,089
Total depreciation expense - business-type activities		\$	<u>328,186</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2012:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 189,460	\$ 170,080	\$ 280,650	\$ 640,190
Accrued payroll and related liabilities	111,600	-	-	111,600
Deposits payable	750	24,517	-	25,267
Refundable deposits and accruals	-	-	143,242	143,242
Total	<u>\$ 301,810</u>	<u>\$ 194,597</u>	<u>\$ 423,892</u>	<u>\$ 920,299</u>

These amounts resulted in the following concentrations in payables:

Vendors	12.1%
Employees	87.9%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. NONCURRENT LIABILITIES

Changes in Noncurrent Liabilities

Noncurrent liability activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Claims liabilities	\$ -	\$ 82,690	\$ -	\$ 82,690	\$ -
Compensated absences	54,369	2,027	-	56,396	-
Net OPEB Obligation	225,281	137,138	-	362,419	-
Total Governmental Activities:	<u>\$ 279,650</u>	<u>\$ 221,855</u>	<u>\$ -</u>	<u>\$ 501,505</u>	<u>\$ -</u>
Business-type activities:					
Compensated absences	\$ 29,222	\$ -	\$ (5,318)	\$ 23,904	\$ -
Net OPEB Obligation	88,500	-	-	88,500	-
Total Business-type Activities:	<u>\$ 117,722</u>	<u>\$ -</u>	<u>\$ (5,318)</u>	<u>\$ 112,404</u>	<u>\$ -</u>

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, 2012, total \$56,396 for governmental activities and \$23,904 for business-type activities.

Claims liabilities

The City has recorded a liability for potential claims in excess of amounts covered by the insurance pool. See Note 10 for further discussion on the City's risk management activities.

Net OPEB Obligation

A net OPEB Obligation is the cumulative difference between annual OPEB cost and an employer's contribution to a plan. At June 30, 2012, the City had a net OPEB Obligation of \$450,919. See Note 12 for further discussion on OPEB.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. NET ASSETS/ FUND BALANCES

Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Invested in capital assets	\$ 17,403,453	\$ 5,563,438	\$ 22,966,891
Restricted	1,848,781	-	1,848,781
Unrestricted	<u>11,014,594</u>	<u>5,136,194</u>	<u>16,150,788</u>
Total	<u>\$ 30,266,828</u>	<u>\$ 10,699,632</u>	<u>\$ 40,966,460</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below

Fund Balance

Nonspendable, Restricted, and Unassigned (deficit) fund balance consisted of the following at June 30, 2012:

Nonspendable:	
Prepaid items	\$ 114,737
Notes receivable	200,000
Total nonspendable	<u>\$ 314,737</u>
Restricted for:	
Streets and roads	\$ 1,341,645
Housing	451,255
Maintenance	55,881
Total restricted	<u>\$ 1,848,781</u>
Unassigned (deficit):	
General Fund	\$ 11,334,055
Nonmajor governmental funds	(277,578)
Total unassigned (deficit)	<u>\$ 11,056,477</u>
Total fund balances	<u>\$ 13,219,995</u>

The following describe the purpose of each nonspendable, restriction and unassigned used by the City:

Nonspendable

Prepaid items - used to segregate that portion of fund balance to indicate that prepaid amounts do not represent available, spendable resources even though they are components of assets.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. NET ASSETS/ FUND BALANCES, Continued

Notes receivable – used to indicate that the long-term note receivable is unavailable for current financials, spendable resources.

Restricted

Streets and Roads – represents amounts restricted for streets and roads maintenance as provided by Highways and Streets Regulations and Local Measures.

Housing – includes amounts set aside to increase the number of affordable housing units as provided by affordable housing regulations.

Maintenance – includes amounts set aside for maintenance of City facilities.

There were no Deficit net assets balances at June 30, 2012.

Deficit fund balances consisted of the following at June 30, 2012:

Nonmajor Special Revenue Funds:

Traffic Mitigation Funds - (\$157,705), the deficit will be resolved through collection of future funding.

Transportation Planning - (\$119,873), the deficit will be resolved through future grants.

Excess of Expenditures and Transfers Over Appropriations: Expenditures and transfers exceeded appropriations for the year ended June 30, 2012, for the following funds:

	<u>Final Budget</u>	<u>Total Expenditures and Transfers</u>	<u>Excess Expenditures Over Appropriations</u>
<u>Governmental Activities</u>			
Non-major Funds:			
Special Revenue Funds:			
Gas Tax	\$ 511,728	\$ 1,072,066	\$ (560,338)
Measure D	130,000	133,109	(3,109)

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

9. INTERFUND TRANSACTIONS

Due to and due from other funds consisted of the following as of June 30, 2012:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Activities</u>		
Major Funds:		
General Fund	\$ 272,450	\$ -
Total Major Funds	<u>272,450</u>	<u>-</u>
Non-major Funds:		
Traffic Mitigation Fund	-	157,717
Meaure D Fund	192	-
Transportation Planning Fund		<u>114,925</u>
Total Non-major Funds	<u>192</u>	<u>272,642</u>
Total Governmental Activities	<u>272,642</u>	<u>272,642</u>
Total	<u>\$ 272,642</u>	<u>\$ 272,642</u>

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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, 2012, are as follows:

An advance in the amount of \$1,876,208 was made from the General Fund to the Successor Agency Non-Housing Private Purpose Trust Fund as a result of the dissolution of redevelopment agencies in the State of California.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. RISK MANAGEMENT

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.

Self-Insurance Programs of the Authority

<u>Amount</u>	<u>Coverage Provider</u>	<u>Payment Source</u>
General and Automobile Liability Claims:		
\$0 - \$30,000	Charged directly to the City's primary deposit	City funds
30,001 - 750,000	Pooled based on the City's share of losses under \$30,000	City funds
750,001 - 5,000,000	Pooled based on payroll	Authority
5,000,001 - 10,000,000	Paid under reinsurance policies	Authority
10,000,001 - 50,000,000	Covered through purchase of excess insurance policies	Authority
Workers' Compensation Claims:		
\$0 - \$50,000	Charged directly to City's primary deposit	City funds
50,001 - 100,000	Pooled based on the member's share of losses under \$50,000	City funds
100,001 - 2,000,000	Pooled based on payroll	Authority
2,000,001 - 4,000,000	Covered through purchase of excess insurance policies	Authority
4,000,001 - 10,000,000	Covered through purchase of excess insurance policies	Authority

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.

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.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. RISK MANAGEMENT, Continued

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.

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.

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2011-2012	\$ -	\$ 115,380	\$ (32,690)	\$ 82,690

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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 2011/2012 was 12.216% 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

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

Funding Policy, continued

June 30, 2012, 2011, and 2010, were \$142,413, \$124,757, and \$123,515, respectively, and equal 100% of the required contributions for each fiscal year.

12. POSTEMPLOYMENT HEALTH CARE BENEFITS

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 - 1'00% 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.

Membership of the plan consisted of the following at June 30, 2012

Retirees and beneficiaries receiving benefits	8
Current staff receiving benefits	0
Other participants not yet fully eligible for benefits	18
Total	26

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

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, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

12. POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB Cost for the fiscal year ended June 30, 2012, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Annual required contribution (ARC)	\$ 192,373
Interest on net OPEB Obligation	15,689
Adjustment to annual required contribution	(20,412)
Annual OPEB cost (expense)	<u>\$ 187,650</u>
Employer contributions made	(50,512)
Increase (Decrease) in net OPEB obligation	<u>\$ 137,138</u>
Net OPEB Obligation - beginning of year	313,781
Net OPEB Obligation - end of year	<u>\$ 450,919</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$192,373	17%	\$160,278
6/30/11	200,387	23%	313,781
6/30/12	187,650	27%	450,919

Funded Status and Funding Progress

The funded status of the plan as June 30, 2012, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,862,711
Actuarial value of Plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 1,862,711
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$ 1,164,087
UAAL as a percentage of covered payroll	160.0%

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

12. POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

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

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, 2012. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4 percent investment rate (net of administrative expense) and an annual health care cost trend rate of 8 percent to better reflect expectations of average premium increases over the next several years. 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, 2012, was 30 years.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Buellton that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On June 4, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-02.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill 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 the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Community Development Fund.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$291,281
---	-----------

No adjustments for change to accounting basis

Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City)	<u>\$291,281</u>
---	------------------

Investment in Land and Building Held for Resale – consists of a commercial condominium purchased by the Former Redevelopment Agency for the Visitor’s Bureau headquarters. The purchase cost was \$345,683 and represents the value received for disposition by the Successor Agency.

14. COMMITMENTS AND CONTINGENCIES

The City is a party to claims and lawsuits arising in the ordinary course of business. The City’s management and legal council are of the opinion that the ultimate liability, if any, arising from these claims will not have material adverse impact on the financial position of the City. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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. These costs are reported in the Water Fund as operations and maintenance.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

16. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus." The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The City will implement this Statement in fiscal year 2012-13.

The GASB has issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The City will implement this Statement in Fiscal year 2012-13.

The GASB has issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 65, "Item Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City will implement this Statement in Fiscal year 2012-13.

City of Buellton, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

16. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 66, “Technical Corrections – 2012”. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this Statement did not have an effect on these financial statements.

This page intentionally left blank.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Housing Fund	Accounts for funds used to maintain the City's supply of affordable housing.
Traffic Mitigation Fund	Accounts for traffic congestion relief funds received for street purposes.
Gas Tax Fund	Accounts for funds received and expended for street maintenance as defined in the Streets and Highway Code.
Measure A Fund	Accounts for revenues and expenditures of Measure A funds.
Measure D Fund	Accounts for revenues and expenditures of Measure D funds.
Local Transportation Fund	Accounts for revenues and expenditures used for local transportation projects.
Transportation Planning Fund	Accounts for funds used in the planning for transportation projects.
Former Redevelopment Agency Low & Moderate Fund	Accounts for tax increment revenues received and expended for low/moderate income housing purposes.
Former Redevelopment Agency Capital Projects Fund	Accounts for tax increment revenues received and expended for Redevelopment capital projects.

City of Buellton, California
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012

	Governmental Funds		Non-major Funds Totals
	Special Revenue Funds	Redevelopment Agency Capital Projects Fund	
			2012
ASSETS			
Cash and investments	\$ 1,750,132	\$ -	\$ 1,750,132
Restricted cash and investments	-	-	-
Receivables:			
Accounts	108,348	-	108,348
Interest	8,671	-	8,671
Intergovernmental	-	-	-
Loans/Notes receivable	200,000	-	200,000
Due from other funds	192	-	192
Advances to other funds	-	-	-
Other assets	-	-	-
Total assets	\$ 2,067,343	\$ -	\$ 2,067,343
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 23,498	\$ -	\$ 23,498
Accrued wages	-	-	-
Due to other funds	272,642	-	272,642
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Total liabilities	296,140	-	296,140
Fund Balances (Deficits):			
Nonspendable			
Prepaid items	-	-	-
Loans/Notes receivable	200,000	-	200,000
Restricted	1,848,781	-	1,848,781
Committed	-	-	-
Assigned	-	-	-
Unassigned (Deficit)	(277,578)	-	(277,578)
Total fund balances (deficits)	1,771,203	-	1,771,203
Total liabilities and fund balances	\$ 2,067,343	\$ -	\$ 2,067,343

City of Buellton, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the year ended June 30, 2012

	Governmental Funds		Non-major Funds Totals
	Special Revenue Funds	Redevelopment Agency Capital Projects Fund	
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-
Intergovernmental	1,060,792	-	1,060,792
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	30,766	-	30,766
Other	-	-	-
Total revenues	1,091,558	-	1,091,558
EXPENDITURES:			
Current:			
General government	-	-	-
Community development	-	143,523	143,523
Culture and leisure	-	-	-
Public safety	-	-	-
Public works	334,822	-	334,822
Capital outlay	1,292,930	35,066	1,327,996
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,627,752	178,589	1,806,341
REVENUES OVER (UNDER) EXPENDITURES	(536,194)	(178,589)	(714,783)
OTHER FINANCING SOURCES (USES):			
Extraordinary gain (loss) on dissolution of redevelopment	(1,721,550)	173,734	(1,547,816)
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	(1,721,550)	173,734	(1,547,816)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(2,257,744)	(4,855)	(2,262,599)
FUND BALANCES (DEFICITS):			
Beginning of year	4,028,947	4,855	4,033,802
End of year	\$ 1,771,203	\$ -	\$ 1,771,203

City of Buellton, California
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2012

	Special Revenue Funds			
	Housing Fund	Traffic Mitigation Fund	Gas Tax Fund	Measure A Fund
ASSETS				
Cash and investments	\$ 443,568	\$ -	\$ 855,751	\$ 290,306
Restricted cash and investments				
Receivables:				
Accounts	-	-	85,665	22,452
Interest	7,687	12	721	170
Intergovernmental	-	-	-	-
Loans/Notes receivable	200,000	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 651,255	\$ 12	\$ 942,137	\$ 312,928
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,443	\$ 9,765
Due to other funds	-	157,717	-	-
Total liabilities	-	157,717	1,443	9,765
Fund Balances:				
Nonspendable:				
Note receivable	200,000	-	-	-
Restricted	451,255	-	940,694	303,163
Unassigned (deficit)	-	(157,705)	-	-
Total fund balances	651,255	(157,705)	940,694	303,163
Total liabilities and fund balances	\$ 651,255	\$ 12	\$ 942,137	\$ 312,928

Special Revenue Funds				
<u>Measure D Fund</u>	<u>Local Transportation Fund</u>	<u>Transportation Planning Fund</u>	<u>Former Redevelopment Agency Low & Moderate Fund</u>	<u>Total Non-major Special Revenue Funds</u>
\$ 55,689	\$ 104,818	\$ -	\$ -	\$ 1,750,132
-	231	-	-	108,348
-	81	-	-	8,671
-	-	-	-	-
-	-	-	-	200,000
192	-	-	-	192
<u>\$ 55,881</u>	<u>\$ 105,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,067,343</u>
\$ -	\$ 7,342	\$ 4,948	\$ -	\$ 23,498
-	-	114,925	-	272,642
-	7,342	119,873	-	296,140
-	-	-	-	200,000
55,881	97,788	-	-	1,848,781
-	-	(119,873)	-	(277,578)
<u>55,881</u>	<u>97,788</u>	<u>(119,873)</u>	<u>-</u>	<u>1,771,203</u>
<u>\$ 55,881</u>	<u>\$ 105,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,067,343</u>

City of Buellton, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Special Revenue Funds
For the year ended June 30, 2012

	Special Revenue Funds			
	Housing Fund	Traffic Mitigation Fund	Gas Tax Fund	Measure A Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-
Intergovernmental	-	5,200	722,444	328,814
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	6,792	49	18,853	740
Other	-	-	-	-
Total revenues	6,792	5,249	741,297	329,554
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and leisure	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	83,483	-
Capital outlay	-	-	988,583	304,347
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	1,072,066	304,347
REVENUES OVER (UNDER) EXPENDITURES	6,792	5,249	(330,769)	25,207
OTHER FINANCING SOURCES (USES):				
Extraordinary gain (loss) on dissolution of redevelopment	-	-	-	-
Total other financing sources and uses	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	6,792	5,249	(330,769)	25,207
FUND BALANCES (DEFICIT):				
Beginning of year	644,463	(162,954)	1,271,463	277,956
End of year	\$ 651,255	\$ (157,705)	\$ 940,694	\$ 303,163

Special Revenue Funds

Measure D Fund	Local Transportation Fund	Transportation Planning Fund	Former Redevelopment Agency Low & Moderate Fund	Total Non-major Governmental Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	4,334	-	-	1,060,792
-	-	-	-	-
-	-	-	-	-
177	416	-	3,739	30,766
-	-	-	-	-
<u>177</u>	<u>4,750</u>	<u>-</u>	<u>3,739</u>	<u>1,091,558</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
133,109	76,575	41,655	-	334,822
-	-	-	-	1,292,930
-	-	-	-	-
-	-	-	-	-
<u>133,109</u>	<u>76,575</u>	<u>41,655</u>	<u>-</u>	<u>1,627,752</u>
<u>(132,932)</u>	<u>(71,825)</u>	<u>(41,655)</u>	<u>3,739</u>	<u>(536,194)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,721,550)</u>	<u>(1,721,550)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,721,550)</u>	<u>(1,721,550)</u>
<u>(132,932)</u>	<u>(71,825)</u>	<u>(41,655)</u>	<u>(1,717,811)</u>	<u>(2,257,744)</u>
<u>188,813</u>	<u>169,613</u>	<u>(78,218)</u>	<u>1,717,811</u>	<u>4,028,947</u>
<u>\$ 55,881</u>	<u>\$ 97,788</u>	<u>\$ (119,873)</u>	<u>\$ -</u>	<u>\$ 1,771,203</u>

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Housing Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Use of money and property	4,500	4,500	6,792	2,292
Total revenues	6,500	6,500	6,792	292
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	6,500	6,500	6,792	292
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	6,500	6,500	6,792	292
FUND BALANCES:				
Beginning of year	644,463	644,463	644,463	-
End of year	\$ 650,963	\$ 650,963	\$ 651,255	\$ 292

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Traffic Mitigation Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 5,200	\$ 5,200
Use of money and property	-	-	49	49
Total revenues	-	-	5,249	5,249
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	5,249	5,249
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	5,249	5,249
FUND BALANCES:				
Beginning of year	(162,954)	(162,954)	(162,954)	-
End of year	\$ (162,954)	\$ (162,954)	\$ (157,705)	\$ 5,249

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 197,124	\$ 197,124	\$ 722,444	\$ 525,320
Use of money and property	5,000	5,000	18,853	13,853
Total revenues	202,124	202,124	741,297	539,173
EXPENDITURES:				
Current:				
Public works	120,813	120,813	83,483	37,330
Capital outlay	390,915	390,915	988,583	(597,668)
Total expenditures	511,728	511,728	1,072,066	(560,338)
REVENUES OVER (UNDER)				
EXPENDITURES	(309,604)	(309,604)	(330,769)	(21,165)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(309,604)	(309,604)	(330,769)	(21,165)
FUND BALANCES:				
Beginning of year	1,271,463	1,271,463	1,271,463	-
End of year	\$ 961,859	\$ 961,859	\$ 940,694	\$ (21,165)

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Measure A Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 282,825	\$ 282,825	\$ 328,814	\$ 45,989
Use of money and property	450	450	740	290
Total revenues	283,275	283,275	329,554	46,279
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Capital outlay	575,524	575,524	304,347	271,177
Total expenditures	575,524	575,524	304,347	271,177
REVENUES OVER (UNDER)				
EXPENDITURES	(292,249)	(292,249)	25,207	317,456
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(292,249)	(292,249)	25,207	317,456
FUND BALANCES:				
Beginning of year	277,956	277,956	277,956	-
End of year	\$ (14,293)	\$ (14,293)	\$ 303,163	\$ 317,456

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Measure D Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	177	177
Total revenues	-	-	177	177
EXPENDITURES:				
Current:				
Public works	-	130,000	133,109	(3,109)
Total expenditures	-	130,000	133,109	(3,109)
REVENUES OVER (UNDER)				
EXPENDITURES	-	(130,000)	(132,932)	(2,932)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(130,000)	(132,932)	(2,932)
FUND BALANCES:				
Beginning of year	188,813	188,813	188,813	-
End of year	\$ 188,813	\$ 58,813	\$ 55,881	\$ (2,932)

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Local Transportation Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 2,500	\$ 2,500	\$ 4,334	\$ 1,834
Use of money and property	500	500	415	(85)
Total revenues	3,000	3,000	4,749	1,749
EXPENDITURES:				
Current:				
Public works	75,000	75,000	76,575	(1,575)
Capital outlay	6,500	6,500	-	6,500
Total expenditures	81,500	81,500	76,575	4,925
REVENUES OVER (UNDER)				
EXPENDITURES	(78,500)	(78,500)	(71,826)	6,674
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(78,500)	(78,500)	(71,826)	6,674
FUND BALANCES:				
Beginning of year	169,614	169,614	169,614	-
End of year	\$ 91,114	\$ 91,114	\$ 97,788	\$ 6,674

City of Buellton, California

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Transportation Planning Special Revenue Fund
For the year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public works	50,000	50,000	41,655	8,345
Total expenditures	50,000	50,000	41,655	8,345
REVENUES OVER (UNDER)				
EXPENDITURES	(50,000)	(50,000)	(41,655)	8,345
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(50,000)	(50,000)	(41,655)	8,345
FUND BALANCES:				
Beginning of year	(78,218)	(78,218)	(78,218)	-
End of year	\$ (128,218)	\$ (128,218)	\$ (119,873)	\$ 8,345

City of Buellton, California

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

RDA Low and Moderate Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Use of money and property	5,000	5,000	3,739	(1,261)
Total revenues	205,000	205,000	3,739	(201,261)
EXPENDITURES:				
Current:				
Community development	29,000	29,000	-	29,000
Total expenditures	29,000	29,000	-	29,000
REVENUES OVER (UNDER)				
EXPENDITURES	176,000	176,000	3,739	(172,261)
OTHER FINANCING SOURCES (USES):				
Extraordinary gain (loss) on dissolution of redevelopment	-	-	(1,721,550)	(1,721,550)
Total other financing sources (uses)	-	-	(1,721,550)	(1,721,550)
Net change in fund balances	176,000	176,000	(1,717,811)	(1,893,811)
FUND BALANCES:				
Beginning of year	1,717,811	1,717,811	1,717,811	-
End of year	\$ 1,893,811	\$ 1,893,811	\$ -	\$ (1,893,811)

FIDUCIARY FUNDS

Fund Type	Description
Private Purpose Trust Funds	
Successor Agency - Non-Housing	Accounts for funds collected and disbursed for the dissolution of the former Buellton Redevelopment Agency related to Administration and Retirement of enforceable obligations.
Successor Agency - Housing	Accounts for funds collected and disbursed for the dissolution of the former Buellton Redevelopment Agency's housing related debts.
Agency Funds	
Deposits Agency Fund	This fund accounts for various deposits that are held on behalf of the City for various projects or programs

City of Buellton, California
Combining Statement of Net Assets
Private Purpose Trust Funds
June 30, 2012

	Successor Agency		
	Non-Housing	Housing	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 163,496	\$ 1,721,550	\$ 1,885,046
Receivables:			
Accounts	91,926	-	91,926
Interest	122	1,191	1,313
Prepays	3,866	-	3,866
Total current assets	<u>259,410</u>	<u>1,722,741</u>	<u>1,982,151</u>
Noncurrent Assets			
Investment in land and building held for resale	345,683	-	345,683
Total noncurrent assets:	<u>345,683</u>	<u>-</u>	<u>345,683</u>
Total assets	<u>\$ 605,093</u>	<u>\$ 1,722,741</u>	<u>\$ 2,327,834</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 280,650	\$ -	\$ 280,650
Total current liabilities:	<u>280,650</u>	<u>-</u>	<u>280,650</u>
Noncurrent liabilities:			
Advances from City of Buellton General Fund	1,876,208	-	1,876,208
Noncurrent liabilities	<u>1,876,208</u>	<u>-</u>	<u>1,876,208</u>
Total liabilities	<u>2,156,858</u>	<u>-</u>	<u>2,156,858</u>
Net Assets (Deficit)			
Net assets held in trust for Redevelopment Dissolution	<u>(1,551,765)</u>	<u>1,722,741</u>	<u>170,976</u>
Total liabilities and net assets	<u>\$ 605,093</u>	<u>\$ 1,722,741</u>	<u>\$ 2,327,834</u>

City of Buellton, California
Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2012

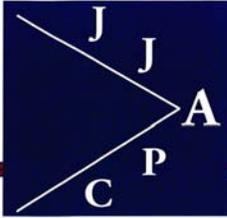
	Successor Agency		
	Non-Housing	Housing	Totals
ADDITIONS:			
Property taxes	\$ 94,926	\$ -	\$ 94,926
Investment earnings	275	1,191	1,466
Net assets received upon dissolution of Redevelopment Agency	(1,430,269)	1,721,550	291,281
Total additions:	<u>(1,335,068)</u>	<u>1,722,741</u>	<u>387,673</u>
DEDUCTIONS:			
Community development	216,697	-	216,697
Total deductions:	<u>216,697</u>	<u>-</u>	<u>216,697</u>
CHANGE IN FIDUCIARY NET ASSETS	(1,551,765)	1,722,741	170,976
NET ASSETS (DEFICIT):			
Beginning of year	-	-	-
End of year	<u>\$ (1,551,765)</u>	<u>\$ 1,722,741</u>	<u>\$ 170,976</u>

City of Buellton, California
Statement of Assets and Liabilities
Deposits Agency Fund
For the year ended June 30, 2012

	<u>2012</u>
ASSETS	
Cash and investments	\$ 143,242
Total assets	<u>\$ 143,242</u>
LIABILITIES	
Refundable deposits	\$ 143,242
Total liabilities	<u>\$ 143,242</u>

City of Buellton, California
Statement of Changes in Assets and Liabilities
Deposits Agency Fund
For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and investments	\$ 139,956	\$ 3,286	\$ -	\$ 143,242
Total assets	\$ 139,956	\$ 3,286	\$ -	\$ 143,242
LIABILITIES				
Accounts payable	\$ 3,258	\$ -	\$ (3,258)	\$ -
Refundable deposits	136,698	6,544	-	143,242
Total liabilities	\$ 139,956	\$ 6,544	\$ (3,258)	\$ 143,242



JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

To the Honorable Mayor and 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 aggregate remaining fund information of the City of Buellton, California (City), as of and for the year ended June 30, 2012, and have issued our report thereon dated June 10, 2013. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 management, City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

JJACPA, Inc.

June 10, 2013

JJACPA, Inc.