



City of Buellton

CITY OF BUELLTON CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2017



Buellton City Hall drought tolerant landscape.

INTRODUCTORY SECTION

CITY OF BUELLTON

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City of Buellton

December 21, 2017

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

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the City of Buellton (“City”) for the fiscal year July 1, 2016 through June 30, 2017. Although submitted to the Mayor and City Council (“Council”) for consideration, the CAFR is also intended to provide relevant financial information to the residents of Buellton, taxpayers, creditors, investors and other interested parties.

The Letter of Transmittal provides a non-technical summary of City finances, services, achievements and economic prospects. We ask that readers who wish a more detailed discussion of the City’s financial results refer to Management’s Discussion & Analysis (“MD&A”). The City’s MD&A can be found immediately following the report by the independent auditor. State law requires that every general purpose local government publish, within twelve months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

The City Administration is responsible for the accuracy of the information contained in this report, the adequacy of its disclosures and the fairness of its presentation. We believe this CAFR to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect City assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of control should not exceed the benefit derived; the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

The City contracted with Moss, Levy and Hartzheim, LLP, a firm of licensed certified public accountants, to practice in the State of California, to perform the annual independent audit. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors expressed an opinion that the City’s financial statements for fiscal year 2016-2017 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an “unmodified” or “clean” opinion. The independent auditor’s report is included in the Financial Section of this report.

REPORTING ENTITY

The City of Buellton has operated under the Council-Manager form of government since incorporation in February 1992. The Mayor and Council form the legislative body that represents the community and is empowered to formulate citywide policy. Council members serve four-year terms, with three members elected every two years. Starting in 2016, the City transitioned from an appointed Mayor to an elected Mayor with a two-year term. The City Manager is appointed by the Council and serves as the chief administrative officer of the organization responsible for the administration of City affairs, day-to-day operations and implementation of Council policies. In addition to the City Manager, the City Attorney is appointed by and reports directly to the Council.

The City of Buellton, California was incorporated in 1992 and is in the central coast part of the state, within the Santa Ynez Valley. It is located at the regional intersection of Highways 101 and 246 about 45 miles North of the City of Santa Barbara. Buellton occupies an area of 1.6 miles and serves a population of about 5,129 consisting of 1,860 households within the City. Thousands of travelers have come to know Buellton as the Home of the Split Pea Soup, giving credit to Andersen's Split Pea Soup Restaurant. The City is surrounded by cattle ranches, the beautiful Santa Ynez Mountains, vineyards and wineries. No longer merely a crossroads stop for tourists and travelers, the City has evolved into a highly desirable place to live and work. Buellton's scenic biking routes, hiking trails and wine trails are a popular recreational attraction. The botanical gardens at Riverview Park are a picturesque vista for locals and tourists alike.

The City of Buellton provides a full range of services, including police and fire protection; refuse collection; off-street parking; building inspections; licenses and permits; the construction and maintenance of highways, streets, and other infrastructure; recreational and cultural activities; library services; low-income housing; and transit services. The City contracts with the County of Santa Barbara for Police and Fire services. Refuse collection services are under contract with Marborg Industries. Water distribution and sanitary sewer services are provided through departments of the City of Buellton and are maintained as separate funds in the proprietary section of these financial statements.

The CAFR includes all funds of the City, as well as all governmental organizations and activities for which the Council has financial accountability.

ECONOMIC CONDITION AND FISCAL OUTLOOK

Fiscal year 2016-17 ended with a continued solid growth in a number of revenue categories such as Sales Tax and Transient Occupancy Tax. With revenue increases from a stronger economy and the careful management of expenses, the City's budget continued to be on target in 2016-17. Transient Occupancy increased due to increased occupancy rates, and the opening of the Hampton Inn in Mid-June. In addition, the City experienced strong sales tax revenue increase in the Auto and Transportation, Fuel and Service Stations, and Restaurants and Hotel Industries. Property tax revenues also experienced strong revenue. Growth in property values and construction of the Buellton Chumash Apartments and the Village Town Homes project has contributed to the increase in property tax. The Village Townhomes include 156 units which will

contribute to future property tax growth. The approval of the Commons Project, Industrial Hub and Industrial Network Projects will contribute to the growth in property and sales tax revenue in the future.

The 2016-17 Adopted Budget was developed with the assumption of continued economic strength. Economic indicators and actual revenue performance support this assumption during 2016-17. The City Council adopted a balanced budget which anticipated an operating budget maintaining City services and allowing for incremental increases in employee compensation. The City prioritized funding Buellton Library to provide a full time library supervisor. Community Organization Support increased slightly over the prior year with contributions to the Senior Center, People Helping People, Food Bank of Santa Barbara County, Santa Ynez Valley Fruit and Vegetable Rescue, and Nature Track. Funding was provided to the Buellton Visitor's Bureau to promote tourism and economic development. The payment for the first four months of the fiscal year was based on a percentage of Transient Occupancy Tax ("TOT") received which changed proportionately with TOT received per month. In November 2016, the contract was renewed to an annual contract totaling \$400,000, or \$33,333.33 per month.

The City attracts a significant visitor population and numerous employees coming from neighboring Santa Barbara County jurisdictions. Employment is concentrated within accommodation and food services, manufacturing, retail trade and agriculture. The median household income is \$71,667 compared to \$63,985 for Santa Barbara County. The households are mostly owner-occupied, newer housing. There is a large mobile home population consisting of about 20% of the population. The annual population growth rate through 2017 is expected to be .65 percent per year. According to Zillow Home Value Index, Buellton's home value peaked in 2005 at \$683,700. The June 2017 value is \$537,000. The median home value for Santa Barbara County compares at \$559,400 along with the California value of \$502,000.

The unemployment rate in Buellton ended the fiscal year at 2.7 percent, slightly lower than the same period in the previous year. This rate continues to stay well below the statewide average. According to the Bureau of Labor Statistics (BLS), the unemployment rate for California in June 2017 was 4.7 percent. The National Unemployment Rate was lower than California at 4.4 percent.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Examples of Long-Term Financial Planning and Major Initiatives for the fiscal year ended June 30, 2017. Include the following:

- ◆ The City's Economic Development Task Force continued to work with the City's Economic consultant, Kosmont Companies. Consideration of a variety of economic development initiatives will allow the City to bring development projects that will expand the tax base and provide cash flow for funding the City's business plan.

- ◆ In the month of July 2016, the City held two public workshops for resident input for the Avenue of Flags Specific Plan. The “Avenue” is located in the heart of Buellton’s downtown and is a focal point of economic development.
- ◆ On September 22, 2016, City adopted Resolution No. 16-19 which increased water and sewer rates within three phases over the next three years. The first phase became effective November 1, 2016, the second effective November 1, 2017 and the third phase will be effective July 1, 2018. The rate increase was implemented to provide water and wastewater services and sustain infrastructure. The City’s operational costs for both water and wastewater have not been sustained through the existing rates. The rate increase is expected to slow down the rate in which water and sewer reserve funds are used to cover fund deficits.
- ◆ The County (along with participating cities including Buellton) received a Prop 1 Grant to prepare a County-wide Integrated Stormwater Resource Plan. The Stormwater Resource Plan is a required element in our Stormwater Program regulated by the Regional Water Quality Control Board. The City used grant money to increase public awareness about the importance of “Only Rain Down the Storm Drain” at the May 2017 Earth Day event and at various events at local schools.
- ◆ The Recreation Department continues to operate its Summer Camp at its maximum capacity for its 9-week program. The Recreation Department offered a successful trial Teen Camp which will continue to be offered next fiscal year.
- ◆ The City purchased land that may be used for a public parking lot, community garden, affordable housing, or a museum. Kosmont Companies is working with the City to determine the best uses of the property.
- ◆ In Mid-June 2017, the Hampton Inn & Suites opened its doors. The new hotel will generate additional transient occupancy tax in the next fiscal year.

CAPITAL IMPROVEMENT PLAN

The use of a Capital Improvement Fund not only tracks costs but guides the City in the planning, scheduling and budgeting of capital improvement projects. The City has completed the development of a Five-year Capital Improvement Plan (“CIP”) and has included it in its Biennial Budget. The City-wide capital improvement fund summarizes each project by “start date” and “end date”. The CIP is updated annually and approved by Council. The CIP is the blueprint for resource investments to improve and rehabilitate existing public infrastructure while also making targeted investments that align with the City’s expansion plans. In total, the City’s 2017-18 CIP budget was about \$3.5 Million and reflects no percentage increase from 2016-17. The CIP includes large investments to upgrade Water and Wastewater Treatment facilities and infrastructure upgrades such as Streets and Sidewalks.

Key components of the Capital Improvement Program for 2017-22 include:

- Circulation Improvements –McMurray Road Widening, Avenue of the Flags Park and Ride structure and Bus Shelter improvements are still in progress with incremental progress assisting with traffic flow. The majority of funding is through the City General Fund and property owners are benefitting at the Town Center project.
- Road Maintenance and Storm Drain Retrofit –Phase III Highway 246 Pedestrian Crossing and Street and Pavement rehabilitation activities are ongoing. The majority of this funding is through Measure A and Gas Tax with contractor reimbursement for Phase III Highway 246 Pedestrian Crossing.
- Water Treatment Plant Capital Program – Water Facilities Improvements, Water Treatment Plant Pump Booster Reliability Project, Backwash Reclamation, Recycled Study, Water Distribution and Water Meter upgrades.
- Sanitary Sewer System Capital Program –Sewer Collection System (CCTV) project, Sewer Line Replacement, and Head-Works Improvement.
- Parks, Facilities and Miscellaneous – Facilities Maintenance and Painting, Post Office Alarm Replacement, City Hall Generator and Electrical Replacement, Ave of Flags Pedestrian Paths Improvements, Village Park (combine funding with Developer) and Santa Ynez River Trail.

FINANCIAL INFORMATION

Budgetary Controls

The City maintains budgetary controls through the City Council’s adoption of an annual balanced budget. Expenditures for City operations cannot exceed revenues. The budgeted amounts approved in the annual budget are recorded in the City’s accounting system for each fund. Fund level monitoring is performed monthly. Quarterly reports to Council include budget versus actual trend analysis. Budget amendments are submitted to Council when a fund’s actual expenditures are expected to exceed budget.

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Cash and Investment Policy

The City invests unreserved idle cash in order to enhance the economic status of the City while protecting its pooled cash. The City’s Investment Policy is to exercise prudent judgment and care when investing. The criteria for selecting investments and the order of priority are Safety, Liquidity and Yield. The city attempts to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity. The Statement of Investment Policy is updated annually and approved by the City Council.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2016. This marks the 4th consecutive year the City has received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

A Certificate of Achievement is valid for only one year. The City believes this CAFR continues to conform to the Certificate of Achievement Program requirements and will be submitting it to the GFOA for consideration of the annual award.

ACKNOWLEDGMENTS

The preparation of the CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. Many members of the Departments demonstrated commendable dedication and long days of focused attention to produce this document.

In addition, staff in all City departments should be recognized. The City also recognizes the contributions and positive working relationship with Moss, Levy, and Hartzheim LLP.

On behalf of the entire Finance staff, we express our appreciation to the Mayor and City Council for providing policy direction and support for achieving financial excellence in all aspects of financial reporting.

Respectfully Submitted,



Shannel Zamora
Finance Director

City of Buellton, California
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Buellton
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

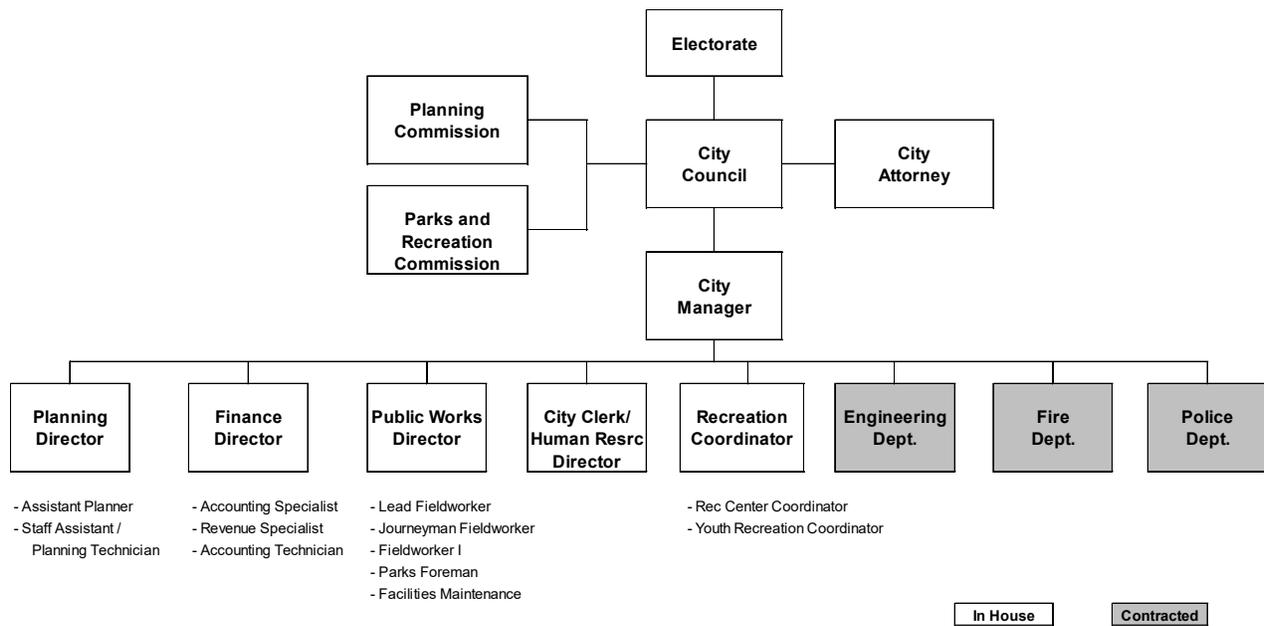
Executive Director/CEO

City of Buellton, California
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Organization Chart

CITY OF BUELLTON

Organizational Chart



CITY COUNCIL

- Holly Sierra, Mayor
- Ed Andrisek, Vice Mayor
- Foster Reif
- Dave King
- John Connolly

CITY OFFICIALS

- Marc Bierdzinski, City Manager/Planning Director
- Carolyn Galloway-Cooper, CPA, Finance Director
- Rose Hess, Public Works Director/ City Engineer
- Linda Reid, City Clerk/ Human Resources Director
- Kyle Abello, Parks & Recreation Coordinator
- Barbara Knecht, Recreation Center Coordinator

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

City Council of the City of Buellton
Buellton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buellton, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buellton, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 19, the budgetary information on pages 59 through 60, the schedule of funding progress for postemployment benefits on page 61, the schedule of proportionate share of net pension liability on page 62, and the schedule of pension contributions on page 63, 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 inquires 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.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buellton's basic financial statements. The introductory section, statistical section, combining and individual nonmajor fund financial statements and schedules, and the fiduciary fund statement of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the fiduciary fund statement of changes in assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, nonmajor funds budgetary comparison schedules, and the fiduciary funds statement of changes in assets and liabilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the City of Buellton'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Remy & Haugheim LLP

Santa Maria, California
December 21, 2017

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

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, 2017. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- As of June 30, 2017 the City's net position was \$34,680,809. Of this amount, \$8,039,995 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Government's total Net Position increased by \$927,220. This increase is attributable to the increase in sales tax revenue received from new commercial businesses at the Crossroads Shopping Center. Acquisition of land and capital improvements of about \$799 thousand also contributed to the net position increase. A summary of transactions reflecting Net Position is found on page 8 of this report.
- As of the close of the current fiscal year, the City of Buellton's governmental funds reported combined ending fund balances of \$8,343,154, an increase of \$561,505 in comparison with the prior fiscal year. Approximately 82 percent of this total amount, \$6,807,135 is available for spending at the government's discretion (unassigned fund balance).
- The City recorded a prior period adjustment to the General Fund and Water Fund to reverse certain accounts payable recorded in prior years and not removed from the Balance Sheet (Statement of Net Position), inventory not properly reported, and an adjustment for the difference between amounts recorded as accounts receivable and the amount actually received. In addition, the Governmental Fund adjusted \$19,800 for Tree-in-Lieu mitigation deposits previously recorded as general fund revenue, instead of a liability in the Agency Fund.
- At the end of the current fiscal year, there was an unassigned fund balance for the general fund of \$6,939,241. Management's suggested minimum reserve goal is to maintain 25 percent of budgeted operating expenditures or a "non-spendable" fund balance figure of \$1,734,810. The unassigned fund balance is in substantial excess of the suggested minimum reserve, or \$5,204,431 is "spendable".

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in three major parts:

- 1) **Introductory section**, which includes general information;
- 2) **Financial section**, which includes the Management's Discussion and Analysis (current section), 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.
- 3) **Statistical section**, which includes detailed information as a context for understanding what the information in the financial statements, and footnotes says about the City's overall financial health.

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 Position and the Statement of Activities. The Statement of Net Position 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 emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Position 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 Position 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.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE COMPREHENSIVE 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, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2017, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Transportation Planning 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 one agency fiduciary fund. The agency fund is 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.

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 35-58 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 66-73 of this report.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,680,809 as of June 30, 2017.

The Summary of Net Position as of June 30, 2017, and 2016, follows:

	Summary of Net Position					
	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,906,739	\$ 4,312,357	\$ 13,219,096	\$ 8,257,074	\$ 3,923,681	\$ 12,180,755
Noncurrent assets						
Capital assets, net	19,502,618	5,644,028	25,146,646	18,960,813	6,076,811	25,037,624
Total assets	28,409,357	9,956,385	38,365,742	27,217,887	10,000,492	37,218,379
Deferred outflows of resources	436,805	112,573	549,378	336,062	106,492	442,554
Total assets and deferred outflows of resources	28,846,162	10,068,958	38,915,120	27,553,949	10,106,984	37,660,933
Current and other liabilities	563,585	136,464	700,049	475,425	108,934	584,359
Noncurrent liabilities	2,727,945	512,984	3,240,929	2,172,779	442,335	2,615,114
Total liabilities	3,291,530	649,448	3,940,978	2,648,204	551,269	3,199,473
Deferred inflows of resources	233,226	60,107	293,333	537,642	170,229	707,871
Total liabilities and deferred inflow of resources	3,524,756	709,555	4,234,311	3,185,846	721,498	3,907,344
Net Position:						
Net investment in capital assets	19,488,470	5,644,028	25,132,498	18,960,813	6,076,811	25,037,624
Restricted	1,508,316	-	1,508,316	1,202,636	-	1,202,636
Unrestricted	4,324,620	3,715,375	8,039,995	4,204,654	3,308,675	7,513,329
Total net position	\$ 25,321,406	\$ 9,359,403	\$ 34,680,809	\$ 24,368,103	\$ 9,385,486	\$ 33,753,589

The largest portion (73 percent) of the City's net position reflects its investment of \$25.1 million in capital assets (land, building and improvements, equipment and infrastructure, net of accumulated depreciation). The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

About \$1.5 million (4 percent) of the City's net position represents resources that are subject to external restrictions on how they may be used. These restrictions include Housing and Streets, Roads and Transportation.

\$8 million of the net position (23 percent) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$3.7 million is held by the business-type activities and \$4.3 million held by the governmental activities.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The statement of activities shows how the City's net position changed during fiscal year 2016-17 compared to the prior year. The City's net position increased overall by \$927,220 during the fiscal year which shows the City's financial health is better than the previous year. These increases are explained in the government and business-type activities on the following pages. Provided below is a summary of changes in Net Position for the fiscal years ended June 30, 2017, and 2016.

	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 226,932	\$ 2,773,222	\$ 3,000,154	\$ 447,451	\$ 2,153,981	\$ 2,601,432
Grants and contributions:						
Operating	1,405,359	-	1,405,359	544,749	824,934	1,369,683
Capital	-	224,907	224,907	-	-	-
General revenues:						
Secured and unsecured						
property taxes	1,297,795	-	1,297,795	2,396,533	-	2,396,533
Sales and use tax	2,521,898	-	2,521,898	2,044,067	-	2,044,067
Transient lodging tax	1,938,720	-	1,938,720	1,783,807	-	1,783,807
Franchise taxes	221,847	-	221,847	434,866	-	434,866
Other taxes	43,555	-	43,555	223,302	-	223,302
Investment income	25,396	17,030	42,426	104,364	10,711	115,075
Other general revenues	142,325	-	142,325	39,300	-	39,300
Gain on sale of capital assets	11,372	-	11,372	-	287,690	287,690
Total revenues	<u>7,835,199</u>	<u>3,015,159</u>	<u>10,850,358</u>	<u>8,018,439</u>	<u>3,277,316</u>	<u>11,295,755</u>
Expenses:						
Governmental activities:						
General government	1,784,167	-	1,784,167	849,291	-	849,291
Community development	364,935	-	364,935	1,115,702	-	1,115,702
Culture and leisure	790,357	-	790,357	523,974	-	523,974
Public safety	1,922,881	-	1,922,881	1,808,093	-	1,808,093
Public works	1,722,304	-	1,722,304	1,358,122	-	1,358,122
Interest on long term debt	645	-	645	-	-	-
Business-type activities:						
Water	-	1,955,852	1,955,852	-	1,947,565	1,947,565
Sewer	-	1,099,822	1,099,822	-	1,025,834	1,025,834
Total expenses	<u>6,585,289</u>	<u>3,055,674</u>	<u>9,640,963</u>	<u>5,655,182</u>	<u>2,973,399</u>	<u>8,628,581</u>
Excess (Deficiency) of revenues over expenses before transfers	1,249,910	(40,515)	1,209,395	2,363,257	303,917	2,667,174
Special Items						
Write off of Advance to Successor Agency Private Purpose Trust	-	-	-	(1,876,208)	-	(1,876,208)
Release of funds to Successor Agency Private Purpose Trust	-	-	-	(6,067,368)	-	(6,067,368)
Change in net position	<u>1,249,910</u>	<u>(40,515)</u>	<u>1,209,395</u>	<u>(5,580,319)</u>	<u>303,917</u>	<u>(5,276,402)</u>
Net position:						
Beginning of year	24,368,103	9,385,486	33,753,589	29,948,422	9,081,569	39,029,991
Adjustments	(296,607)	14,432	(282,175)	-	-	-
Beginning of year, as adjusted	<u>24,071,496</u>	<u>9,399,918</u>	<u>33,471,414</u>	<u>29,948,422</u>	<u>9,081,569</u>	<u>39,029,991</u>
End of year	<u>\$ 25,321,406</u>	<u>\$ 9,359,403</u>	<u>\$ 34,680,809</u>	<u>\$ 24,368,103</u>	<u>\$ 9,385,486</u>	<u>\$ 33,753,589</u>

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$10,850,358 for the fiscal year ended June 30, 2017. Total revenue from government-type activities were \$7,835,199. Approximately 91% or \$7,163,772 of the City's key governmental revenues is generated from four major sources: Sales, property, transient occupancy taxes, and grant and contributions.

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

- 1. Sales and Use Taxes** – The more than 23% positive change in sales and use tax was mainly due to local vendor retail sales growth, new commercial businesses such as The Habit Burger, Tractor Supply, and Chipotle, and an overall generally improving economy in California. Sales tax compensation from the County of Santa Barbara contributed to the increase in sales tax. This is due to the final payment of the Sales Tax Triple Flip Economic Recovery Bond Fund. Strong revenue streams from local sales tax are expected to increase as new businesses continue to open, but will grow at a much steadier pace.
- 2. Secured and Unsecured Property Taxes** – Annual receipts decreased by approximately 46% due to a one-time property tax revenue distribution for the dissolution of the Successor's Agency in FY 15/16 of about \$1.1 million. Property tax is expected to increase at a steady rate as home values in the County continue to rise, and as new construction development progresses.
- 3. Grants and Contributions – Governmental and Business-Type Activities Operating** – Grants continue to be a consistent source of revenue for public works uses under Business and Governmental-type activities. This was mainly due to street, road, and community enhancement operating grants for maintenance and operations renewed in the current year.
- 4. Transient Occupancy Tax – Governmental Activities Operating** – This revenue source is a major component and top revenue source of the City's General Fund. Transient Occupancy Tax (TOT) increased about 8.7% due to the increased occupancy during the busy Spring season in addition to the opening of the Hampton Inn in Mid-June 2017.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

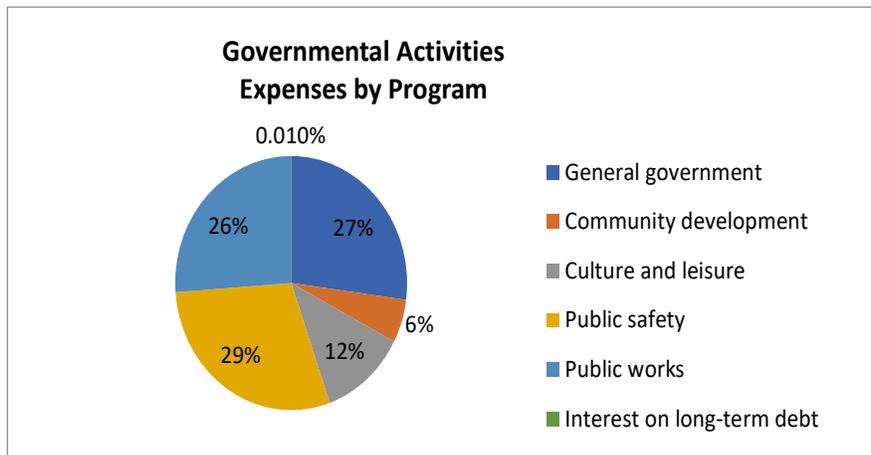
Expenses

Governmental and business-type activity expenses of the City for the year totaled \$9,640,963. Governmental activity expenses totaled \$6,585,289, or about 68% of total expenses. Business-type activities incurred \$3,055,674 of expenses during the fiscal year.

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. Public Safety costs of \$1,922,881 represented about 29% of total governmental activities expenses, which represented the largest single expense for governmental activities. The total cost of services and the net cost of services for the fiscal years ended June 30, 2017, and 2016, are as follows:

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,784,167	\$ 1,784,167	\$ 849,291	\$ 839,031
Community development	364,935	359,935	1,115,702	1,058,302
Culture and leisure	790,357	563,425	523,974	251,292
Public safety	1,922,881	1,922,881	1,808,093	1,768,218
Public works	1,722,304	321,945	1,358,122	746,139
Interest on long-term debt	645	645	-	-
Total	\$ 6,585,289	\$ 4,952,998	\$ 5,655,182	\$ 4,662,982

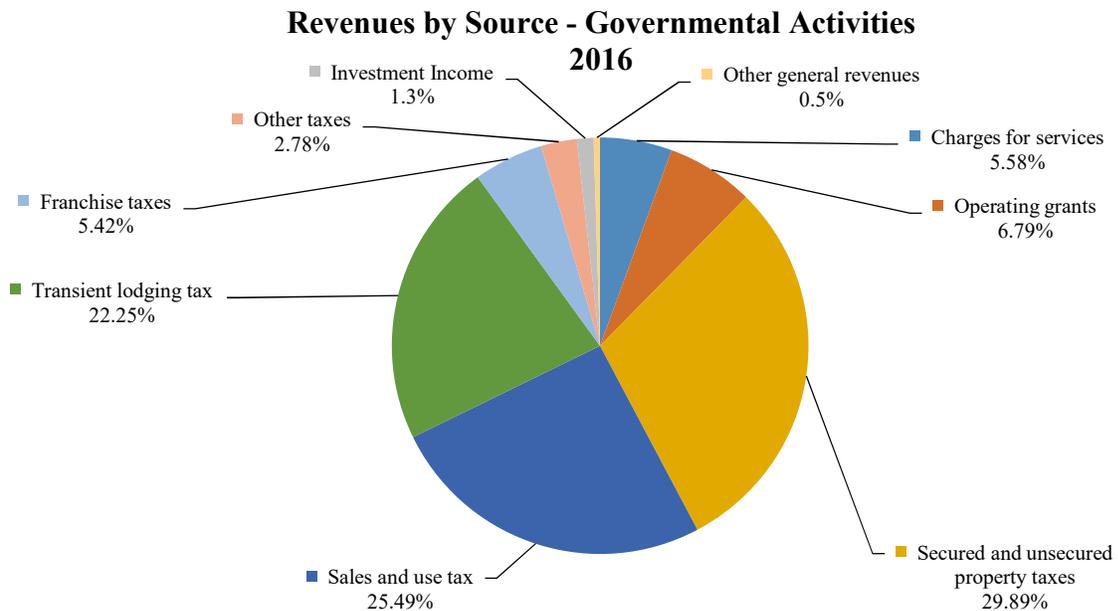
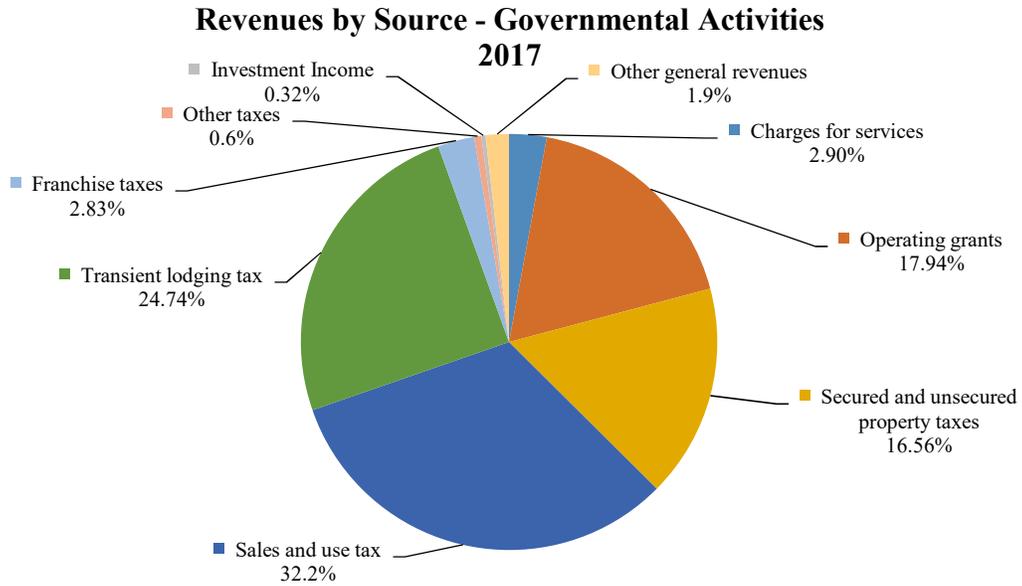


City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues by source for the fiscal years ended June 30, 2017, and 2016, are as follows:



City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

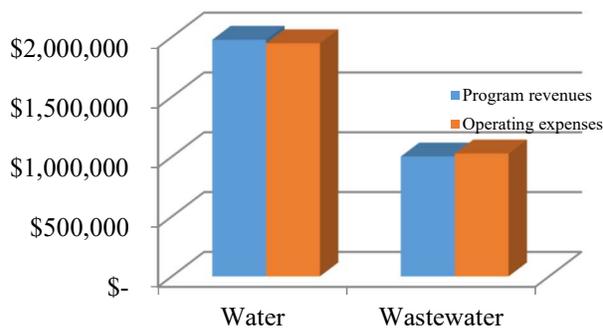
Business-type activities. Business-type activities decreased the City’s Net Position by \$26,083. The City has two business-type activities: Water and Wastewater. Water accounts for 69% of total business-type activity revenue, and Wastewater accounts for 31%.

Total revenues for the Fiscal Year ended June 30, 2017 were \$3 Million, a decrease of \$262 thousand from the prior year. Charges for services increased about \$600 thousand due to water and sewer rate increases that became effective in November 2016. Revenue from grants and contributions decreased by \$600 thousand due to less water and sewer connections in the City. The remaining revenue decrease was mainly due to the gain on sale of capital assets. In the current year, there was no sale of capital assets compared to \$287 thousand gain on sale of capital assets in the prior year.

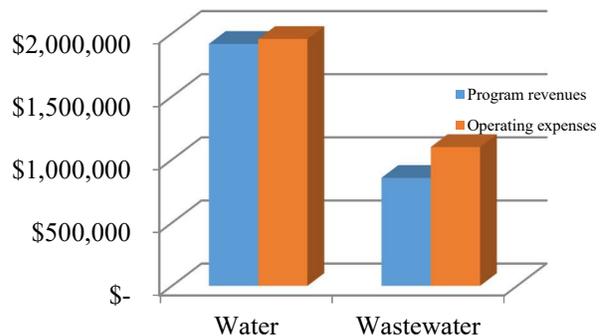
Expenses of the business-type activities for the Fiscal Year ended June 30, 2017, totaled \$3 Million, an increase of \$82 thousand from the prior year. The majority of the increase is in the Sewer Fund (\$74 thousand) from the timing of depreciation from the sewer system. It was not depreciated in the prior year.

The expenses and program revenues summary for the business-type activities for the fiscal year ended June 30, 2017, and 2016, are as follows:

**Expenses and Program Revenues
 Business-type Activities
 2017**



**Expenses and Program Revenues
 Business-type Activities
 2016**



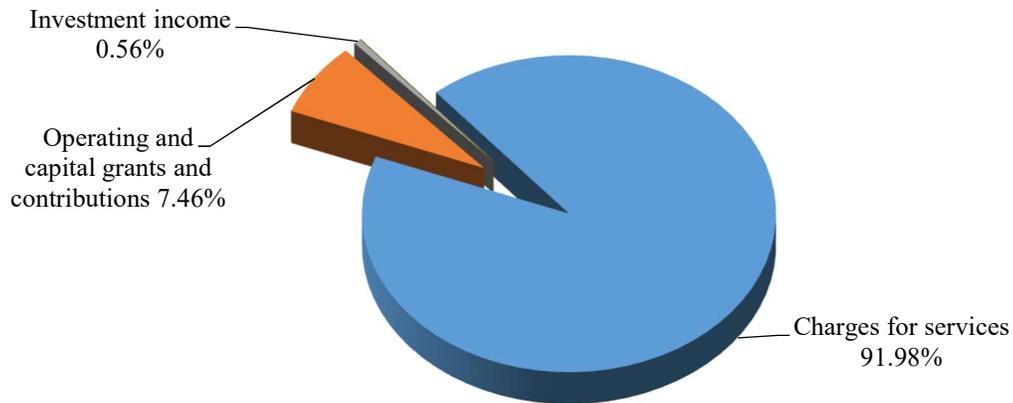
City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

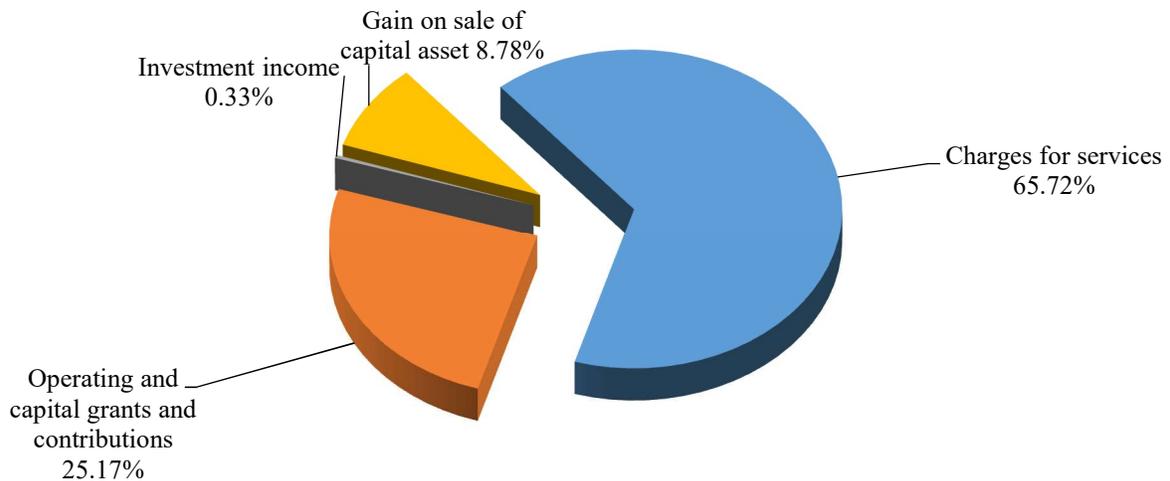
GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2017, and 2016, are as follows:

**Revenues by Source - Business-type Activities
2017**



**Revenues by Source - Business-type Activities
2016**



City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

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 \$8,343,154 an increase of \$561,505 in comparison with the prior fiscal year. This increase is due to greater tax revenue associated from new residential and commercial development.

Approximately 82 percent of this total amount (\$6,807,135) constitutes unassigned fund balance. The remainder of fund balance is "non-spendable," or restricted to indicate that it is not available for new spending because it has already been committed to fund amounts prepaid for the following fiscal year (\$27,703) and restricted by other parties for a specific purpose (\$1,508,316).

The General Fund is the chief operating fund of the City of Buellton. The total fund balance in the general fund is \$6,965,277, of which \$6,939,241 is shown as "unassigned."

The fund balance of the City of Buellton's General Fund increased by \$229,644 during the current fiscal year. Key factors in this increase are as follows:

- General Fund operations resulted in revenues over expenditures by \$521,724.
- Proceeds from capital lease of copier from Coastal Copy for the amount of \$16,359.
- Prior-year adjustment for the amount of -\$283,439. (See note 13 for more detail)

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 Position of the water fund at the end of the fiscal year amounted to \$2,418,759 and Unrestricted Net Position of the wastewater fund amounted to \$1,296,616. The total change

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

in Net Position for both funds were \$113,741 and -\$154,256 respectively. The overall change in net position is primarily attributable to an increase in water and sewer revenues derived from a rate increase. The decrease in net position for the Wastewater Fund is attributed to the sewer collection clean-up project and the catch-up of the sewer system depreciation. The sewer system was not depreciated in the prior fiscal year, thus two years of depreciation was recorded during FY 16/17.

General Fund Budgetary Highlights

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 5,543,000	\$ 5,543,000	\$ 6,023,815	\$ 480,815
Licenses, Permits, Fees	16,700	16,700	11,275	(5,425)
Intergovernmental	527,400	527,400	427,826	(99,574)
Charges for Services	179,500	179,500	226,932	47,432
Fines and forfeitures	42,000	42,000	25,396	(16,604)
Use of money and property	85,000	85,000	133,387	48,387
Other revenues	30,000	30,000	14,565	(15,435)
Total Revenues	6,423,600	6,423,600	6,863,196	439,596
Other Financing Sources:				
Proceeds from Capital leas	-	-	16,359	16,359
Total Revenues	6,423,600	6,423,600	6,879,555	455,955
Expenditures:				
General Government	\$ 1,658,619	\$ 1,658,619	\$ 1,686,194	(27,575)
Community Development	473,314	473,314	350,580	122,734
Cultural and leisure	630,445	630,445	670,726	(40,281)
Public Safety	1,981,688	1,981,688	1,922,881	58,807
Public Works	1,370,371	1,370,371	1,144,263	226,108
Capital Outlay	685,500	685,500	563,972	121,528
Debt Service:				
Principal	-	-	2,211	(2,211)
Interest	-	-	645	(645)
Total Expenditures	6,799,937.0	6,799,937	6,341,472	458,465
Transfers Out	200,000	200,000	25,000	175,000
Total Expenditures	6,999,937	6,999,937	6,366,472	633,465
Excess of Revenues over(under expenditures)	(576,337)	(576,337)	513,083	1,089,420
Prior Year Adjustment	-	-	(283,439)	(283,439)
Net Change in Fund Balance	-	-	\$ 229,644	

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

General Fund Budgetary Highlights, Continued

In fiscal year 2017, there were no appropriation changes between the original and final budgets. The General Fund experienced slight increases or decreases in various revenue streams and a significant increase in revenue from taxes. Expenditure savings occurred within the General Fund departments of Community Development and Public Works. The result was that the General Fund had a budget surplus for the fiscal year.

Capital Assets

The City of Buellton's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$25,146,646 (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 \$109,022. Of the total increase, governmental activities showed an increase of \$541,805, resulting from an increase in net depreciable capital assets. Business-type activities decreased by \$432,783 due to a decrease in net depreciable capital assets.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,827,166	\$ 1,536,248	\$ 247,691	\$ 247,691	\$ 2,074,857	\$ 1,783,939
Total Nondepreciable Capital Assets	1,827,166	1,536,248	247,691	247,691	2,074,857	1,783,939
Buildings and improvements	5,829,209	5,806,438	574,387	574,387	6,403,596	6,380,825
Equipment	632,269	598,224	897,367	894,291	1,529,636	1,492,515
Infrastructure	17,604,230	16,939,604	12,570,229	12,451,313	30,174,459	29,390,917
Total Depreciable Capital Assets	24,065,708	23,344,266	14,041,983	13,919,991	38,107,691	37,264,257
Less: Accumulated Depreciation	6,390,256	5,919,701	8,645,646	8,090,871	15,035,902	14,010,572
Net Depreciable Capital Assets	17,675,452	17,424,565	5,396,337	5,829,120	23,071,789	23,253,685
Net Capital Assets	\$ 19,502,618	\$ 18,960,813	\$ 5,644,028	\$ 6,076,811	\$ 25,146,646	\$ 25,037,624

More detail of the capital assets and current activity can be found in the notes to the financial statements on Page 39 for significant accounting policies and Note 3 on Page 46 for other capital asset information.

Debt Administration

At the end of the current and previous fiscal year, the City of Buellton had \$14,148 in capital leases payable. The City has no general obligation or revenue bonds.

Buellton enjoys a relatively healthy local economy; however, it does not currently have a bond rating because it has zero bonded debt on its balance sheet. When the City decides to go to Wall Street to sell bonds for future infrastructure improvements for Water or Wastewater systems, the City will go before Moody’s Investor Service or Fitch’s Rating Service for a credit rating. There is a definite need to update the user fees for Water and Wastewater services. An adequate multi year rate management program will provide the best opportunity for obtaining an investment-grade credit rating for the City of Buellton in the future.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

Economic Outlook

- The City completed 2016-17 with better operating financial results in some categories than expected when the 2016-17 Adopted Budget was developed. The City finished the year exceeding budgeted revenues in the categories of Taxes and Charges for Current Services. In May of 2016, the City Council approved a balanced General fund budget for 2016-17 that used consistent resources available on an ongoing basis while delivering essential services.
- The General Fund cash reserves are at over \$6 Million and revenues exceed expenditures in the 2016-17 budget by approximately \$540,000.
- The City's sales tax revenues are expected to increase with the new Crossroads Shopping Center, and future revenue from the approved Commons Project which consists of commercial and retail spaces. The expected increase is expected to be steady for the next year until construction of the project is completed.
- The City expects to receive additional transient occupancy due to an addition of a new hotel. The expected increase in transient tax revenue is about 3 percent.
- The City Council approved utility rate increases to address maintenance and capital needs. Financial viability of the water and wastewater fund was a key factor in their decision. The effective date of the increases was November 2016 with two additional rate increase stages. The next rate increase is effective November 1, 2017, and the next increase is scheduled to occur on July 1, 2018.
- Quarterly reports to support the financial management of City resources continue to provide information to the City Council and public. As part of the mid-year budget review, the City prepares a report on financial position, considers economic factors and highlights trends based on the City's budget versus what actually occurred during the period. A discussion of other economic factors provides a means of comparing the local economy against the larger economic events that may affect the City. This provides Council with a budget review at four periods during the year. Council has a better control of costs, while identifying financial requirements prior to the close of the fiscal year. Modifications to the original budget take place each quarter as needed.
- The General Fund ended the 2016-17 fiscal year with a fund balance of \$6,965,277. Operating expenditures approved in 2017-18 budget amount to \$6,370,555. The result is a coverage ratio of about 110%. Because it is difficult to fully anticipate dramatic changes in the national and local economies, the Council has set an unassigned fund balance goal of 25% of the general fund's operating expenditures.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management’s Discussion and Analysis, Continued

NEXT YEAR’S BUDGETED APPROPRIATIONS

The adopted budget for all City funds for the new fiscal year of 2017-2018 was \$14,533,217. The adopted budget for fiscal year 2016-17 totals \$12,613,223 and is summarized, with CIP expenditures shown in the Citywide CIP row of the chart below for consistent comparison as follows:

	FY 2017-18	FY 2016-17	Amount Change	Percentage Change
General fund	\$ 6,370,555	\$ 6,383,937	\$ (13,382)	(0.2)%
Water & Sewer Funds	4,351,063	3,736,626	614,437	14%
Citywide CIP Fund	3,578,500	2,386,000	1,192,500	33%
Special revenue funds	233,100	106,660	126,440	54%
Total budget	\$ 14,533,218	\$ 12,613,223	\$ 1,919,995	100%

1. General Fund – Shows a decrease of about .2%. Although spending for capital improvement projects increased for FY 17/18, an appropriation for the Planning Director position was eliminated. The City Manger currently acts as the Planning Director and no funding is needed for that position.
2. Water & Sewer Funds – Shows an increase of about \$614,000, or over 14 percent. The increase is due to additional costs related to the increase in state water costs and transfers to the Water and Wastewater Capital Funds for Capital Improvement programs such as water and waste water treatment plant facility improvements, water treatment plant booster power reliability, water meter upgrades, water distribution system improvements, sewer collection system cleaning, and sewer line replacement.
3. Citywide Capital Improvement Program (CIP) Fund – The CIP Fund expenditures relate to Capital Improvements. CIP fund shows an increase of \$1.1 Million, or approximately 33 percent as a result of project completions and rolling forward portions of uncompleted projects. A combined project summary of circulation improvements, water and sewer facilities, water reservoirs, water recycling, road maintenance, parks and maintenance projects are scheduled in 2017-18.
4. Special Revenue Funds – Shows an increase of \$106,660, or approximately 54 percent. The increase is due to planned road maintenance costs to repair city roads with money received from SB 1.

City of Buellton, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

Requests for Information

This Comprehensive 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 Finance Director, 107 West Highway 246, Buellton, CA 93427, or visit the City's web page at www.cityofbuellton.com.

CITY OF BUELLTON
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 7,755,871	\$ 3,014,032	\$ 10,769,903
Accounts receivable, net	1,109,699	293,482	1,403,181
Interest receivable	13,466	4,824	18,290
Inventory		53,050	53,050
Prepaid items	27,703	946,969	974,672
Capital assets:			
Non Depreciable:			
Land	1,827,166	247,691	2,074,857
Depreciable:			
Buildings and improvements	5,829,209	574,387	6,403,596
Equipment	632,269	897,367	1,529,636
Infrastructure	17,604,230	12,570,229	30,174,459
Accumulated depreciation	<u>(6,390,256)</u>	<u>(8,645,646)</u>	<u>(15,035,902)</u>
 Total assets	 <u>28,409,357</u>	 <u>9,956,385</u>	 <u>38,365,742</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension	<u>436,805</u>	<u>112,573</u>	<u>549,378</u>
 Total deferred outflows of resources	 <u>436,805</u>	 <u>112,573</u>	 <u>549,378</u>
LIABILITIES			
Accounts payable	390,926	86,110	477,036
Accrued wages	108,737	20,643	129,380
Unearned revenue			
Noncurrent liabilities:			
Due within one year	25,117	3,481	28,598
Due in more than one year	<u>2,702,828</u>	<u>512,984</u>	<u>3,215,812</u>
 Total liabilities	 <u>3,291,530</u>	 <u>649,448</u>	 <u>3,940,978</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	<u>233,226</u>	<u>60,107</u>	<u>293,333</u>
 Total deferred inflows of resources	 <u>233,226</u>	 <u>60,107</u>	 <u>293,333</u>
NET POSITION			
Net investment in capital assets	19,488,470	5,644,028	25,132,498
Restricted for:			
Housing	476,537		476,537
Streets and roads	1,031,779		1,031,779
Unrestricted	<u>4,324,620</u>	<u>3,715,375</u>	<u>8,039,995</u>
 Total net position	 <u>\$ 25,321,406</u>	 <u>\$ 9,359,403</u>	 <u>\$ 34,680,809</u>

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

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CITY OF BUELLTON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 1,784,167	\$ -	\$ -	\$ -
Community development	364,935		5,000	
Cultural and leisure	790,357	226,932		
Public safety	1,922,881			
Public works	1,722,304		1,400,359	
Interest on long-term debt	645			
Total governmental activities	6,585,289	226,932	1,405,359	
Business-type activities:				
Water	1,955,852	1,917,538		142,948
Wastewater	1,099,822	855,684		81,959
Total business-type activities	3,055,674	2,773,222		224,907
Total	\$ 9,640,963	\$ 3,000,154	\$ 1,405,359	\$ 224,907

General Revenues

Taxes:

- Property taxes
- Sales and use taxes
- Transient lodging tax
- Franchise taxes
- Other taxes

- Fines and forfeitures
- Investment income
- Other general revenues

Total general revenues

Change in net position

Net position, beginning of fiscal year

Prior-period adjustment

Net position, July 1, restated

Net position, end of fiscal year

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

Net (Expenses) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,784,167)	\$ -	\$ (1,784,167)
(359,935)		(359,935)
(563,425)		(563,425)
(1,922,881)		(1,922,881)
(321,945)		(321,945)
(645)		(645)
<u>(4,952,998)</u>		<u>(4,952,998)</u>
	104,634	104,634
	<u>(162,179)</u>	<u>(162,179)</u>
	(57,545)	(57,545)
<u>(4,952,998)</u>	<u>(57,545)</u>	<u>(5,010,543)</u>
1,297,795		1,297,795
2,521,898		2,521,898
1,938,720		1,938,720
221,847		221,847
43,555		43,555
25,396		25,396
142,325	17,030	159,355
11,372		11,372
<u>6,202,908</u>	<u>17,030</u>	<u>6,219,938</u>
<u>1,249,910</u>	<u>(40,515)</u>	<u>1,209,395</u>
24,368,103	9,385,486	33,753,589
<u>(296,607)</u>	<u>14,432</u>	<u>(282,175)</u>
<u>24,071,496</u>	<u>9,399,918</u>	<u>33,471,414</u>
<u>\$ 25,321,406</u>	<u>\$ 9,359,403</u>	<u>\$ 34,680,809</u>

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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.
Transportation Planning Special Revenue Fund	Accounts for funds used in the planning for transportation projects restricted by other governments.

CITY OF BUELLTON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2017

	General Fund	Transportation Planning Special Revenue Fund	Other Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 6,298,334	\$ -	\$ 1,457,537	\$ 7,755,871
Accounts receivable	993,609	43,876	72,214	1,109,699
Interest receivable	11,033		2,433	13,466
Due from other funds	165,200			165,200
Prepaid items	26,036		1,667	27,703
Total assets	\$ 7,494,212	\$ 43,876	\$ 1,533,851	\$ 9,071,939
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 356,276	\$ 10,782	\$ 23,868	\$ 390,926
Accrued wages and benefits	108,737			108,737
Deposits	63,922			63,922
Due to other funds		165,200		165,200
Total liabilities	528,935	175,982	23,868	728,785
Fund Balances:				
Nonspendable:				
Prepaid items	26,036		1,667	27,703
Restricted:				
Housing			476,537	476,537
Streets, roads, and transportation			1,031,779	1,031,779
Unassigned	6,939,241	(132,106)		6,807,135
Total fund balances	6,965,277	(132,106)	1,509,983	8,343,154
Total liabilities and fund balances	\$ 7,494,212	\$ 43,876	\$ 1,533,851	\$ 9,071,939

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

CITY OF BUELLTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - governmental funds \$ 8,343,154

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

Capital assets at historical cost	\$	25,892,874	
Accumulated depreciation		<u>(6,390,256)</u>	
Net			19,502,618

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	\$	108,242	
Capital leases payable		14,148	
OPEB payable		1,139,334	
Net pension liability		<u>1,466,221</u>	
Total			(2,727,945)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

203,579

Total net position - governmental activities \$ 25,321,406

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

CITY OF BUELLTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2017

	General Fund	Transportation Planning Special Revenue Fund	Nonmajor Governmental Funds	Totals
Revenues:				
Taxes	\$ 6,023,815	\$ -	\$ -	\$ 6,023,815
Licenses, permits, and fees	11,275		21,648	32,923
Intergovernmental	427,826	43,876	900,734	1,372,436
Charges for services	226,932			226,932
Fines and forfeitures	25,396			25,396
Use of money and property	133,387		8,938	142,325
Other	14,565			14,565
Total revenues	6,863,196	43,876	931,320	7,838,392
Expenditures:				
General government	1,686,194			1,686,194
Community development	350,580		700	351,280
Cultural and leisure	670,726			670,726
Public safety	1,922,881			1,922,881
Public works	1,144,263	51,845	143,566	1,339,674
Capital outlay	563,972		472,224	1,036,196
Debt Service:				
Principal	2,211			2,211
Interest	645			645
Total expenditures	6,341,472	51,845	616,490	7,009,807
Excess of revenues over (under) expenditures	521,724	(7,969)	314,830	828,585
Other financing sources (uses):				
Proceeds from capital lease	16,359			16,359
Transfers in		25,000	26,500	51,500
Transfers out	(25,000)		(26,500)	(51,500)
Total other financing sources (uses)	(8,641)	25,000		16,359
Net change in fund balances	513,083	17,031	314,830	844,944
Fund balances - July 1	6,735,633	(149,137)	1,195,153	7,781,649
Prior-period adjustment	(283,439)			(283,439)
Fund balances - July 1, restated	6,452,194	(149,137)	1,195,153	7,498,210
Fund balances - June 30	<u>\$ 6,965,277</u>	<u>\$ (132,106)</u>	<u>\$ 1,509,983</u>	<u>\$ 8,343,154</u>

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

CITY OF BUELLTON
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds	\$ 844,944
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$1,036,196 exceed depreciation expense (\$491,198) and loss on disposal of capital assets (\$3,193) in the period.	541,805
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$19,132.	(19,132)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contribution was:	(102,752)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, was:	(16,359)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	2,211
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(807)
Changes in net position - governmental activities	<u>\$ 1,249,910</u>

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

PROPRIETARY FUNDS

Fund	Description
Major Funds:	
Water Fund	Accounts for revenues and expenses associated with the City's Water enterprise operation.
Wastewater Fund	Accounts for all activities associated with the operation and maintenance of providing Sewer services.

CITY OF BUELLTON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2017

	Water Fund	Wastewater Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,519,965	\$ 1,494,067	\$ 3,014,032
Accounts receivable, net	201,245	92,237	293,482
Interest receivable	2,358	2,466	4,824
Inventory	53,050		53,050
Prepaid items	946,369	600	946,969
Total current assets	2,722,987	1,589,370	4,312,357
Capital assets:			
Land	247,691		247,691
Buildings and improvements	574,387		574,387
Equipment	430,082	467,285	897,367
Infrastructure	6,516,997	6,053,232	12,570,229
	7,769,157	6,520,517	14,289,674
Less accumulated depreciation	(4,401,833)	(4,243,813)	(8,645,646)
Total capital assets (net of accumulated depreciation)	3,367,324	2,276,704	5,644,028
Total assets	6,090,311	3,866,074	9,956,385
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension	54,896	57,677	112,573
Total deferred outflows of resources	54,896	57,677	112,573
LIABILITIES			
Current liabilities:			
Accounts payable	40,059	46,051	86,110
Accrued wages and benefits	10,140	10,503	20,643
Deposits	26,230		26,230
Debt due within one year	1,704	1,777	3,481
Total current liabilities	78,133	58,331	136,464
Noncurrent liabilities:			
Compensated absences	6,818	7,107	13,925
OPEB payable	60,594	60,594	121,188
Net pension liability	184,268	193,603	377,871
Total noncurrent liabilities	251,680	261,304	512,984
Total liabilities	329,813	319,635	649,448
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	29,311	30,796	60,107
Total deferred inflows of resources	29,311	30,796	60,107
NET POSITION			
Net investment in capital assets	3,367,324	2,276,704	5,644,028
Unrestricted	2,418,759	1,296,616	3,715,375
Total net position	\$ 5,786,083	\$ 3,573,320	\$ 9,359,403

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

CITY OF BUELLTON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

	Water Fund	Wastewater Fund	Totals
Operating Revenues:			
Charges for services	\$ 1,910,973	\$ 855,684	\$ 2,766,657
Other operating revenues	6,565		6,565
Total operating revenues	1,917,538	855,684	2,773,222
Operating Expenses:			
Personnel services	310,819	296,193	607,012
Operations and maintenance	1,363,903	529,984	1,893,887
Depreciation	281,130	273,645	554,775
Total operating expenses	1,955,852	1,099,822	3,055,674
Operating income (loss)	(38,314)	(244,138)	(282,452)
Non-Operating Revenues (Expenses):			
Interest income	9,107	7,923	17,030
Total non-operating revenues (expenses)	9,107	7,923	17,030
Income (loss) before capital contributions	(29,207)	(236,215)	(265,422)
Capital Contributions:			
Capital impact fees	142,948	81,959	224,907
Total capital contributions	142,948	81,959	224,907
Change in net position	113,741	(154,256)	(40,515)
Net position, July 1	5,657,910	3,727,576	9,385,486
Prior-period adjustment	14,432		14,432
Net position, July 1, restated	5,672,342	3,727,576	9,399,918
Net position, June 30	\$ 5,786,083	\$ 3,573,320	\$ 9,359,403

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

CITY OF BUELLTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

	Water Fund	Wastewater Fund	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,850,911	\$ 828,968	\$ 2,679,879
Payments to suppliers	(1,420,689)	(557,518)	(1,978,207)
Payments to employees	(338,010)	(335,521)	(673,531)
Net cash provided (used) by operating activities	<u>92,212</u>	<u>(64,071)</u>	<u>28,141</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(58,526)	(63,466)	(121,992)
Capital contributions	142,948	81,959	224,907
Net cash provided by capital and related financing activities	<u>84,422</u>	<u>18,493</u>	<u>102,915</u>
Cash Flows From Investing Activities:			
Interest income	8,506	7,204	15,710
Net cash provided by investing activities	<u>8,506</u>	<u>7,204</u>	<u>15,710</u>
Net increase (decrease) in cash and cash equivalents	185,140	(38,374)	146,766
Cash and cash equivalents - July 1	<u>1,307,248</u>	<u>1,520,791</u>	<u>2,828,039</u>
Cash and cash equivalents - June 30	<u>\$ 1,492,388</u>	<u>\$ 1,482,417</u>	<u>\$ 2,974,805</u>
	(27,577)	(11,650)	(39,227)
Reconciliation of operating (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (38,314)	\$ (244,138)	\$ (282,452)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	281,130	273,645	554,775
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Receivables, net	(69,720)	(26,716)	(96,436)
Prepaid expenses	(60,875)	(367)	(61,242)
Inventories	(29,253)		(29,253)
Accounts and other payables	33,342	(27,167)	6,175
Accrued wages and benefits	10,140	10,503	20,643
Deposits	3,093		3,093
Compensated absences	5,591	5,953	11,544
OPEB payable	5,708	5,708	11,416
Deferred outflows of resources - pension	(6,092)	11	(6,081)
Net pension liability	33,669	11,639	45,308
Deferred inflows of resources - pension	(48,630)	(61,492)	(110,122)
Net cash provided (used) by operating activities	<u>\$ 119,789</u>	<u>\$ (52,421)</u>	<u>\$ 67,368</u>

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

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FIDUCIARY FUND

Fund	Description
Agency Fund:	
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
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2017

	<u>Deposits</u> <u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 228,527
Interest receivable	<u>341</u>
Total assets	<u>\$ 228,868</u>
Liabilities	
Refundable deposits and accruals	<u>\$ 228,868</u>
Total liabilities	<u>\$ 228,868</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF BUELLTON

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

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CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity is the City of Buellton. There are no component units included in this report that meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. 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.

B. Basis of Presentation

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

Government-wide Statements

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

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

Fund Financial Statements

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

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

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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds use the full accrual basis of accounting for reporting receivables and payables. Fiduciary funds are reported in the fund financial statements but are not included for government-wide reporting purposes.

C. Major Funds

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

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

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

General Fund – 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.

Transportation Planning Special Revenue Fund – Accounts for revenue used in the planning for transportation projects restricted by other governments. Funds are a State grant derived from a 1/4-cent share of retail sales tax collected statewide.

The City reported the following major proprietary funds:

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.

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.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

The City reported the following fiduciary fund:

Deposits Agency Fund – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are accounted for using the accrual basis of accounting. This fund accounts for the various deposits that are held on behalf of the City for various specific projects or programs.

D. Basis of Accounting

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

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

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

Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

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

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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 voters’ 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 or new construction occurs. The State legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

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

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

F. Estimates

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

G. 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

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.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories

The City accounts for inventories using the first-in, first-out method. Inventories in the Water Fund consist primarily of meters and are carried at cost.

I. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. City policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000 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

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.

J. 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 are 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 outflows if they constitute bond insurance.

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 Position. 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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-term Liabilities (Continued)

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.

K. 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 governmentwide 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.

L. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

M. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has one item that qualifies for reporting in this category; refer to Note 9 for detailed listing of the deferred outflows of resources the City has reported.

In addition to liabilities, the Statement of Net Position and the Governmental Funds – Balance Sheet will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has one item that qualifies for reporting in this category; refer to Note 9 for detailed listing of the deferred inflows of resources the City has reported.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

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

O. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

P. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources, and liabilities added to the deferred inflows of resources, be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position (Continued)

Net position that is net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislations. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Q. 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."

R. Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code. The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2017. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

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, 2017, 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.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

NOTE 2 – CASH AND INVESTMENTS

The composition of cash and investments as of June 30, 2017, is as follows:

Cash on hand	\$ 650
Deposits with financial institutions	2,202,915
Investments	<u>8,794,865</u>
Total cash and investments	<u>\$ 10,998,430</u>

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

Statement of Net Position:	
Cash and investments	\$ 10,769,903
Fiduciary Funds:	
Cash and investments	<u>228,527</u>
Total cash and investments	<u>\$ 10,998,430</u>

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurements and Application," provides the framework for measuring fair value. The framework categorizes a fair value hierarchy that is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Negotiable certificates of deposit	\$ 498,555	\$ 498,555	\$ -	\$ -
Total investments measured at fair value	498,555	<u>\$ 498,555</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at a amortized cost:				
Money market funds	205,544			
LAIF	8,090,766			
Total investments	<u>\$ 8,794,865</u>			

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

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

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' Acceptance	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%	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

B. Disclosures Relating to Interest Rate Risk

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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
LAIF	\$ 8,090,766	\$ 8,090,766	\$ -	\$ -	\$ -
Negotiable certificates of deposit	498,555	249,025	249,530		
Money market funds	205,544	205,544			
Total	\$ 8,794,865	\$ 8,545,335	\$ 249,530	\$ -	\$ -

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
LAIF	\$ 8,090,766	N/A	\$ -	\$ -	\$ 8,090,766
Negotiable certificates of deposit	498,555	N/A			498,555
Money market funds	205,544	N/A		205,544	
Total	\$ 8,794,865		\$ -	\$ 205,544	\$ 8,589,321

C. Concentration of Credit Risk

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

D. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools (such as LAIF).

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Investment in State Investment Pool

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	July, 1 2016	Additions	Deletions	June 30, 2017
Governmental Activities				
Nondepreciable capital assets:				
Land	\$ 1,536,248	\$ 290,918	\$ -	\$ 1,827,166
Total nondepreciable capital assets	<u>\$ 1,536,248</u>	<u>\$ 290,918</u>	<u>\$ -</u>	<u>\$ 1,827,166</u>
Depreciable capital assets:				
Buildings and improvements	\$ 5,806,438	\$ 22,771	\$ -	\$ 5,829,209
Property and equipment	598,224	57,881	23,836	632,269
Infrastructure	16,939,604	664,626		17,604,230
Total depreciable capital assets	23,344,266	745,278		24,065,708
Less accumulated depreciation	5,919,701	491,198	20,643	6,390,256
Net depreciable capital assets	<u>17,424,565</u>	<u>\$ 254,080</u>	<u>\$ 3,193</u>	<u>\$ 17,675,452</u>
Net capital assets	<u>\$ 18,960,813</u>	<u>\$ 544,998</u>	<u>\$ 3,193</u>	<u>\$ 19,502,618</u>
Business-Type Activities				
Nondepreciable capital assets:				
Land	\$ 247,691	\$ -	\$ -	\$ 247,691
Total nondepreciable capital assets	<u>\$ 247,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,691</u>
Depreciable capital assets:				
Buildings and improvements	\$ 574,387	\$ -	\$ -	\$ 574,387
Property and equipment	894,291	3,076		897,367
Infrastructure	12,451,313	118,916		12,570,229
Total depreciable capital assets	13,919,991	121,992		14,041,983
Less accumulated depreciation	8,090,871	554,775		8,645,646
Net depreciable capital assets	<u>\$ 5,829,120</u>	<u>\$ (432,783)</u>	<u>\$ -</u>	<u>\$ 5,396,337</u>
Net capital assets	<u>\$ 6,076,811</u>	<u>\$ (432,783)</u>	<u>\$ -</u>	<u>\$ 5,644,028</u>

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 – CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General government	\$ 49,538
Cultural and leisure	89,850
Public works	<u>351,810</u>
Total depreciation expense-governmental activities	<u>\$ 491,198</u>
Business-type Activities:	
Water	\$ 281,130
Sewer	<u>273,645</u>
Total depreciation expense-business-type activities	<u>\$ 554,775</u>

NOTE 4 – LONG-TERM DEBT

A. Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as benefits are earned by 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.

The City's employees accumulate earned but unused benefits, which can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2017, total \$108,242 for governmental activities and \$17,406 for business-type activities.

B. Capital Leases Payable

On October 18, 2016, the City entered into a capital lease agreement with Coastal Copy, Inc. The lease proceeds were used to purchase two copiers for City Hall. The amount of the lease was \$16,359 and accrues interest at 6.3586%. Annual lease payments are due each year commencing October 2016. Future minimum lease payments are as follows:

Ending June 30	Amount
<u>2018</u>	\$ 3,808
2019	3,808
2020	3,808
2021	3,808
2022	<u>952</u>
Total minimum lease payments	16,184
Less amount representing interest	<u>(2,036)</u>
Present value on net minimum lease payments	<u>\$ 14,148</u>

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term liability activities for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Compensated absences	\$ 89,110	\$ 95,777	\$ 76,645	\$ 108,242	\$ 22,123
Capital leases payable		16,359	2,211	14,148	2,994
Net OPEB obligation	1,036,582	158,598	55,846	1,139,334	
Net pension liability	1,060,255	572,719	166,753	1,466,221	
Total	\$ 2,185,947	\$ 843,453	\$ 301,455	\$ 2,727,945	\$ 25,117
Business-type activities:					
Compensated absences	\$ 5,862	\$ 35,808	\$ 24,264	\$ 17,406	\$ 3,481
Net OPEB obligation	109,772	17,622	6,206	121,188	
Net pension liability	332,563	88,283	42,975	377,871	
Total	\$ 448,197	\$ 141,713	\$ 73,445	\$ 516,465	\$ 3,481

NOTE 6 – FUND BALANCES

Nonspendable, Restricted, and Unassigned (deficit) fund balance consisted of the following at June 30, 2017:

	General Fund	Transportation Planning Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 26,036	\$ -	\$ 1,667	\$ 27,703
Restricted				
Housing			476,537	476,537
Streets, roads, and transportation			1,031,779	1,031,779
Unassigned (deficit)	6,939,241	(132,106)		6,807,135
Total	\$ 6,965,277	\$ (132,106)	\$ 1,509,983	\$ 8,343,154

NOTE 7 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

A. Due From/To Other Funds

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

Individual fund interfund receivable and payable balances at June 30, 2017, are as follows:

Fund	Due From	Due To
Major Governmental Fund:		
General Fund	\$ 165,200	\$ -
Transportation Planning Special Revenue Fund		165,200
	<u>\$ 165,200</u>	<u>\$ 165,200</u>

C. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2016-2017 fiscal year are as follows:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ -	\$ 25,000
Transportation Planning Special Revenue Fund	25,000	
Nonmajor Governmental Funds:		
Measure A Fund		26,500
Local Transportation Fund	26,500	
	<u>\$ 51,500</u>	<u>\$ 51,500</u>

NOTE 8 – RISK MANAGEMENT

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

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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 – RISK MANAGEMENT (Continued)

B. 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 the City's primary deposit	City funds
50,001 - 100,000	Pooled based on the City'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

C. Purchased Insurance

Environmental Insurance – The City of Buellton participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Buellton. Coverage is on a claims-made basis. There is a \$50,000 deductible.

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

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

D. Adequacy of Protection

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

NOTE 9 – PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

The Plan consists of a miscellaneous pool and a safety pool (referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the City of Buellton. The City of Buellton’s employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Misc.). The City of Buellton does not have any rate plans in the safety risk pool.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.5%
Required employer contribution rates	9.558% + \$81,228	6.930% + \$88

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the City were \$209,728 for the fiscal year ended June 30, 2017.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$1,844,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The City’s proportion share of net pension liability for miscellaneous plans as of June 30, 2016, and 2015 was as follows:

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	<u>Miscellaneous</u>
Proportion-June 30, 2015	0.05077%
Proportion-June 30, 2016	0.05308%
Change-Increase (Decrease)	<u>0.00231%</u>

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$139,640. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,809	\$ -
Changes in assumptions		59,017
Net difference between projected and actual earnings on retirement plan investments	307,163	
Changes in proportion and differences between City contributions and proportionate share of contributions		168,539
Adjustment due to differences in proportion	27,678	65,777
City contributions subsequent to the measurement date	<u>209,728</u>	
	<u>\$ 549,378</u>	<u>\$ 293,333</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability, to be recognized in future periods in a systematic and rational manner.

\$209,728 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal year Ending June 30,	<u>Amount</u>
2018	\$ (98,680)
2019	(70,673)
2020	136,111
2021	79,559
	<u>\$ 46,317</u>

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65 percent) or one percentage point higher (8.65 percent) than the current rate:

	<u>1% Decrease 6.65%</u>	<u>Current Discount Rate 7.65%</u>	<u>1% Increase 8.65%</u>
City's proportionate share of net pension plan liability	\$ 2,917,540	\$ 1,844,092	\$ 956,940

Pension Plan Fiduciary Net Position

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

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 – PENSION PLAN (Continued)

C. Payable to the Pension Plan

At June 30, 2017, the City had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2017.

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS

A. Plan Description

Medical coverage is provided through a single-employer CalPERS Plan under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. The City contributes up to \$800 per month on behalf of each active employee and covered dependents. The employee is responsible for excess, if any of the total PEMHCA premium over \$800 per month. The City offers the same medical plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverage's offered under PEMHCA. Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City's contribution on behalf of retirees is the same as for active employees - 100% of PEMHCA premium for retiree and covered dependents, but not to exceed \$800 per month. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses. Membership of the plan consisted of nine retirees currently receiving benefits. The City pays a 0.34% of premium administrative fee on behalf of employees and retirees.

B. Funding Policy

As required by GASB Statement No. 45, an actuary will determine the City's Annual Required Contribution (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years. GASB Statement No. 45 does not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The City has elected not to establish an irrevocable trust at this time. The City Council reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the City. Typically, the General Fund has been used in the past to liquidate the 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, 2017, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Funding Policy (Continued)

Annual required contribution (ARC)	\$	196,660
Interest on net OPEB obligation		45,854
Adjustment to ARC		<u>(66,294)</u>
Annual OPEB cost		176,220
Contributions made (including implicit subsidy)		<u>(62,052)</u>
Increase (Decrease) in net OPEB Obligation		114,168
Net OPEB obligation (asset) - beginning of fiscal year		<u>1,146,354</u>
Net OPEB obligation (asset) - end of fiscal year	\$	<u><u>1,260,522</u></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 ended June 30, 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 249,198	\$ 32,095	12.9%	\$ 1,057,722
6/30/2016	177,958	80,520	45.2%	1,146,354
6/30/2017	176,220	62,052	35.2%	1,260,522

C. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The funded status of the Plan as of June 30, 2015, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	2,102,341
Actuarial value of Plan assets		
Unfunded actuarial accrued liability (UAAL)	\$	<u>2,102,341</u>
Funded ratio (actuarial value of Plan assets/AAL)		0.00%
Covered payroll (active Plan participants)	\$	632,148
UAAL as a percentage of covered payroll		332.57%

D. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

CITY OF BUELLTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

D. Actuarial Methods and Assumptions (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation date	6/30/2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Year as of the valuation date
Asset valuation method	30 Year smoothed marked
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increase	4.00%
Inflation - discount rate	5.00%
Health care - trend rate	5.00%

NOTE 11 – CONTINGENCIES AND COMMITMENTS

A. Legal

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.

B. Grant Programs

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.

C. Construction and Other Significant Commitments

Listed below are the projects for uncompleted contracts outstanding as of June 30, 2017.

FY 2016-17 Road Maintenance Project with GLR Construction	\$ 844,186
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NOTE 12 – 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments consisted of the following:

	<u>Statement of Activities</u>		<u>Fund Statements</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Governmental Funds:				
General Fund				
Difference between the amount recorded as accounts payable in prior fiscal year and the actual amount paid in the current fiscal year.	\$ (263,639)	\$ -	\$(263,639)	\$ -
Amount previously recorded as revenue that was actually for a Tree-In-Lieu mitigation deposit.	(19,800)		(19,800)	
Change in reporting of compensated absences	(13,168)			
Proprietary Funds:				
Water Fund				
Difference between the amount recorded as accounts receivable in prior fiscal year and the actual amount received in the current fiscal year.		886		886
Difference between the amount recorded as inventory in the prior fiscal year and the actual balance on hand.		13,546		13,546
	<u>\$ (296,607)</u>	<u>\$ 14,432</u>	<u>\$(283,439)</u>	<u>\$ 14,432</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF BUELLTON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 5,543,000	\$ 5,543,000	\$ 6,023,815	\$ 480,815
Licenses, permits, and fees	16,700	16,700	11,275	(5,425)
Intergovernmental	527,400	527,400	427,826	(99,574)
Charges for services	179,500	179,500	226,932	47,432
Fines and forfeitures	42,000	42,000	25,396	(16,604)
Use of money and property	85,000	85,000	133,387	48,387
Other revenues	30,000	30,000	14,565	(15,435)
Total revenues	6,423,600	6,423,600	6,863,196	439,596
Expenditures:				
General government	1,658,619	1,658,619	1,686,194	(27,575)
Community development	473,314	473,314	350,580	122,734
Cultural and leisure	630,445	630,445	670,726	(40,281)
Public safety	1,981,688	1,981,688	1,922,881	58,807
Public works	1,370,371	1,370,371	1,144,263	226,108
Capital outlay	685,500	685,500	563,972	121,528
Debt Service:				
Principal			2,211	(2,211)
Interest			645	(645)
Total expenditures	6,799,937	6,799,937	6,341,472	458,465
Excess of revenues over (under) expenditures	(376,337)	(376,337)	521,724	898,061
Other financing sources (uses):				
Proceeds from capital lease			16,359	16,359
Transfers out	(200,000)	(200,000)	(25,000)	175,000
Total other financing sources (uses)	(200,000)	(200,000)	(8,641)	191,359
Net change in fund balance	(576,337)	(576,337)	513,083	1,089,420
Fund balance - July 1	6,735,633	6,735,633	6,735,633	
Prior-period adjustment			(283,439)	(283,439)
Fund balance - July 1, restated	6,735,633	6,735,633	6,452,194	(283,439)
Fund balance - June 30	\$ 6,159,296	\$ 6,159,296	\$ 6,965,277	\$ 805,981

CITY OF BUELLTON
TRANSPORTATION PLANNING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 43,876	\$ 23,876
Total revenues	20,000	20,000	43,876	23,876
Expenditures:				
Public works	45,000	45,000	51,845	(6,845)
Total expenditures	45,000	45,000	51,845	(6,845)
Excess of revenues over (under) expenditures	(25,000)	(25,000)	(7,969)	17,031
Other financing sources (uses):				
Transfers in	25,000	25,000	25,000	
Total other financing sources (uses)	25,000	25,000	25,000	
Net change in fund balance			17,031	17,031
Fund balance - July 1	(149,137)	(149,137)	(149,137)	
Fund balance - June 30	<u>\$ (149,137)</u>	<u>\$ (149,137)</u>	<u>\$ (132,106)</u>	<u>\$ 17,031</u>

CITY OF BUELLTON
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Cost (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2009	\$ -	\$ 1,210,956	\$ 1,210,956	0.00%	\$ 1,077,040	112.43%
June 30, 2012	-	1,862,711	1,862,711	0.00%	1,164,087	160.01%
June 30, 2015	-	2,102,341	2,102,341	0.00%	632,148	332.57%

CITY OF BUELLTON
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2017

The following table provides required supplementary information regarding the City's Pension Plan.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00746%	0.00559%	0.00547%
Proportionate share of the net pension liability	\$ 1,844,092	\$ 1,392,818	\$ 1,345,267
Covered- employee payroll	\$ 1,313,499	\$ 1,151,073	\$ 1,208,413
Proportionate share of the net pension liability as percentage of covered-employee payroll	140.40%	121.00%	111.33%
Plan's total pension liability	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

Notes to Schedule:

Changes in assumptions

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF BUELLTON
SCHEDULE OF CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2017

The following table provides required supplementary information regarding the City's Pension Plan.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 209,728	\$ 180,244	\$ 234,747
Contribution in relation to the actuarially determined contributions	(209,728)	(180,244)	(234,747)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered- employee payroll	\$ 1,472,850	\$ 1,313,499	\$ 1,151,073
Contributions as a percentage of covered-employee payroll	14.24%	13.72%	20.39%

Notes to Schedule

Valuation Date:	6/30/2015
Methods and assumptions used to determine contribution rates:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

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SUPPLEMENTAL INFORMATION SECTION

NONMAJOR GOVERNMENTAL FUNDS

Fund	Description
Non-Major Funds:	
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 Highways Code.
Measure A Fund	Accounts for revenues and expenditures of Measure A funds.
Local Transportation Fund	Accounts for revenues and expenditures used for local transportation funds.

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CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
 June 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Housing Fund</u>	<u>Traffic Mitigation Fund</u>	<u>Gas Tax Fund</u>	<u>Measure A Fund</u>
ASSETS				
Cash and investments	\$ 475,953	\$ 12,612	\$ 436,888	\$ 480,423
Accounts receivable			72,214	
Interest receivable	784	37	730	797
Prepaid items				
Total assets	<u>\$ 476,737</u>	<u>\$ 12,649</u>	<u>\$ 509,832</u>	<u>\$ 481,220</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 200	\$ -	\$ 23,668	\$ -
Total liabilities	<u>200</u>		<u>23,668</u>	
Fund Balances:				
Nonspendable				
Restricted	476,537	12,649	486,164	481,220
Total fund balances	<u>476,537</u>	<u>12,649</u>	<u>486,164</u>	<u>481,220</u>
Total liabilities and fund balances	<u>\$ 476,737</u>	<u>\$ 12,649</u>	<u>\$ 509,832</u>	<u>\$ 481,220</u>

Special Revenue Funds

<u>Local Transportation Fund</u>	<u>Totals</u>
\$ 51,661	\$ 1,457,537
	72,214
85	2,433
<u>1,667</u>	<u>1,667</u>
<u>\$ 53,413</u>	<u>\$ 1,533,851</u>
<u>\$ -</u>	<u>\$ 23,868</u>
 	<u>23,868</u>
1,667	1,667
<u>51,746</u>	<u>1,508,316</u>
<u>53,413</u>	<u>1,509,983</u>
<u>\$ 53,413</u>	<u>\$ 1,533,851</u>

CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Housing Fund</u>	<u>Traffic Mitigation Fund</u>	<u>Gas Tax Fund</u>	<u>Measure A Fund</u>
Revenues:				
Licenses, permits, and fees	\$ -	\$ 21,648	\$ -	\$ -
Intergovernmental			354,338	529,677
Use of money and property	2,654	151	2,196	3,830
Total revenues	<u>2,654</u>	<u>21,799</u>	<u>356,534</u>	<u>533,507</u>
Expenditures:				
Community development	700			
Public works			112,359	
Capital outlay			152,625	319,599
Total expenditures	<u>700</u>		<u>264,984</u>	<u>319,599</u>
Excess of revenues over (under) expenditures	<u>1,954</u>	<u>21,799</u>	<u>91,550</u>	<u>213,908</u>
Other financing sources (uses):				
Transfers in				
Transfers out				(26,500)
Total other financing sources (uses)				<u>(26,500)</u>
Net change in fund balances	1,954	21,799	91,550	187,408
Fund balances - July 1	<u>474,583</u>	<u>(9,150)</u>	<u>394,614</u>	<u>293,812</u>
Fund balances - June 30	<u>\$ 476,537</u>	<u>\$ 12,649</u>	<u>\$ 486,164</u>	<u>\$ 481,220</u>

Special Revenue Funds

<u>Local Transportation Fund</u>	<u>Totals</u>
\$ -	\$ 21,648
16,719	900,734
107	8,938
<u>16,826</u>	<u>931,320</u>
	700
31,207	143,566
	<u>472,224</u>
<u>31,207</u>	<u>616,490</u>
<u>(14,381)</u>	<u>314,830</u>
26,500	26,500
	<u>(26,500)</u>
<u>26,500</u>	
12,119	314,830
41,294	1,195,153
<u>\$ 53,413</u>	<u>\$ 1,509,983</u>

CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds					
	Housing Fund			Traffic Mitigation Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ 50,000	\$ 21,648	\$ (28,352)
Intergovernmental						
Use of money and property	5,000	2,654	(2,346)	25	151	126
Total revenues	5,000	2,654	(2,346)	50,025	21,799	(28,226)
Expenditures						
Community development	3,000	700	2,300			
Public works				10,000		10,000
Capital outlay						
Total expenditures	3,000	700	2,300	10,000		10,000
Excess of revenues over (under) expenditures	2,000	1,954	(46)	40,025	21,799	(18,226)
Other financing sources (uses):						
Transfers in						
Transfers out						
Total other financing sources (uses)						
Net change in fund balances	\$ 2,000	1,954	\$ (46)	\$ 40,025	21,799	\$ (18,226)
Fund balances - July 1		474,583			(9,150)	
Fund balances - June 30		\$ 476,537			\$ 12,649	

CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds					
	Gas Tax Fund			Measure A Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	250,000	354,338	104,338	342,729	529,677	186,948
Use of money and property	2,000	2,196	196	300	3,830	3,530
Total revenues	<u>252,000</u>	<u>356,534</u>	<u>104,534</u>	<u>343,029</u>	<u>533,507</u>	<u>190,478</u>
Expenditures						
Community development						
Public works	2,000	112,359	(110,359)			
Capital outlay	250,000	152,625	97,375	595,000	319,599	275,401
Total expenditures	<u>252,000</u>	<u>264,984</u>	<u>(12,984)</u>	<u>595,000</u>	<u>319,599</u>	<u>275,401</u>
Excess of revenues over (under) expenditures	-	91,550	91,550	(251,971)	213,908	465,879
Other financing sources (uses):						
Transfers in						
Transfers out				(26,500)	(26,500)	
Total other financing sources (uses)				<u>(26,500)</u>	<u>(26,500)</u>	
Net change in fund balances	<u>\$ -</u>	<u>91,550</u>	<u>\$ 91,550</u>	<u>\$ (278,471)</u>	<u>187,408</u>	<u>\$ 465,879</u>
Fund balances - July 1		<u>394,614</u>			<u>293,812</u>	
Fund balances - June 30		<u>\$ 486,164</u>			<u>\$ 481,220</u>	

CITY OF BUELLTON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds					
	Local Transportation Fund			Totals		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues						
Licenses, permits, and fees	\$ -	\$ -	\$ -	\$ 50,000	\$ 21,648	\$ (28,352)
Intergovernmental	9,781	16,719	6,938	602,510	900,734	298,224
Use of money and property	20	107	87	7,345	8,938	1,593
Total revenues	<u>9,801</u>	<u>16,826</u>	<u>7,025</u>	<u>659,855</u>	<u>931,320</u>	<u>271,465</u>
Expenditures						
Community development				3,000	700	2,300
Public works	26,200	31,207	(5,007)	38,200	143,566	(105,366)
Capital outlay	175,000		175,000	1,020,000	472,224	547,776
Total expenditures	<u>201,200</u>	<u>31,207</u>	<u>169,993</u>	<u>1,061,200</u>	<u>616,490</u>	<u>444,710</u>
Excess of revenues over (under) expenditures	<u>(191,399)</u>	<u>(14,381)</u>	<u>177,018</u>	<u>(401,345)</u>	<u>314,830</u>	<u>716,175</u>
Other financing sources (uses):						
Transfers in	195,359	26,500	(168,859)	195,359	26,500	(168,859)
Transfers out				(26,500)	(26,500)	
Total other financing sources (uses)	<u>195,359</u>	<u>26,500</u>	<u>(168,859)</u>	<u>168,859</u>		<u>(168,859)</u>
Net change in fund balances	<u>\$ 3,960</u>	<u>12,119</u>	<u>\$ 8,159</u>	<u>\$ (232,486)</u>	<u>314,830</u>	<u>\$ 547,316</u>
Fund balances - July 1		<u>41,294</u>			<u>1,195,153</u>	
Fund balances - June 30		<u>\$ 53,413</u>			<u>\$ 1,509,983</u>	

CITY OF BUELLTON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEPOSITS AGENCY FUND
June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Assets				
Cash and cash equivalents	\$ 234,950	\$ 46,948	\$ 53,371	\$ 228,527
Interest receivable	<u>222</u>	<u>342</u>	<u>222</u>	<u>342</u>
Total assets	<u>\$ 235,172</u>	<u>\$ 47,290</u>	<u>\$ 53,593</u>	<u>\$ 228,869</u>
Liabilities				
Refundable deposits and accruals	<u>\$ 235,172</u>	<u>\$ 47,290</u>	<u>\$ 53,593</u>	<u>\$ 228,869</u>
Total liabilities	<u>\$ 235,172</u>	<u>\$ 47,290</u>	<u>\$ 53,593</u>	<u>\$ 228,869</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Buellton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, footnotes, and required supplementary information says about the City's overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	76-85
Revenue Capacity These schedules contain information to help assess the government's most significant local revenue sources.	86-92
Debt Capacity These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.	93-95
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	97-103

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Buellton, California
Net Position by Component
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Accrual basis of accounting)

	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 16,246,876	\$ 17,157,515	\$ 16,562,754	\$ 16,445,038
Restricted	-	-	-	4,282,496
Unrestricted	12,960,500	12,919,389	12,391,360	8,470,455
Total governmental activities net position	\$ 29,207,376	\$ 30,076,904	\$ 28,954,114	\$ 29,197,989
Business-type activities				
Net investment in capital assets	\$ 5,389,703	5,151,913	\$ 5,096,842	\$ 5,530,407
Restricted	-	-	-	-
Unrestricted	6,514,815	6,653,810	6,381,738	5,604,145
Total business-type activities net position	\$ 11,904,518	\$ 11,805,723	\$ 11,478,580	\$ 11,134,552
Primary government				
Net investment in capital assets	\$ 21,636,579	\$ 22,309,428	\$ 21,659,596	\$ 21,975,445
Restricted	-	-	-	4,282,496
Unrestricted	19,475,315	19,573,199	18,773,098	14,074,600
Total primary government net position	\$ 41,111,894	\$ 41,882,627	\$ 40,432,694	\$ 40,332,541

Source: City Finance Department

	2012	2013	2014	2015	2016	2017
\$	17,403,453	\$ 17,650,808	\$ 17,499,108	\$ 18,152,109	\$ 18,960,813	\$ 19,488,470
	1,848,781	7,993,664	7,986,418	7,483,555	1,202,636	1,508,316
	11,014,594	5,323,390	5,301,357	4,312,758	4,204,654	4,324,620
\$	<u>30,266,828</u>	<u>\$ 30,967,862</u>	<u>\$ 30,786,883</u>	<u>\$ 29,948,422</u>	<u>\$ 24,368,103</u>	<u>\$ 25,321,406</u>
\$	5,563,438	\$ 5,420,400	\$ 5,555,611	\$ 5,573,002	\$ 6,076,811	\$ 5,644,028
	-	-	-	-	-	-
	5,136,194	4,859,019	4,218,343	3,508,567	3,308,675	3,715,375
\$	<u>10,699,632</u>	<u>\$ 10,279,419</u>	<u>\$ 9,773,954</u>	<u>\$ 9,081,569</u>	<u>\$ 9,385,486</u>	<u>\$ 9,359,403</u>
\$	22,966,891	\$ 23,071,208	\$ 23,054,719	\$ 23,725,111	\$ 25,037,624	\$ 25,132,498
	1,848,781	7,993,664	7,986,418	7,483,555	1,202,636	1,508,316
	16,150,788	10,182,409	9,519,700	7,821,325	7,513,329	8,039,995
\$	<u>40,966,460</u>	<u>\$ 41,247,281</u>	<u>\$ 40,560,837</u>	<u>\$ 39,029,991</u>	<u>\$ 33,753,589</u>	<u>\$ 34,680,809</u>

City of Buellton, California
Changes in Net Position
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Accrual basis of accounting)

	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 1,139,402	\$ 952,729	\$ 1,027,858	\$ 1,040,330
Community development	617,300	908,792	1,343,533	947,844
Culture and leisure	2,311,368	607,147	648,944	638,904
Public safety	1,563,977	1,640,233	1,755,474	1,804,188
Public works	795,921	886,380	1,743,224	819,223
Interest on long-term debt	-	-	-	-
Unallocated depreciation	685,152	705,212	723,587	737,978
Total governmental activities expenses	7,113,120	5,700,493	7,242,620	5,988,467
Business-type activities:				
Water Utility	1,543,927	1,591,019	1,633,422	1,623,335
Wastewater Utility	825,680	869,595	909,121	842,378
Total business-type activities expenses	2,369,607	2,460,614	2,542,543	2,465,713
Total primary government expenses	9,482,727	8,161,107	9,785,163	8,454,180
Program revenues				
Governmental activities:				
Charges for services:				
General government	338,389	186,909	133,995	92,618
Community development	-	42,818	42,818	160,854
Culture and leisure	74,040	82,900	183,933	155,316
Public safety	32,747	12,210	58,207	66,616
Public works	-	-	-	-
Operating grants and contributions	313,596	286,756	400,787	356,627
Capital grants and contributions	797,368	474,562	225,429	182,490
Total governmental activities program revenues	1,556,140	1,086,155	1,045,169	1,014,521
Business-type activities:				
Charges for services:				
Water utility	1,495,709	1,467,933	1,467,931	1,387,651
Sewer utility	562,467	556,822	569,344	572,545
Operating grants and contributions	-	-	-	-
Capital grants and contributions	563,863	179,062	108,960	114,575
Total business-type activities program revenues	2,622,039	2,203,817	2,146,235	2,074,771
Total primary government program revenues	4,178,179	3,289,972	3,191,404	3,089,292
Net (Expense)/Revenue				
Governmental activities	(5,556,980)	(4,614,338)	(6,197,451)	(4,973,946)
Business-type activities	252,432	(256,797)	(396,308)	(390,942)
Total primary government net expense	(5,304,548)	(4,871,135)	(6,593,759)	(5,364,888)

	2012	2013	2014	2015	2016	2017
\$	1,484,345	\$ 1,519,771	\$ 1,771,834	\$ 783,769	\$ 849,291	\$ 1,784,167
	1,131,764	313,216	469,675	1,192,571	1,115,702	364,935
	621,570	588,733	595,098	607,761	523,974	790,357
	1,350,473	1,872,020	1,792,569	1,801,989	1,808,093	1,922,881
	862,578	1,526,752	2,568,183	1,959,864	1,358,122	1,722,304
	-	-	-	-	-	645
	-	-	-	-	-	-
	5,450,730	5,820,492	7,197,359	6,345,954	5,655,182	6,585,289
	1,699,457	1,734,083	1,679,681	1,822,088	1,947,565	1,955,852
	771,940	847,522	453,728	957,261	1,025,834	1,099,822
	2,471,397	2,581,605	2,133,409	2,779,349	2,973,399	3,055,674
	7,922,127	8,402,097	9,330,768	9,125,303	8,628,581	9,640,963
	1,712	3,975	51,250	9,095	10,260	-
	-	-	-	-	52,400	-
	59,786	231,337	271,231	306,560	272,682	226,932
	48,678	47,982	38,129	37,594	39,875	-
	88,865	9,480	27,840	106,974	72,234	-
	1,225,407	919,707	639,327	555,856	544,749	1,405,359
	-	-	-	-	-	-
	1,424,448	1,212,481	1,027,777	1,016,079	992,200	1,632,291
	1,388,813	1,460,658	1,549,410	1,436,127	1,426,171	1,917,538
	597,963	649,703	695,725	734,289	727,810	855,684
	462	3,250	1,699	293,817	824,934	-
	34,720	36,380	-	-	-	224,907
	2,021,958	2,149,991	2,246,834	2,464,233	2,978,915	2,998,129
	3,446,406	3,362,472	3,274,611	3,480,312	3,971,115	4,630,420
	(4,026,282)	(4,608,011)	(6,169,582)	(5,329,875)	(4,662,982)	(4,952,998)
	(449,439)	(431,614)	113,425	(315,116)	5,516	(57,545)
	(4,475,721)	(5,039,625)	(6,056,157)	(5,644,991)	(4,657,466)	(5,010,543)

City of Buellton, California
Changes in Net Position, Continued
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Accrual basis of accounting)

	2008	2009	2010	2011
Continued from previous page:				
General Revenues and Other Changes in Net Position:				
Governmental activities:				
Taxes:				
Secured and unsecured property taxes	1,683,116	1,713,355	1,750,774	1,718,074
Sales and use tax	1,878,982	1,539,733	1,414,049	1,552,752
Transient lodging tax	1,290,705	1,223,797	1,164,409	1,193,216
Franchise taxes	136,557	142,731	131,659	209,220
Other taxes	384,178	405,637	403,748	411,514
Fines and forfeitures	-	-	-	-
Investment income	814,768	448,519	129,300	127,128
Other general revenues	25,246	10,094	13,632	5,917
Transfer from fiduciary activities	-	-	-	-
Transfer in (out)	-	-	-	-
Special item	-	-	-	-
Extraordinary item	-	-	-	-
Total governmental activities	<u>6,213,552</u>	<u>5,483,866</u>	<u>5,007,571</u>	<u>5,217,821</u>
Business-type activities:				
Use of money and property	252,798	131,760	39,922	23,774
Other revenues	32,006	26,242	29,243	23,140
Transfer in (out)	-	-	-	-
Total business-type activities	<u>284,804</u>	<u>158,002</u>	<u>69,165</u>	<u>46,914</u>
Total primary government	<u>6,498,356</u>	<u>5,641,868</u>	<u>5,076,736</u>	<u>5,264,735</u>
Changes in Net Position				
Governmental activities	656,572	869,528	(1,189,880)	243,875
Business-type activities	<u>537,236</u>	<u>(98,795)</u>	<u>(327,143)</u>	<u>(344,028)</u>
Total primary government	<u>\$ 1,193,808</u>	<u>\$ 770,733</u>	<u>\$ (1,517,023)</u>	<u>\$ (100,153)</u>

Source: City Finance Department

2012	2013	2014	2015	2016	2017
1,679,732	1,528,000	1,116,510	1,146,289	2,396,533	1,297,795
1,611,788	1,744,085	1,935,411	1,943,723	2,044,067	2,521,898
1,239,617	1,344,904	1,604,086	1,830,275	1,783,807	1,938,720
202,981	207,922	216,444	418,586	434,866	221,847
383,604	381,358	387,905	220,140	223,302	43,555
-	-	-	-	-	25,396
268,680	102,197	41,160	107,885	104,364	142,325
-	579	1,192	54,257	39,300	11,372
-	-	59,073	-	-	-
-	-	626,822	-	-	-
-	-	-	-	(7,943,576)	-
(291,281)	-	-	-	-	-
<u>5,095,121</u>	<u>5,309,045</u>	<u>5,988,603</u>	<u>5,721,155</u>	<u>(917,337)</u>	<u>6,202,908</u>
14,519	11,401	7,932	8,146	10,711	17,030
-	-	-	-	287,690	-
-	-	(626,822)	-	-	-
<u>14,519</u>	<u>11,401</u>	<u>(618,890)</u>	<u>8,146</u>	<u>298,401</u>	<u>17,030</u>
<u>5,109,640</u>	<u>5,320,446</u>	<u>5,369,713</u>	<u>5,729,301</u>	<u>(618,936)</u>	<u>6,219,938</u>
1,068,839	701,034	(180,979)	391,280	(5,580,319)	1,249,910
(434,920)	(420,213)	(505,465)	(306,970)	303,917	(40,515)
<u>\$ 633,919</u>	<u>\$ 280,821</u>	<u>\$ (686,444)</u>	<u>\$ 84,310</u>	<u>\$ (5,276,402)</u>	<u>\$ 1,209,395</u>

(concluded)

City of Buellton, California
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Modified accrual basis of accounting)

	2008	2009	2010	2011	2012
General Fund:					
Nonspendable	\$ 7,782,741	\$ 7,957,130	\$ 8,067,010	\$ 2,968,765	\$ 114,737
Restricted	-	-	-	-	-
Committed	-	-	-	25,000	-
Unassigned	2,768,083	2,974,145	3,187,103	9,045,094	11,334,055
Total general fund	<u>10,550,824</u>	<u>10,931,275</u>	<u>11,254,113</u>	<u>12,038,859</u>	<u>11,448,792</u>
All Other Governmental Funds:					
Nonspendable	205,181	208,069	225,917	5,971	200,000
Restricted	6,123,560	6,751,213	7,016,895	4,282,496	1,848,781
Unassigned (deficit)	(3,869,785)	(4,916,803)	(6,091,969)	(3,439,610)	(277,578)
Total all other governmental funds	<u>2,458,956</u>	<u>2,042,479</u>	<u>1,150,843</u>	<u>848,857</u>	<u>1,771,203</u>
Total all governmental funds	<u>\$ 13,009,780</u>	<u>\$ 12,973,754</u>	<u>\$ 12,404,956</u>	<u>\$ 12,887,716</u>	<u>\$ 13,219,995</u>

Source: City Finance Department

	2013	2014	2015	2016	2017
\$	98,630	\$ 267,916	\$ 211,871	\$ 1,727	\$ 26,036
	6,169,316	6,173,046	6,185,439	-	
	-	-	-	-	-
	5,829,005	6,050,021	6,482,765	6,733,906	6,939,241
	12,096,951	12,490,983	12,880,075	6,735,633	6,965,277
	201,667	1,667	1,667	1,667	1,667
	1,824,348	1,813,372	1,298,116	1,202,636	1,508,316
	(273,652)	(245,469)	(193,192)	(158,287)	(132,106)
	1,752,363	1,569,570	1,106,591	1,046,016	1,377,877
\$	13,849,314	\$ 14,060,553	\$ 13,986,666	\$ 7,781,649	\$ 8,343,154

City of Buellton, California
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Modified accrual basis of accounting)

	2008	2009	2010
Revenues:			
Taxes	\$ 5,002,441	\$ 4,641,967	\$ 4,339,672
Licenses, permits, and fees	254,325	90,702	74,144
Intergovernmental	1,337,608	1,068,235	1,027,513
Charges for services	74,040	82,900	183,933
Fines and forfeitures	38,240	36,951	44,809
Use of money and property	874,615	508,368	189,152
Other	188,423	140,898	48,632
Total revenues	7,769,692	6,570,021	5,907,855
Expenditures:			
Current:-			
General government	964,392	946,501	995,266
Community development	616,123	1,084,618	1,312,599
Culture and leisure	2,306,960	606,549	629,171
Public safety	1,560,994	1,638,619	1,755,474
Public works	794,403	885,508	1,540,579
Capital outlay	307,168	1,444,252	310,654
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	6,550,040	6,606,047	6,543,743
Reconciliation of Governmental Revenues			
Less Expenditures to Fund Equity:			
Revenues over (under) expenditures	\$ 1,219,652	\$ (36,026)	\$ (635,888)
Other financing sources (uses):			
Write off of Advance to Successor Agency Private Purpose Trust	-	-	-
Release of funds to Successor Agency Private Purpose Trust	-	-	-
Proceeds from sales of assets	-	-	-
Transfer from Successor Agency Private Purpose Trust	-	-	-
Extraordinary loss on dissolution of redevelopment	-	-	-
Proceeds from capital lease	-	-	-
Transfers in	1,800,000	-	-
Transfers out	(1,800,000)	-	-
Payment to Santa Barbara County	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ 1,219,652	\$ (36,026)	\$ (635,888)
Debt service as a percentage of noncapital expenditures	0%	0%	0%

Source: City Finance Department

	2011	2012	2013	2014	2015	2016	2017
\$	4,696,667	\$ 4,917,859	\$ 5,246,898	\$ 5,260,356	\$ 5,179,413	\$ 6,479,828	\$ 6,023,815
	30,049	85,777	13,666	79,181	10,854	21,056	32,923
	1,106,355	1,230,607	879,078	639,327	942,106	954,116	1,372,436
	155,316	-	165,717	189,475	284,829	296,128	226,932
	48,342	49,223	49,261	39,203	37,508	39,875	25,396
	189,696	525,508	162,312	108,775	107,885	104,364	142,325
	5,917	1,876	4,594	14,168	169,351	123,072	14,565
	<u>6,232,342</u>	<u>6,810,850</u>	<u>6,521,526</u>	<u>6,330,485</u>	<u>6,731,946</u>	<u>8,018,439</u>	<u>7,838,392</u>
	1,002,400	1,046,267	1,317,924	1,511,614	568,229	638,552	1,686,194
	911,843	1,131,764	313,216	262,175	1,192,571	1,115,702	351,280
	621,181	608,804	575,128	590,873	591,096	507,894	670,726
	1,804,188	1,350,473	1,872,020	1,792,569	1,801,989	1,808,093	1,922,881
	789,708	660,515	1,303,965	1,225,306	1,567,534	1,709,883	1,339,674
	620,262	1,389,467	510,038	1,215,104	1,089,702	499,756	1,036,196
	-	-	-	-	-	-	2,211
	-	-	-	-	-	-	645
	<u>5,749,582</u>	<u>6,187,290</u>	<u>5,892,291</u>	<u>6,597,641</u>	<u>6,811,121</u>	<u>6,279,880</u>	<u>7,009,807</u>
\$	482,760	\$ 623,560	\$ 629,235	\$ (267,156)	\$ (79,175)	\$ 1,738,559	\$ 828,585
	-	-	-	-	-	(1,876,208)	-
	-	-	-	-	-	(6,067,368)	-
	-	-	-	-	5,288	-	-
	-	(291,281)	-	59,073	-	-	-
	-	-	-	-	-	-	16,359
	4,602,777	-	-	1,264,556	1,256,482	557,213	51,500
	(4,602,777)	-	-	(637,734)	(1,256,482)	(557,213)	(51,500)
	-	-	-	(207,500)	-	-	-
	-	(291,281)	-	478,395	5,288	(7,943,576)	16,359
\$	<u>482,760</u>	<u>332,279</u>	<u>629,235</u>	<u>211,239</u>	<u>(73,887)</u>	<u>(6,205,017)</u>	<u>844,944</u>
	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

City of Buellton, California
Assessed Value and Actual Value of Taxable Property
For the last ten fiscal years

	City			Former Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
FY 07-08	\$ 679,402,694	\$ 28,649,150	\$ 708,051,844	\$ 88,497,770	\$ 7,892,351	\$ 96,390,121	1.000%
FY 08-09	707,619,233	34,655,099	742,274,332	103,932,132	8,554,860	112,486,992	1.000%
FY 09-10	686,233,598	53,552,918	739,786,516	107,966,325	9,107,721	117,074,046	1.000%
FY 10-11	684,320,951	55,490,755	739,811,706	108,444,880	8,877,972	117,322,852	1.000%
FY 11-12	683,948,070	58,348,786	742,296,856	108,257,121	7,676,358	115,933,479	1.000%
FY 12-13	677,670,315	56,809,979	734,480,294	107,901,412	7,364,330	115,265,742	1.000%
FY 13-14	693,882,411	58,627,154	752,509,565	109,941,037	7,636,523	117,577,560	1.000%
FY 14-15	715,256,461	48,056,143	763,312,604	111,820,186	7,764,135	119,584,321	1.000%
FY 15-16	749,194,282	61,290,514	810,484,796	116,980,297	8,401,492	125,381,789	1.000%
FY 16-17	787,460,650	63,404,746	850,865,396	122,962,558	8,346,976	131,309,534	1.000%

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

Source: County of Santa Barbara Auditor-Controller's Office

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City of Buellton, California
Direct and Overlapping Tax Rates
For the last ten fiscal years
(Rate per \$100 of assessed value)

	Direct Rates		Overlapping Rates	
	Basic Rate	Total Direct	Buellton Union School District 1992	Buellton Union School District 2004
FY 07-08	1.000	1.000	0.0234	0.0279
FY 08-09	1.000	1.000	0.0231	0.0279
FY 09-10	1.000	1.000	0.0242	0.0279
FY 10-11	1.000	1.000	0.0242	0.0279
FY 11-12	1.000	1.000	0.0250	0.0288
FY 12-13	1.000	1.000	0.0250	0.0298
FY 13-14	1.000	1.000	0.0250	0.0298
FY 14-15	1.000	1.000	0.0250	0.0298
FY 15-16	1.000	1.000	0.0250	0.0298
FY 16-17	1.000	1.000	0.0231	0.0313

Note: In 1978, California voters passed Proposition 13, which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies whose boundaries include the subject property. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of debt issued by the taxing agencies shown above.

* The RDA rate is based on the largest RDA tax rate area (TRA) and includes only rates from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. In accordance with the timeline set forth in AB1x26 (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.

Source: County of Santa Barbara Auditor-Controller's Office

AHCC Bond 2006	Total Tax Rate	Redevelopment Agency *
0.0248	1.07609	1.07609
0.0250	1.07599	1.07599
0.0250	1.07714	1.07714
0.0250	1.07714	1.07714
0.0250	1.07871	-
0.0250	1.07972	-
0.0250	1.07972	-
0.0250	1.07972	-
0.0250	1.07972	-
0.0250	1.07936	-

City of Buellton, California
Principal Property Tax Payers - Secured Roll Only
Current Year and Seven Years Ago

Property Owner	FY 2016-17			FY 2010-11		
	Assessed Valuation	Rank	% of Total	Assessed Valuation	Rank	% of Total
FPA Flying Flags Associates, LP	\$ 16,548,334	1	20.1%	\$ 14,433,410	2	17.4%
RREFF II-CPD Buellton, LLC	9,441,826	2	11.5%	-	-	0.0%
Kang Family Partners	8,854,216	3	10.8%	7,797,001	4	9.4%
Buellton Village Center, LLC	8,091,369	4	9.8%	-	-	0.0%
Buellton Self-Storage, LP	7,376,532	5	9.0%	6,429,928	5	7.8%
Kaywine, LLC	7,213,268	6	8.8%	-	-	0.0%
ABS CA-O LLC	6,753,293	7	8.2%	-	-	0.0%
Los Olivos Meadows LLC	6,500,302	8	7.9%	-	-	0.0%
Santa Ynez Self Storage, LLC	6,105,867	9	7.4%	5,612,061	7	6.8%
Hauber Family Trust	5,412,331	10	6.6%	5,038,509	8	6.1%
Oak Springs Village Properties LLC	-	-	-	15,569,013	1	18.8%
Buellton Industrial Partners II, LLC	-	-	-	12,166,100	3	14.7%
New Albertson's Inc	-	-	-	6,193,352	6	7.5%
Los Padres Properties	-	-	-	4,868,000	9	5.9%
Santa Ynez Band of Mission Indians	-	-	-	4,811,730	10	5.8%
	<u>\$82,297,338</u>		<u>100.0%</u>	<u>\$82,919,104</u>		<u>100.0%</u>

Source: County of Santa Barbara Auditor-Controller's Office

City of Buellton, California

Schedule of Top 25 Principal Sales Tax Remitters (listed in alphabetical order)

Current Year and Five Years Ago

Apr-June 2017	Apr-June 2012
AJ Spurs Saloon & Dining Hall	AJ Spurs Saloon & Dining Hall
Albertsons	Albertsons
Andersens Pea Soup	Andersens Pea Soup
Buellton Mobil	Arco
Buellton Shell	Buellton Shell
Chevron	Carls Jr
Coast Auto Sales	Chevron
Conserv Fuel	Circle K
CVS	Coast Auto Sales
Eagle Energy	CVS
Farm Supply	Farm Supply
Habit	Firestone Walker Brewing
Industrial Eats	Jim Vreeland Ford
Jim Vreeland Ford	McDonalds
McDonalds	Moller Investments
Platinum Performance	One Stop Auto Parts
Platinum Performance Vet	Platinum Performance
Rio Vista Chevrolet	Platinum Performance Vet
Sky River RV	Rio Vista Chevrolet
Taproom & Barrelworks	Santa Ynez Valley Marriott
Tesoro Refining & Marketing	Steves Wheel & Tires
The Hitching Post II	The Hitching Post II
Todd Pipe & Supply	Thin Film Technology
Toms Gas & Market	Todd Pipe & Supply
Tractor Supply	Toms Gas & Market

Note: The lists above includes both public and private entities for the most recent and prior comparable period available and therefore the dollar values have been omitted because the information is not public information. Rankings are determined by the sales dollar amount.

Source: City Finance Department

City of Buellton, California
Property Tax Levies and Collections
For the last ten fiscal years

Fiscal Year Ended June 30,	Countywide Full Cash Value	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 58,033,893,974	\$ 1,024,612	\$ 999,816	97.6%	\$ 24,453	\$ 1,024,269	100.0%
2009	60,696,539,168	1,087,350	1,056,581	97.2%	30,002	1,086,584	99.9%
2010	61,175,442,005	1,098,733	1,071,856	97.6%	25,666	1,097,522	99.9%
2011	61,464,193,266	1,099,024	1,080,276	98.3%	17,323	1,097,599	99.9%
2012	62,347,291,820	1,100,892	1,086,758	98.7%	12,865	1,099,623	99.9%
2013	62,997,084,030	1,098,286	1,087,164	99.0%	9,841	1,097,005	99.9%
2014	65,564,638,917	1,118,521	1,109,598	99.2%	7,690	1,117,288	99.9%
2015	69,060,903,131	1,137,192	1,127,669	99.2%	7,881	1,135,550	99.9%
2016	72,467,182,665	1,209,841	1,197,790	99.0%	6,465	1,204,255	99.5%
2017	75,421,928,742	1,267,225	1,256,864	99.2%	-	1,256,864	99.2%

Source: Santa Barbara County Auditor-Controller's Office

Note: For the fiscal year ended June 30, 2017 as of 6/30/17

City of Buellton, California
Direct and Overlapping Debt
Current Year
June 30, 2017

2016-17 Assessed Valuation: \$ 850,865,396

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Debt Outstanding (1)</u>	<u>% Applicable (2)</u>	<u>Estimate Share of Debt</u>
Allan Hancock Joint Community College District - GO Bonds	\$ 128,079,576	3.447%	\$ 4,414,714
Buellton Union School District - GO Bonds and Bond Anticipation Notes	\$ 5,455,887	77.332%	\$ 4,219,153
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 133,535,463		\$ 8,633,867

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	<u>Debt Outstanding (1)</u>	<u>% Applicable (2)</u>	<u>Estimate Share of Debt</u>
Buellton Union School District - Certificates of Participation	\$ 268,000	77.332%	\$ 207,250
Santa Ynez Valley Union High School District - Certificates of Participation	\$ 2,412,000	13.222%	\$ 318,919
Santa Barbara County Certificates of Participation	\$ 50,190,000	1.125%	\$ 564,833
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$ 52,870,000		\$ 1,091,003

COMBINED TOTAL DEBT **\$ 9,724,870 (3)**

(1) Bond Principal Balance as of 6/30/2016, Certificate Balance as of 8/1/2016

(2) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total assessed value.

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

Ratios to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.01%
Combined Total Debt	1.14%

Source: Santa Barbara County Auditor-Controller's Office

City of Buellton, California
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in thousands)

	2008	2009	2010	2011	2012
Assessed Value	\$ 679,402,694	\$ 707,619,233	\$ 686,233,598	\$ 684,320,951	\$ 683,948,070
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Value	169,850,674	176,904,808	171,558,400	171,080,238	170,987,018
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt limit	25,477,601	26,535,721	25,733,760	25,662,036	25,648,053
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	\$ 25,477,601	\$ 26,535,721	\$ 25,733,760	\$ 25,662,036	\$ 25,648,053
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Notes: The Government Code of the State of California provides for a legal debt limit of 15% of grossed assessed secured tax valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of the assessed value for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was. The City does not have any outstanding general obligation debt subject to the limit.

Source: City Finance Department

2013	2014	2015	2016	2017
\$ 677,670,315	\$ 693,882,411	\$ 715,256,461	\$ 749,194,282	\$ 787,460,650
25%	25%	25%	25%	25%
169,417,579	173,470,603	178,814,115	187,298,571	196,865,163
15%	15%	15%	15%	15%
25,412,637	26,020,590	26,822,117	28,094,786	29,529,774
-	-	-	-	-
\$ 25,412,637	\$ 26,020,590	\$ 26,822,117	\$ 28,094,786	\$ 29,529,774
0%	0%	0%	0%	0%

City of Buellton, California
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal Income Santa Barbara County (in thousands) ⁽²⁾</u>	<u>Per Capita Personal Income Santa Barbara County ⁽³⁾</u>	<u>Unemployment Rate Santa Barbara County ⁽⁴⁾</u>
2008	4,700	\$ 19,100,000	\$ 44,500	5.2%
2009	4,740	18,100,000	42,000	8.2%
2010	4,833	18,600,000	42,900	8.8%
2011	4,878	19,000,000	44,600	8.9%
2012	4,858	19,000,000	44,500	7.9%
2013	4,863	19,300,000	45,000	6.3%
2014	4,893	20,600,000	47,600	5.4%
2015	4,931	21,700,000	49,700	4.7%
2016	4,957	22,300,000	49,900	4.9%
2017	5,129	24,200,000	53,700	4.3%

Notes:

** Information presented is for the Santa Barbara County Region, except for population data which relate to the City's population, since separate data is not available for the City of Buellton.

Sources:

- ⁽¹⁾ State Department of Finance, numbers are based on January 1, 2017
- ⁽²⁾ U.S. Dept. of Commerce Bureau of Economic Analysis.
- ⁽³⁾ U.S. Dept. of Commerce Bureau of Economic Analysis.
- ⁽⁴⁾ Bureau of Labor Statistics.

City of Buellton, California

Full-time and Part-time City Employees by Function (Full Time Equivalent)

Last Ten Fiscal Years

(Fiscal year ended June 30)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
- City Council	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
- City Clerk / HR	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
- City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
- City Attorney *	1.00	-	-	-	-	-	-	-	-	-
- Finance	4.00	4.00	3.00	3.00	3.00	3.00	3.28	4.05	3.55	3.55
Community Development										
- Planning	3.00	3.00	3.05	3.13	3.19	3.10	3.16	2.45	2.45	2.45
Culture and Leisure										
- Parks & Recreation	1.00	2.51	3.35	3.43	3.61	3.97	5.09	6.65	6.60	7.80
- Library **	-	-	-	-	-	-	-	-	-	-
Public Safety										
- Police ***	-	-	-	-	-	-	-	-	-	-
- Fire ****	-	-	-	-	-	-	-	-	-	-
Public works										
- Street Lights	-	-	-	-	-	-	-	-	-	-
- Engineering	-	-	-	-	-	-	-	-	-	-
- General	7.00	7.00	6.09	6.53	7.40	7.00	9.05	8.80	8.80	8.80
Total	23.00	23.51	22.49	23.09	24.21	24.07	27.58	28.95	28.40	29.60

Note:

* Starting in FY2009 the City Attorney is contract personnel .

** The City of Buellton contracted with City of Lompoc Library System to manage the Buellton Branch of the County Library.

*** Contract with Santa Barbara County Sheriff Department for law enforcement services.

**** Contract with Santa Barbara County Fire Department to provide staffing at County Fire Station 31 in Buellton.

Source: City Finance Department

City of Buellton, California
Operating Indicators by Function
Last Ten Fiscal Years
(Fiscal year ended June 30)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police *										
- Arrests	412	339	429	313	260	231	147	127	107	176
- Non-criminal Citations	489	507	644	452	292	348	768	667	402	693
Total Police Actions	901	846	1,073	765	552	579	915	794	509	869
Fire **										
- Number of Calls for Service	NA	NA	NA	167	526	777	538	796	479	577
- Emergency Call Responses	NA	NA	NA	119	197	186	351	508	492	577
- Fire Prevention Activities	NA	NA	NA	2	19	21	14	29	55	81
Total Fire Actions				288	742	984	903	1,333	1,026	1,235
Planning Permits:										
- Certificate of Compliance	-	-	-	-	-	-	-	-	-	-
- Conditional Use	2	-	3	1	-	2	1	-	3	-
- Development Plan Modification	1	2	-	-	-	-	-	1	1	2
- Final Development Plan	1	3	-	1	2	1	5	3	2	3
- General Plan Amendment	-	3	-	-	-	-	-	3	-	1
- Preliminary Development Plan	-	-	-	-	-	1	-	-	-	-
- Home Occupation	3	5	1	2	5	3	4	7	7	7
- Land Use Exemption ***	73	78	35	42	49	48	68	63	87	77
- Lot Line Adjustment	1	-	1	-	-	-	2	-	-	3
- Minor Use Permit	2	2	-	1	-	-	-	1	2	1
- Sign Ordinance Exemption	1	1	-	-	1	2	-	1	1	1
- Specific Plan	-	-	-	-	-	1	-	-	-	1
- Time Extensions	3	2	-	-	-	2	2	-	-	-
- Tentative Parcel Map	2	1	-	-	1	-	-	-	-	1
- Tentative Tract Map	1	-	-	-	-	-	1	-	1	1
- Variance	-	-	-	-	-	-	-	-	-	-
- Zoning Clearance	16	54	39	37	42	41	27	38	69	75
- Zoning Ordinance Amendment	-	4	2	2	1	-	1	1	2	-
Total planning actions	106	155	81	86	101	101	111	118	175	173

*Police services are provided by the Santa Barbara County Sheriff's Office.

** Fire services are provided by the Santa Barbara County Fire Department

1. FY2011 data is for Apr - June 2011 activities

2. FY2012 data is for Oct 2011 - June 2012 activities

3. FY2015 data is for July 2013 - Dec 2013 & Apr 2015 - June 2015

NA indicates the information is not available.

Source: City Finance, Public Works and Planning Departments

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City of Buellton, California
Capital Asset Statistics by Function
Last Ten Fiscal Years
(Fiscal year ended June 30)

Function	2008	2009	2010	2011	2012
Police *:					
Stations	1	1	1	1	1
Fire *					
Fire stations	1	1	1	1	1
Public works					
Streets (miles)	22	22	22	22	22
Streetlights	50	50	50	64	64
Parks and recreation					
Parks	2	2	2	2	2
Sewer					
Sanitary sewers (miles)	18	18	18	18	18
Number of pump stations	2	2	2	2	2
Wastewater treatment plant	1	1	1	1	1
Water					
Water lines	27	27	27	27	27
Wells	5	5	5	5	5
Water treatment plants	2	2	2	2	2
Reservoirs	3	3	3	3	3

* Services are provided by the County or Special Districts, which are separate from the City. The data provided are for those portions of the system located within the City of Buellton.

Source: City Finance, Public Works and Planning Departments

2013	2014	2015	2016	2017
1	1	1	1	1
1	1	1	1	1
22	22	22	22	22
64	64	64	64	64
2	4	4	4	4
18	18	18	18	18
2	2	2	2	2
1	1	1	1	1
27	27	27	27	27
5	5	5	5	5
2	2	2	2	2
3	3	3	3	3

City of Buellton, California
Capital Asset Statistics by Funds
Last Ten Fiscal Years
(Fiscal year ended June 30)

	2008	2009	2010	2011
Governmental-type				
Land	\$ 1,118,648	\$ 1,118,648	\$ 1,118,648	\$ 1,536,248
Construction-in-progress	-	92,397	-	-
Buildings and improvements	7,759,526	8,388,508	8,318,333	8,346,414
Equipment	376,438	292,115	306,543	392,039
Infrastructure	14,986,648	15,824,033	16,094,430	16,183,515
Total	<u>24,241,260</u>	<u>25,715,701</u>	<u>25,837,954</u>	<u>26,458,216</u>
Accumulated depreciation				
Total Accumulated depreciation	(7,994,384)	(8,558,186)	(9,275,200)	(10,013,178)
Total Governmental net capital assets	<u>16,246,876</u>	<u>17,157,515</u>	<u>16,562,754</u>	<u>16,445,038</u>
Business-type Activities				
Land	\$ 247,691	\$ 247,691	\$ 247,691	\$ 247,691
Construction-in-progress	-	-	88,645	-
Buildings and improvements	-	-	-	-
Equipment	428,084	428,084	552,625	557,499
Infrastructure	9,985,252	10,065,452	10,116,246	10,968,077
Total	<u>10,661,027</u>	<u>10,741,227</u>	<u>11,005,207</u>	<u>11,773,267</u>
Accumulated depreciation				
Total accumulated depreciation	(5,271,324)	(5,589,314)	(5,908,365)	(6,242,860)
Total Business-type net capital assets	<u>\$ 5,389,703</u>	<u>\$ 5,151,913</u>	<u>\$ 5,096,842</u>	<u>\$ 5,530,407</u>

Source: City Finance Department

2012	2013	2014	2015	2016	2017
\$ 1,536,248	\$ 1,536,248	\$ 1,536,248	\$ 1,536,248	\$ 1,536,248	\$ 1,827,166
-	-	-	-	-	-
4,221,448	4,221,448	4,221,448	4,221,448	5,806,438	5,829,209
385,766	425,998	444,765	528,043	598,224	632,269
15,815,655	16,279,484	16,364,557	17,367,786	16,939,604	17,604,230
<u>21,959,117</u>	<u>22,463,178</u>	<u>22,567,018</u>	<u>23,653,525</u>	<u>24,880,514</u>	<u>25,892,874</u>
(4,555,664)	(4,812,370)	(5,067,910)	(5,501,416)	(5,919,701)	(6,390,256)
<u>17,403,453</u>	<u>17,650,808</u>	<u>17,499,108</u>	<u>18,152,109</u>	<u>18,960,813</u>	<u>19,502,618</u>
\$ 247,691	\$ 247,691	\$ 247,691	\$ 247,691	\$ 247,691	\$ 247,691
-	-	-	-	-	-
574,387	574,387	574,387	574,387	574,387	574,387
582,952	740,718	773,522	815,800	894,291	897,367
10,729,454	10,765,834	11,207,646	11,578,959	12,451,313	12,570,229
<u>12,134,484</u>	<u>12,328,630</u>	<u>12,803,246</u>	<u>13,216,837</u>	<u>14,167,682</u>	<u>14,289,674</u>
(6,571,046)	(6,908,230)	(7,247,635)	(7,643,835)	(8,090,871)	(8,645,646)
<u>\$ 5,563,438</u>	<u>\$ 5,420,400</u>	<u>\$ 5,555,611</u>	<u>\$ 5,573,002</u>	<u>\$ 6,076,811</u>	<u>\$ 5,644,028</u>