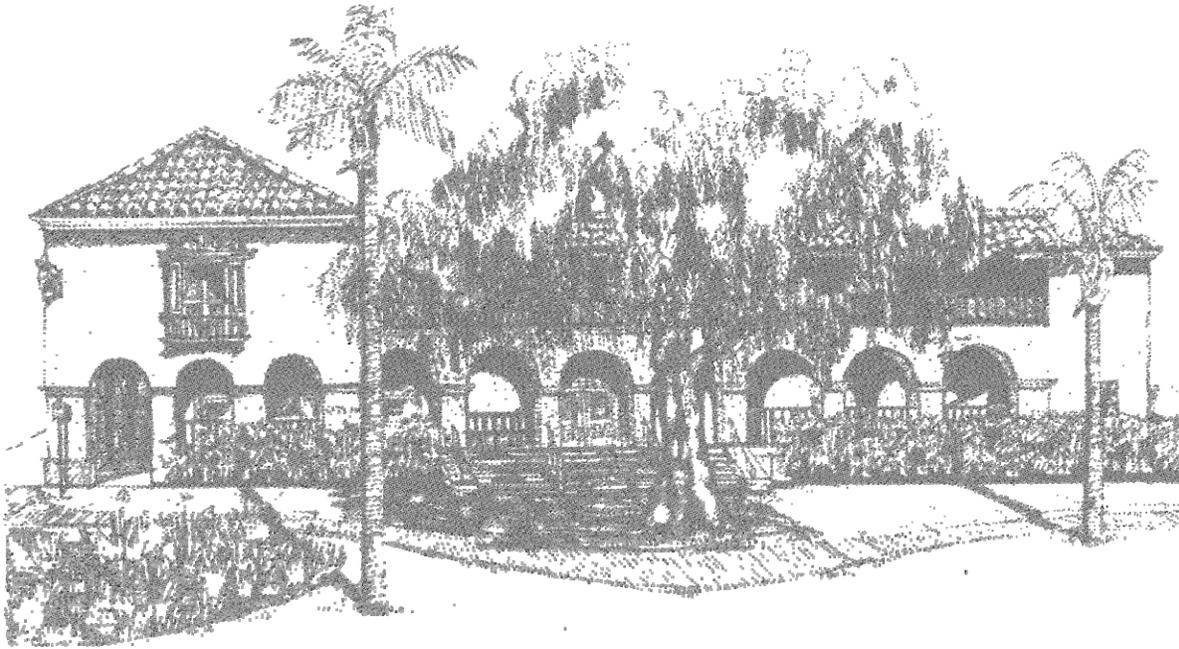


City of Santa Barbara California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2014

City of Santa Barbara, California

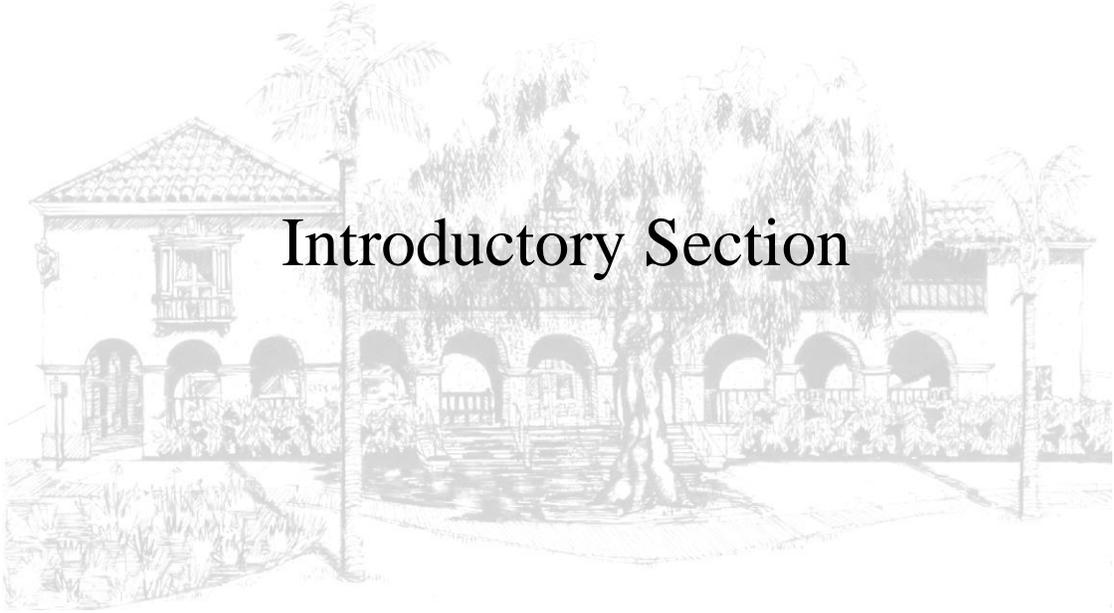
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

Prepared Under the Supervision of

Robert Samario
Finance Director





Introductory Section

CITY OF SANTA BARBARA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR FISCAL YEAR ENDED JUNE 30, 2014

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

January 20, 2015

Honorable Mayor, Members of the City Council, and Citizens of the City of Santa Barbara

Administration
805.564.5334

Accounting
805.564.5340

License & Permits
805.564.5346

Payroll
805.564.5357

Risk Management
805.564.5347

Treasury
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Utility Billing
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805.897.1978

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93102-1990

Purchasing
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Warehouse
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Mailroom
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PO Box 1990
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Environmental Services
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Fax
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1221 Anacapa Street
PO Box 1990
Santa Barbara, CA
93102-1990

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara for the fiscal year ended June 30, 2014, in accordance with Section 1219 of the City Charter. The report was prepared by the City's Finance Department and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the City. To the best of our knowledge and belief, the information in the CAFR is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City.

This report consists of management's representations concerning the City finances. To provide a reasonable basis for making these representations, management established a comprehensive internal control framework designed both to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The City Charter requires an annual audit of the City's financial statements by an independent certified public accountant. Lance, Soll & Lunghard, LLP, has issued an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is located on pages 9-11 within the financial section of this report. The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 13.

PROFILE OF THE CITY OF SANTA BARBARA

The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks. It is often referred to as the American Riviera. The City was incorporated in August of 1850 and today serves a local population of 90,385. The City is a major employment center and tourist destination, resulting in a daytime population of nearly 130,000.

The City provides a wide range of services to its citizens. These services include police and fire protection; construction and maintenance of highways, streets, traffic signals and infrastructure; community development; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; and a golf course.

LOCAL ECONOMY

Santa Barbara is a well-known tourist destination, both domestically and abroad. Its great year-round weather, rich heritage and diverse attractions have made tourism Santa Barbara's primary industry.

This dependence on tourism as its economic engine has generally served the City well, with its two largest revenues derived from lodging and retail establishments. These tax revenues, along with other tax revenues, make up almost 70% of the total General Fund revenues that pay for critical services, such as police and fire, as well as services that enrich the community, such as library, parks, recreation and other culturally important services and programs. In fact, the City offers a full range of services that also include streets maintenance, building, planning, code enforcement and city administration.

However, during economic downturns, in particular during the major recession that began in 2008, this reliance on tourism can create significant declines in key General Fund tax revenues.

Fortunately, the local economy is currently healthy and, accordingly, General Fund revenues are performing well. Most notably, transient occupancy tax (TOT) revenues collected and remitted by hotels and vacation rentals have been growing at historically high rates. This is due in part to the general rebound in local and domestic economies, but the unusually dry and warm weather during the winter months has also helped attract visitors.

While the City is benefitting from great weather conditions, these dry conditions have also led to significant water shortages statewide. The City has declared Stage 2 drought conditions and has asked for voluntary cut backs in water usage of 20%; and City residents have responded. However, if this winter does not produce a significant amount of rain, the City is prepared to begin reactivation of its desalination plant that will become a key source of water for the near future. Under this scenario, water rates would have to be increased to pay for the financing and operating costs associated with the plant. Unfortunately, the additional revenues generated from increased TOT revenues, which are benefiting from the dry weather, do not benefit the City's Water Fund or its ratepayers.

One of the City's biggest challenges, affecting all employers, is the price of housing and its impact on attracting and retaining employees. Prior to the housing collapse, the median home price in the City of Santa Barbara was close to \$1 million. Although home prices declined by as much as 40% during the height of the recession, they have almost fully regained their values. Prospective buyers are also finding it difficult to borrow due to more restrictive lending and underwriting standards. Salaries and wages offered by local employers generally cannot keep pace with escalating housing costs except for a limited few.

Prior to the state's elimination of redevelopment agencies statewide, the City of Santa Barbara used its redevelopment agency (RDA) in part to develop subsidized workforce housing in partnership with local non-profit housing agencies. The elimination of the City's RDA resulted in a loss of over \$20 million annually, including the portion which was dedicated to developing low and moderate income housing opportunities. The state's action to eliminate RDAs was a shortsighted move and will have long term impacts on local governments' ability to finance affordable housing as well as important infrastructure improvements.

Over the long term, the City, in partnership with other agencies and local businesses, will have to find a solution to the affordable housing problem. The City and the state as a whole will likely also need to wrestle with changes in the climate that are creating drier and warmer conditions throughout most of the state. However, in the meantime, the City is enjoying a strong local economy and strong growth in those taxes tied to it, which have allowed the City to restore most of the services and programs cut during the recession.

FINANCIAL CONTROLS

The City's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the City's assets are protected from loss, theft or misuse. The City's system of internal controls must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The City's system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's system of internal controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The City's internal controls are subject to periodic evaluation by the City's management.

Single Audit

As a recipient of federal assistance, the City is responsible for maintaining a system of internal controls that will ensure compliance with applicable laws and regulations related to those federal programs. As part of the City's federal single audit, tests are made to determine the adequacy of the internal controls, including that portion relating to federal financial assistance. The single audit also seeks to determine whether the City has complied with, in all material respects, all applicable laws and regulations that could have a direct or material effect on a major grant program. The single audit did not encounter any instances of non-compliance or material weaknesses in the City's internal controls over financial reporting.

Budgetary Controls

The City maintains budgetary controls designed to ensure compliance with the legal provisions contained in the annual budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the department level for the General Fund and at the fund level for all other legally adopted budgets.

The City maintains a formal, integrated encumbrance accounting system as one means of ensuring budgetary control. Purchase orders that would result in an overrun of department appropriations at a major object category level are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are carried over and re-appropriated in the following fiscal year.

OTHER INFORMATION

Spending Limitation

Article XIII B of the California Constitution, also known as the Gann spending limit, restricts the amount of "proceeds of taxes" California governments may spend. As of June 30, 2014, the City had not reached its Article XIII B spending limitation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Barbara California for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the tenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements

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

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department, in particular Doug Smith and Lynne Sparks, Senior Accountants, both of whom put in tremendous hours in the preparation of this report.

Respectfully submitted,



Paul Casey
Acting City Administrator/
Clerk/Treasurer



Robert Samario
Acting Assistant City Administrator



Government Finance Officers Association

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

Presented to

**City of Santa Barbara
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2014

Helene Schneider
Mayor

Gregg Hart
Councilmember

Cathy Murillo
Councilmember

Harwood "Bendy" White
Councilmember

Randy Rowse
Councilmember

Frank Hotchkiss
Councilmember

Dale Francisco
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Ariel P. Calonne
City Attorney

Paul A. Casey
Assistant City Administrator

Hazel Johns
Airport Director

Robert Samario
Finance Director

Irene Macias
Library Director

Camerino Sanchez
Police Chief

Pat McElroy
Fire Chief

Nancy L. Rapp
Parks and Recreation Director

Rebecca Bjork
Public Works Director

Scott K. Riedman
Waterfront Director

George Buell
Community Development Director

Kristy Schmidt
Administrative Services Director

CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2014

Charter Boards and Commissions

Membership

Airport Commission	.....	7
Architectural Board of Review	.....	7
Civil Service Commission	.....	5
Fire and Police Commission	.....	5
Fire and Police Pension Commission	.....	5
Harbor Commission	.....	7
Historic Landmarks Commission	.....	9
Library Board	.....	5
Parks and Recreation Commission	.....	7
Planning Commission	.....	7
Water Commission	.....	5

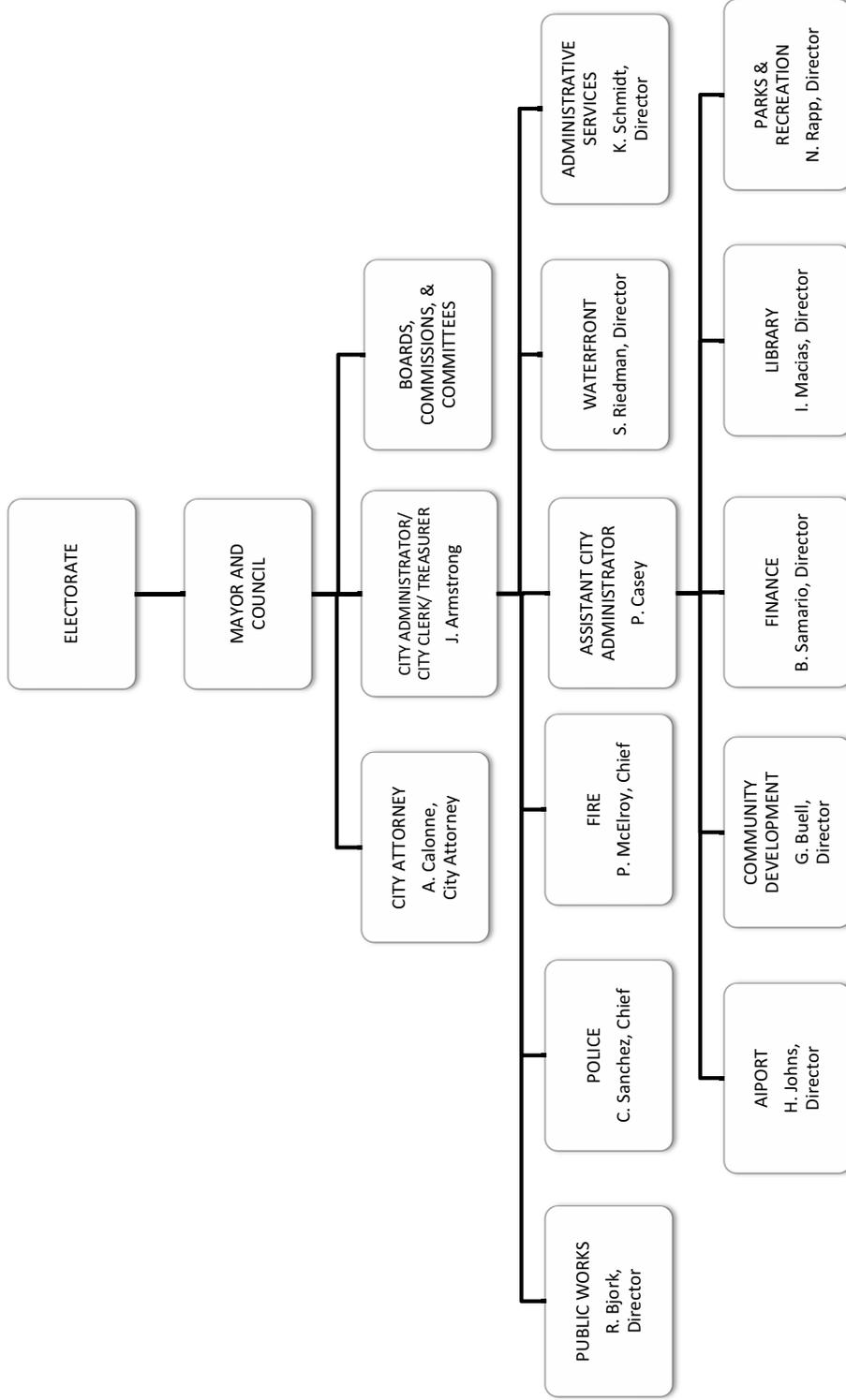
Committees and Commissions

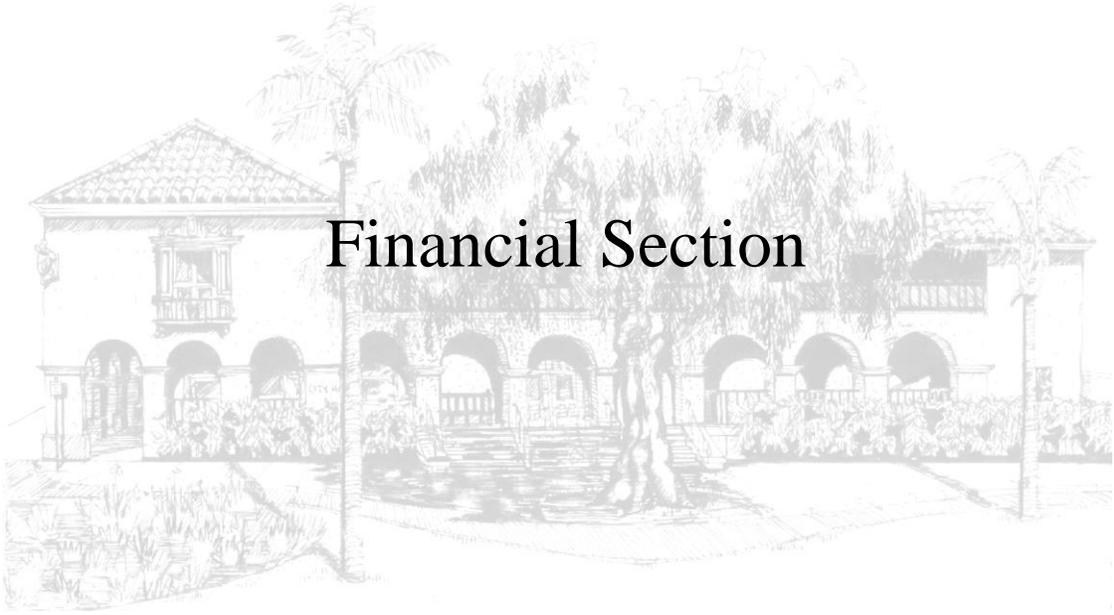
Access Advisory Committee	.....	7
Arts Advisory Committee	.....	7
Building and Fire Code Board of Appeals	.....	8
Community Development and Human Services Committee	.....	13
Community Events and Festivals Committee	.....	7
Creeks Advisory Committee	.....	7
Downtown Parking Committee	.....	7
Living Wage Advisory Committee	.....	7
Measure P Committee	.....	7
Neighborhood Advisory Council	.....	13
Rental Housing Mediation Task Force	.....	15
Santa Barbara Youth Council	.....	15
Sign Committee	.....	4
Single Family Design Board	.....	7
Sister Cities Board	.....	3
Transportation and Circulation Committee	.....	7

Other Advisory Bodies

Central Coast Commission for Senior Citizens	.....	1
Housing Authority Commission	.....	7
Metropolitan Transit District Board	.....	2
Mosquito and Vector Management District Board	.....	1
Oversight Board	.....	2

CITY OF SANTA BARBARA ORGANIZATIONAL CHART





Financial Section

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

Report on 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 Santa Barbara, California, (the City) as of and for the year ended June 30, 2014, 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 generally 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.

Auditor's 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 auditor's 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 City'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 City'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.



To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the 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, the budgetary comparison information for the General Fund and the Affordable Housing Fund, and GASB required information on Pension Plans and OPEB, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 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 to 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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.



To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Lance, Solt & Luyhard, LLP

Brea, California
January 20, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

This section of the City's Comprehensive Annual Financial Report presents an overview of the City's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

Financial highlights include the following:

- At the end of fiscal year 2014, the City's net position (assets and deferred outflows minus liabilities) totaled \$912.9 million, an increase of approximately \$86.4 million from the prior year.
- Of the total net position, \$140.8 million is unrestricted and may be used to meet the City's ongoing obligations to citizens, utility customers, and creditors, subject to applicable laws and regulations.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$113.3 million, an increase of \$4.4 million from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. Each of these components is discussed below.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. Business-type activities include the City's utility operations (water, wastewater and solid waste), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Position presents all City assets, including capital assets, and deferred outflows, all related current liabilities, deferred inflows and long-term debt obligations. The difference between total assets and deferred outflows and total liabilities and deferred inflows is presented as "Net Position," which serves as a measure of the financial health of the City. Over time, increases or decreases in net position are indicators of an improving or deteriorating City financial condition.

The Statement of Activities provides the details of how the City's net position changed during the fiscal year. Decreases in net position are presented as "Expenses"; increases in net position are presented as "Revenues". Revenues directly attributable to a particular function or program within the City are presented as "Program Revenues". Tax revenues, including those restricted to a particular program function, are reported as "General Revenues" unless specifically required to be reported as program revenues (i.e., gas and transportation taxes).

Fund Financial Statements

The City, like other state and local governments, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and thereby enables the City to demonstrate compliance with legal or contractual requirements that may be associated with these

funds. Accordingly, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary, or Fiduciary Funds. Note that the fund financial statements only present information on the most significant (i.e., “major”) funds on the face of the statement. Non-major funds are grouped and presented in total on the face of the statements. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements previously described. This is designed to explain the differences created by the integrated approach.

Governmental Funds – Most of the City’s basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service funds. In the fund financial statements, all governmental fund types are reported using the *modified accrual* basis of accounting. This is a departure from the basis of accounting used in the private sector and is used in the public sector in recognition of the different purpose and focus of financial reporting. Under the modified accrual basis of accounting, revenues are generally recognized when measurable and available to finance current operating costs, rather than when earned; and expenditures are recognized when the related liability is incurred. Because the focus is only on inflow (revenue) and outflow (expenditures) of current financial resources, the balance sheets of governmental funds present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all major governmental funds of the City. All non-major governmental funds are consolidated into a single column labeled “Other Governmental Funds.” The details of these funds are included in the Combining and Individual Fund Statements and Schedules located in the Financial Section of this report.

Proprietary Funds – Proprietary funds are used to account for services provided to external customers or other City departments and funds that are primarily funded from user fees and charges. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources*. This basis of accounting and financial reporting is consistent with the private sector in recognition that the purpose and focus of enterprise funds, while not on generating a profit, necessitate the measurement of the full cost of providing services for rate setting purposes. Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables, capital assets, and long-term liabilities. The basis of accounting and measurement focus used to prepare proprietary fund statements is the same that is used to prepare the government-wide statements. Thus, the proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the “Business-Type Activity” column of the government-wide statements.

Proprietary funds include enterprise funds and internal service funds. The City uses enterprise funds to account for its water, wastewater, solid waste, airport, waterfront/harbor operations, downtown parking, and golf. Internal service funds are used to account for intra-city services such as fleet maintenance and replacement, building maintenance, custodial, communications, information systems, and self-insurance programs.

Fiduciary Funds – Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

Notes to the Basic Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and related notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits and other post employment benefits to its employees; budgetary comparison schedules for the General Fund and each major special revenue fund; and schedules and disclosures of the modified approach for reporting the City’s infrastructure.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The following analysis of the Government-Wide statements includes a comparison between current and prior year results of operations and year-end balances.

Statement of Net Position

Table 1 below summarizes the Statement of Net Position for Governmental and Business Type Activities as of June 30, 2014, with comparative totals as of June 30, 2013. As previously stated, net position at year end serves as a useful indicator over time of whether the City's financial position is improving or deteriorating.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 146,838	\$ 143,843	\$ 127,338	\$ 115,694	\$ 274,176	\$ 259,537
Capital assets, net	363,207	313,884	476,410	446,022	839,617	759,906
Total Assets	510,045	457,727	603,748	561,716	1,113,793	1,019,443
Deferred Outflows of Resources:	39	49	1,445	1,560	1,484	1,609
Liabilities:						
Current and other liabilities	10,258	11,327	14,600	12,583	24,858	23,910
Non-current liabilities	26,526	24,671	151,032	149,430	177,558	174,101
Total Liabilities	36,784	35,998	165,632	162,013	202,416	198,011
Net Position:						
Net investment in capital assets	362,540	312,891	340,246	300,997	702,786	613,888
Restricted	65,614	66,510	3,659	1,358	69,273	67,868
Unrestricted	45,146	42,378	95,656	98,908	140,802	141,286
Total Net Position	\$ 473,300	\$ 421,779	\$ 439,561	\$ 401,263	\$ 912,861	\$ 823,042

As shown in Table 1, at June 30, 2014 the City's net position totaled \$912.9 million. The largest portion consists of the City's net investment in capital assets in the amount of \$702.8 million. This amount represents the total funds invested to acquire capital assets, reduced by the outstanding debt issued in connection with their construction or acquisition. Capital assets of the City are not available, spendable resources, as most assets are not revenue generating and generally are not liquidated to repay debt.

A portion of the City's net position, \$69.3 million, is subject to restrictions imposed by external parties, and its use is determined by those restrictions and contractual agreements. The remaining amount of \$140.8 million may be used by the City to meet ongoing operations, subject to applicable federal and state laws and regulations.

Statement of Activities

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (i.e. year-end). In contrast, the Statement of Activities provides details of how the City's net position changed from the prior year. Generally, it indicates whether the financial health of the City as a whole is better or worse at June 30, 2014, in relation to a year earlier. For the fiscal year ended June 30, 2014, total net position increased by \$86.4 million mostly due to the transfer of capital assets from the Successor Agency to the City (\$67.0 million) and higher revenues.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year

ended June 30, 2014, with comparative totals for the fiscal year ended June 30, 2013.

Table 2
STATEMENT OF ACTIVITIES
Fiscal Years Ended June 30, 2014 and 2013
(In \$000's)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for service	\$ 38,351	\$ 31,212	\$ 116,720	\$ 115,229	\$ 155,071	\$ 146,441
Operating grants and contributions	14,490	13,251	-	-	14,490	13,251
Capital grants and contributions	10,517	8,474	3,663	4,255	14,180	12,729
General Revenues:						
Taxes	85,306	82,361	-	-	85,306	82,361
Franchise fees	3,822	3,579	-	-	3,822	3,579
Motor vehicle license fees	40	77	-	-	40	77
Investment income	2,166	2,521	1,562	582	3,728	3,103
Other revenue	660	6,193	221	-	881	6,193
Total revenues	155,352	147,668	122,166	120,066	277,518	267,734
Expenses:						
Program Expenses:						
Administration	14,650	12,546	-	-	14,650	12,546
Public safety	66,525	61,719	-	-	66,525	61,719
Public works	24,552	25,251	-	-	24,552	25,251
Community services	24,084	24,104	-	-	24,084	24,104
Community development	13,567	11,864	-	-	13,567	11,864
Interest expense	74	82	-	-	74	82
Business Activities:						
Water	-	-	35,316	32,214	35,316	32,214
Wastewater	-	-	16,929	17,216	16,929	17,216
Airport	-	-	20,557	21,376	20,557	21,376
Waterfront	-	-	12,707	12,026	12,707	12,026
Solid Waste	-	-	19,732	19,124	19,732	19,124
Downtown Parking	-	-	7,693	7,359	7,693	7,359
Golf Course	-	-	1,820	1,949	1,820	1,949
Total expenses	143,452	135,566	114,754	111,264	258,206	246,830
Increase in Net Position Before Transfers	11,900	12,102	7,412	8,802	19,312	20,904
Extraordinary gain	38,084	-	28,956	-	67,040	-
Transfers in (out)	918	748	(918)	(748)	-	-
Increase (Decrease) in Net Position	50,902	12,850	35,450	8,054	86,352	20,904
Net Position, July 1	421,779	408,929	401,263	393,209	823,042	802,138
Restatement (See Note 19)	619	-	2,848	-	3,467	-
Net Position, June 30	\$ 473,300	\$ 421,779	\$ 439,561	\$ 401,263	\$ 912,861	\$ 823,042

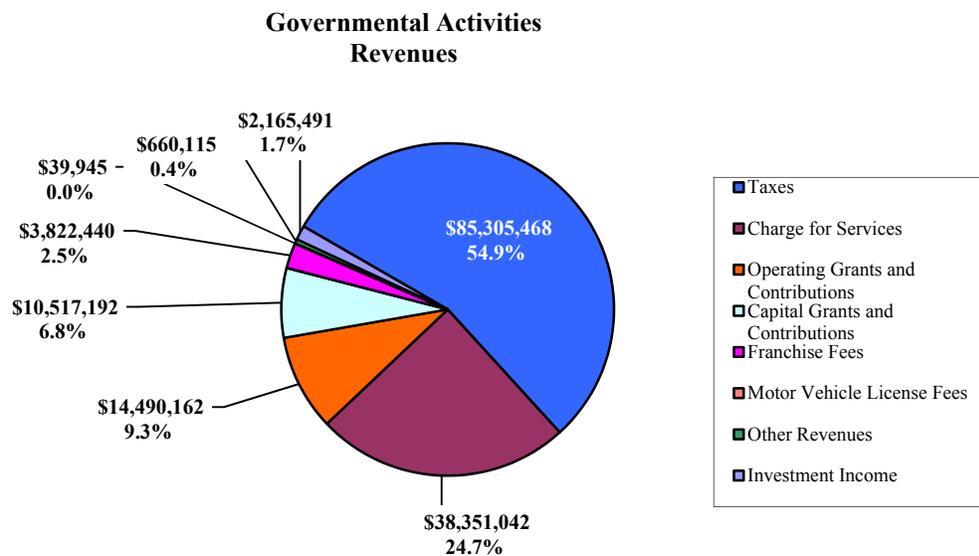
Governmental Activities

Revenue Highlights

Total revenues for governmental activities were \$155.4 million, excluding extraordinary items. The largest component of total revenue is taxes at \$85.3 million, making up 54.9% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The highest tax revenues received by the General Fund include sales, transient occupancy, utility users, and property taxes.

Some of the key changes in revenues are:

- Sales tax revenues increased by \$1.2 million compared to the prior year. The City continues to realize increased revenues of this major revenue source as a result of an improving economy.
- Transient occupancy taxes increased by \$2.6 million compared to the prior year, or a 14.6% increase. The City has observed healthy gains in the lodging industry beginning in Fiscal Year 2011 and continuing through Fiscal Year 2014. The significant increase experienced was also partly due to unseasonably warm weather during the winter months.
- Property taxes reported a decrease of \$1.0 million from the prior year due to one-time revenues received in Fiscal Year 2013 of approximately \$3.8 million related to the dissolution of the Redevelopment Agency. After adjusting for these one-time revenues, property taxes actually increased by \$2.8 million.

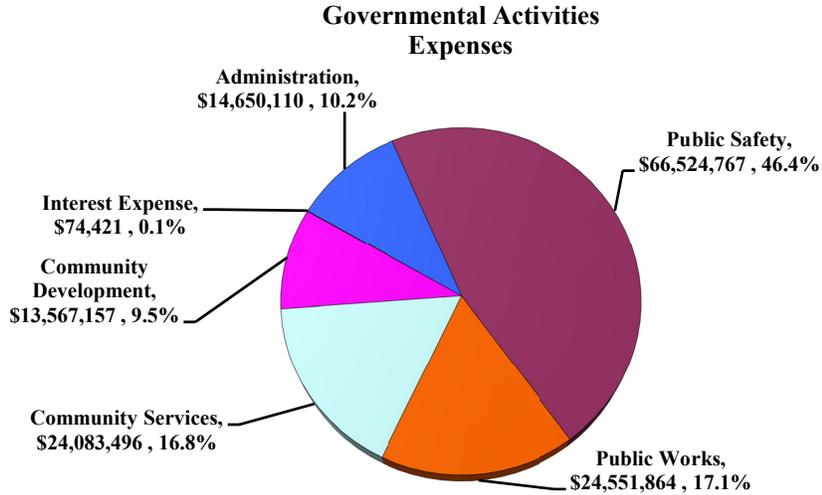


During Fiscal Year 2014, an extraordinary gain of \$38.1 million was realized as a result of the transfer of land, buildings and infrastructure from the Successor Agency to the City.

Expense Highlights

Functional expenses for the year totaled approximately \$143.5 million, an increase of \$7.9 million from the prior year. The increase was largely due to higher personnel costs as a result of furlough and salary concessions expiring in the prior year, and increases in retirement costs and other post employment benefits. A portion of the increase was also attributable to expanding various City services including park maintenance and recreation.

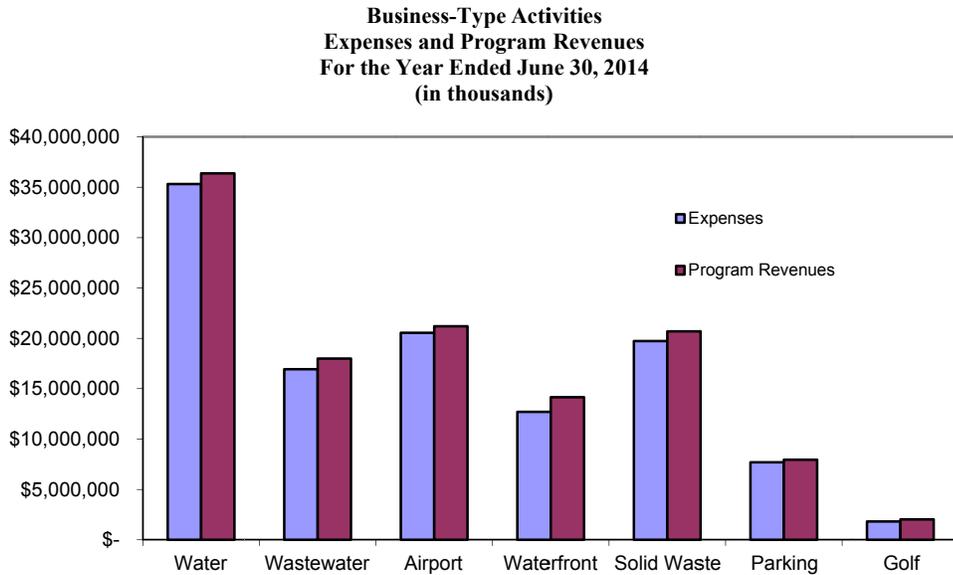
The largest component of total expenses was for Public Safety (fire and police), representing \$66.5 million (46.3%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$24.6 million, are funded largely from restricted revenues, including a ½ cent sales tax (Measure A), gas tax, utility user’s taxes, and federal and state grants. These resources pay for street maintenance and improvements, street sweeping, transportation planning, and other related costs.



Business-Type Activities

The City’s business-type activities realized an increase in net position of \$35.4 million. The most notable variances come from the Downtown Parking Fund. During Fiscal Year 2014, the City completed the transfer of parking lot properties from the Successor Agency to the City, recording a gain in that fund of \$29.0 million.

The chart below illustrates Expenses and Program Revenues for each business-type activity.



Revenue Highlights

Total revenues for the Fiscal Year ended June 30, 2014, were \$122.2 million, an increase of \$2.1 million from the prior year. The increase was primarily attributable to the following:

- Waterfront revenues were approximately \$1.0 million higher than the prior year. This continues a three-year trend in Waterfront revenues that can be attributed to unseasonably good weather, the implementation of automated payment system at the parking lots, and an improving economy. In particular, leases with businesses on the wharf and harbor, and parking and slip transfer fees are largely affected by weather and/or economic conditions.

- Downtown Parking revenues were \$1.2 million higher than the prior year largely due to increased service charge revenues from hourly and monthly parking, as parkers are increasing their length of stay in the parking lots.

Expense Highlights

Expenses of the business-type activities for the Fiscal Year ended June 30, 2014, totaled \$114.8 million, a \$3.5 million increase from the prior year. This increase is mostly due to higher costs in the Water Department (\$3.1 million) due to higher costs of water production and distribution.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

The City uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

Governmental Funds

As of June 30, 2014, assets in the City's governmental funds totaled \$137.3 million. Of this total, \$50.4 million consisted of cash and investments, and \$561,250 consisted of cash and investments held with fiscal agents (bond trustees). An additional \$66.6 million represents outstanding loans receivable, which relate primarily to the City's Affordable Housing Fund and Community Development Block Grant Program.

Fund balances of governmental funds totaled \$113.3 million at June 30, 2014. Of this total, \$65.6 million is restricted for specific programs, projects, and capital improvements. An amount corresponding to prepaid assets, outstanding loans and advances receivable of \$6.9 million is reported as "Nonspendable" due to the long-term nature of the assets and, therefore, unavailability to fund current operations. The spendable portion of fund balance totals \$40.8 million, which includes committed and assigned balances.

The General Fund's total fund balance increased by 5.8%, or \$1.7 million, to \$30.9 million at June 30, 2014. Of the total fund balance, \$6.9 million is nonspendable, \$2.2 million is restricted, \$21.6 million is committed, and \$0.2 million is assigned. The most significant committed portion of fund balance is \$17.3 million consisting of funds set aside, pursuant to City policy, for natural disasters and unexpected events such as significant economic downturns that have a significant impact on General Fund revenues and costs. The policy requires all operating funds, including the General Fund, to set aside an amount equal to 25% of its operating budget. During the tough economic environment over the past several years, a portion of the reserves were used to balance the budget in the General Fund and, accordingly, reserves are currently below the prescribed amount by approximately \$1.7 million.

Proprietary Funds

Unlike governmental funds, proprietary funds use the accrual basis of accounting for financial statement purposes. Accordingly, information reported for the individual fund statements is very similar to that presented as Business-Type Activities in the government-wide statements. Government-wide reporting requires the inclusion of activities of the City's internal service funds related to proprietary fund activities in the Business-Type Activities. Therefore, the following analysis is very similar to that presented for Business-Type Activities.

The net position of proprietary funds consist of amounts invested in capital assets net of related debt, amounts restricted for capital projects and debt service, as well as unrestricted amounts. Net position totaled \$427.4 million as of June 30, 2014, which increased \$35.1 million from the prior year. The overall increase in net position is primarily attributable to the transfer of parking lots from the Successor Agency to the City's Downtown Parking Fund.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, library, parks and recreation, community development (building and planning), and public works.

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 72,690,594	\$ 72,690,594	\$ 74,932,788	\$ 2,242,194
Franchise fees	3,660,300	3,660,300	3,822,440	162,140
Intergovernmental	585,720	1,213,308	1,413,112	199,804
Charges for services	19,392,990	19,595,195	19,325,966	(269,229)
Use of money and property	1,208,999	1,098,764	1,144,289	45,525
Fines and forfeitures	3,133,967	3,133,967	3,129,096	(4,871)
Other revenues	9,393,888	9,430,568	8,145,838	(1,284,730)
Total revenues	<u>110,066,458</u>	<u>110,822,696</u>	<u>111,913,529</u>	<u>1,090,833</u>
Transfers in	<u>1,327,721</u>	<u>1,738,421</u>	<u>1,663,703</u>	<u>(74,718)</u>
Total other financing sources (uses)	<u>1,327,721</u>	<u>1,738,421</u>	<u>1,663,703</u>	<u>(74,718)</u>
Total Revenues	<u><u>\$ 111,394,179</u></u>	<u><u>\$ 112,561,117</u></u>	<u><u>\$ 113,577,232</u></u>	<u><u>\$ 1,016,115</u></u>

The amended Fiscal Year 2014 General Fund revenue budget reflects adjustments that were approved by the City Council during the year. The most significant amendments included increases to budgeted mutual aid revenues and various grant revenues received during the year ("Intergovernmental").

As shown on Table 3, actual revenues totaled \$113.6 million. Taxes exceeded the amended budget by \$2.2 million, reflecting bigger gains than originally projected in sales, property and transient occupancy (bed) tax revenues. Charges for services was below budget due to lower revenues in the community development and public safety departments. The City experienced slow growth in building-related activity charges, such as planning work orders fees and building permit fees. As for public safety, DUI response cost recovery, identification fees, and dismissal fees were lower than expected. In addition, Police Officer Standards and Training (POST) reimbursements by the State for training costs were down.

Other revenues, which were budgeted at \$9.4 million, ended the year at \$8.1 million. This shortfall was actually expected because of a practice begun several years ago of budgeting anticipated expenditure savings for the year, primarily in salaries and benefits, as revenue. In Fiscal Year 2014, \$1.2 million of "Anticipated Year-End Variance" was budgeted but not reflected in the actual since the savings are realized in expenditures.

The amended Fiscal Year 2014 General Fund expenditure budget reflects amendments approved by the City Council during the year. The amended budget also reflects appropriations carried over from the prior year related to outstanding encumbrances as of June 30, 2013.

Table 4
SCHEDULE OF EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Expenditures:				
Current:				
Mayor and council	\$ 740,831	\$ 770,723	\$ 743,662	\$ 27,061
City attorney	2,095,929	2,129,254	2,083,450	45,804
City administration	2,009,016	2,040,028	1,931,786	108,242
Administrative services	2,202,048	2,202,228	1,889,091	313,137
Finance	4,790,422	4,933,529	4,795,994	137,535
Public safety	59,680,749	60,375,977	60,107,960	268,017
Public works	7,428,279	7,447,449	6,922,989	524,460
Community services	18,598,877	18,965,852	18,601,234	364,618
Community development	9,703,079	9,865,479	9,146,681	718,798
Community promotions	2,464,438	2,409,938	2,051,156	358,782
Total expenditures	<u>109,713,668</u>	<u>111,140,457</u>	<u>108,274,003</u>	<u>2,866,454</u>
Transfers out	<u>1,680,511</u>	<u>3,800,960</u>	<u>3,605,262</u>	<u>195,698</u>
Total Expenditures	<u>\$ 111,394,179</u>	<u>\$ 114,941,417</u>	<u>\$ 111,879,265</u>	<u>\$ 3,062,152</u>

As shown on Table 4 above, actual expenditures totaled \$111.9 million, and were under budget by approximately \$3.1 million. Each department ended the year within their respective spending authority. The Community Development Department realized the biggest savings due to salary savings from medical leaves of absence and staff vacancies. In addition, non-contractual and professional service expenditures were also below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 5 summarizes the City's capital assets by class and by type of activity. It is important to note that capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of City assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

TABLE 5
SUMMARY OF CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 As of June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in progress	\$ 22,159,333	\$ 55,815,471	\$ 77,974,804
Land held for resale	3,767,605	-	3,767,605
Land	22,654,567	24,963,955	47,618,522
Streets	160,949,223	-	160,949,223
Depreciating assets:			
Buildings	13,034,877	91,225,318	104,260,195
Building improvements	16,572,848	6,597,567	23,170,415
Equipment	8,119,110	14,082,521	22,201,631
Infrastructure	93,990,388	7,932,545	101,922,933
Other improvements and drainage systems	21,959,354	197,875,123	219,834,477
Underground piping	-	77,917,558	77,917,558
Totals	\$ 363,207,305	\$ 476,410,058	\$ 839,617,363

The City owns hundreds of million dollars of capital assets that require ongoing maintenance, improvement and renovation. As a result, the City as a whole undertakes millions of dollars in capital improvement and construction projects each year.

The capital improvement projects undertaken in those operations in the Governmental Activities category typically include improvements to the City's infrastructure (roads, curbs, storm drains, bridges, sidewalks, gutters, etc.) and improvements to City public facilities, such as parks, restrooms, community facilities, and playgrounds. Starting in 2004, governmental funds have been required to capitalize and report the costs of acquiring or constructing infrastructure assets acquired or constructed after 1982. As of June 30, 2014, infrastructure assets, including streets, totaled \$254.9 million, net of accumulated depreciation. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

With regard to capital improvements to City streets, which is also considered "infrastructure," the City has elected to use the "modified approach" pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34 in accounting for streets. As such, these assets have been reported separately from other infrastructures in Table 5. The City has established a pavement condition assessment process whereby approximately one-third of the entire street system is assessed on a rotating basis every two years. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCIs of 51-70 are considered to be in "At Risk" condition, and roads with PCIs of 71-100 are considered to be in "Excellent/Good" condition. Pursuant to the modified approach, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. The most recent report was for the period ended June 30, 2014, and the average PCI for City streets was 64, which is defined as "At Risk."

Key projects that were continuing and newly started, but still incomplete, in the Governmental Activities category include: various bridge replacements (\$8.8 million), storm drainage and creek improvements (\$9.2 million), sidewalks, bike lanes, street and intersection improvements (\$1.6 million), parks and facilities improvements (\$2.6 million).

Capital improvements within the Business-Type Activities category primarily relate to facilities used in connection with enterprise funds, including water, wastewater, airport, waterfront, solid waste, golf and downtown parking. These operations are much more capital intensive given the nature of the services they provide. As of June 30, 2014, the City's business-type funds included \$48.0 million in capital asset additions, of this amount \$29.0 million is related to the transfer of parking lots and other infrastructure assets from the Successor Agency to the City. Construction in progress decreased

by a net of \$45.0 million mostly due to the completion of the airport terminal expansion project. Other capital projects completed in the year included: water facility improvements (\$2.2 million), water main replacements (\$3.9 million), and marina and wharf improvements (\$0.5 million).

Additional information on the City of Santa Barbara’s capital assets can be found in Notes 1 and 5 to the financial statements, and Required Supplementary Information of this report.

Long-Term Debt

Table 6 below summarizes outstanding long-term debt from the issuance of bonds, certificates of participation, and loans; the table excludes outstanding claims payable, deferred debt costs, and compensated absences. As shown in the table, the City had approximately \$146.1 million in outstanding long-term debt at June 30, 2014, a net increase of \$10.2 million from the prior year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue Bonds	\$ -	\$ 72,000,391	\$ 72,000,391
Certificates of Participation	1,270,500	21,859,500	23,130,000
Loans	-	50,970,118	50,970,118
	<u>\$ 1,270,500</u>	<u>\$ 144,830,009</u>	<u>\$ 146,100,509</u>

It is important to note that the Governmental Activities, which primarily consists of the General Fund, has very little long-term indebtedness, which is a good financial indicator. The outstanding \$1.3 million in Certificates of Participation (COPs) were issued in Fiscal Year 2002 to refund the 1993 COPs, thereby capturing more favorable interest rates and lowering interest costs. The 1993 COPs were used to renovate City administrative facilities located at 630 Garden Street.

The Water and Golf Funds have outstanding COPs totaling \$21.2 million and \$0.7 million, respectively. As for revenue bonds outstanding, \$15.0 million in outstanding sewer revenue bonds were issued by the Wastewater Fund in 2004 to fund renovations to the City’s wastewater collection and treatment systems, \$14.4 million of which is still outstanding. The Airport Fund issued \$47.3 million in revenue bonds in Fiscal Year 2010 to construct a new passenger terminal building, parking, and roadway improvements, \$45.5 million of which is still outstanding. In the current year, the Waterfront issued \$12.3 million to refund the outstanding 2002 COPs, with \$12.1 million outstanding at the end of the fiscal year, thereby capturing lower interest rates and lowering interest costs.

Of the outstanding \$51.0 million in loans payable in the Business-Type Activities, \$37.3 million relates to the Water Fund. The Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR) used to fund the Cater Water Treatment Plant Project, the Ortega Ground Water Treatment Plant Project and the Cater Water Treatment Plant-Phase III Project. Approximately 40% of the SDWR loans will be reimbursed by the Montecito Water District and the Carpinteria Water District for the Cater Water Treatment Plant Project pursuant to a long-standing joint powers agreement. The Waterfront Fund also has \$6.1 million in outstanding loans from the State Department of Boating and Waterways used to finance capital improvements at the marina. The Airport Fund carries a loan outstanding of \$1.7 million from the State Department of Transportation to be used to finance capital improvements at the airport. Lastly, the Wastewater Fund accounts for \$5.9 million in loans from the California State Water Resources Control Board for sewer infrastructure improvements.

Additional information on the City of Santa Barbara’s long-term debt can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The local economy is currently strong. With tourism as its economic engine, the City and local businesses are enjoying a healthy growth in revenues as the number of visitors to the City and surrounding areas are at all time highs.

Not surprisingly, the City's Transient Occupancy Taxes (TOT) have grown at rates not seen in many years. TOT is the third largest General Fund revenue behind property taxes and sales taxes, all of which help pay for City programs and services offered to the community.

Sales taxes and TOT, and to a lesser degree property taxes, are tied to economic conditions. As such, the City has to consider this in its long-term forecasts and short term budgetary decisions. With revenues generally performing well over the last two years, the City has been able to incrementally restore some of the services cut during the recent recession, including library, parks maintenance and recreation services. To the extent the local economy and revenues continue to perform well, the City may be in a position to continue to restore services and strategically expand services where they are most needed in the next budget cycle.

One of the factors that will challenge the City's ability to either restore or expand services is the increasing labor costs, particularly retirement costs. The City's retirement program offered to its employees is administered by CalPERS, a statewide agency that manages the retirement programs of most cities and counties in the state. One of the fallouts of the Great Recession was the significant loss in the investments held by CalPERS on behalf of its participating agencies. In order to make up for these losses, CalPERS will be increasing its contribution rates over a five-year period starting July 1, 2015 through 2020. These increased costs will place a great deal of pressure on City finances as it looks to fund these increasing costs from a combination of increasing revenues and additional contributions paid by City employees.

In addition to retirement costs, other costs such as health insurance and workers' compensation premiums are continuing to rise. Health insurance premiums alone have increased an average of approximately 10% annually over the last decade.

During this next budget cycle, the City will look for opportunities to restore services and potentially add services; but it will have to do so in the context of rising costs and the potential for another economic downturn in the medium term.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please access the City's internet web site at www.SantaBarbaraCa.gov/CAFR. You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93101, (805) 564-5334, or email Robert Samario, Finance Director, at BSamario@SantaBarbaraCa.gov.



CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Pooled cash and investments	\$ 73,948,852	\$ 90,867,501	\$ 164,816,353
Accounts receivable, net	13,499,084	8,588,057	22,087,141
Loans receivable	66,609,986	4,342,064	70,952,050
Accrued interest receivable	493,048	-	493,048
Prepaid assets and deposits	85,067	4,695,283	4,780,350
Due from other governments	852,490	-	852,490
Inventory	845,024	12,522	857,546
Restricted assets:			
Cash and investments with fiscal agent	561,250	8,774,929	9,336,179
Non-Current assets:			
Internal balances	(10,057,312)	10,057,312	-
Capital assets not being depreciated:			
Construction in progress	22,159,333	55,815,471	77,974,804
Land held for resale	3,767,605	-	3,767,605
Land	22,654,567	24,963,955	47,618,522
Streets	160,949,223	-	160,949,223
Capital assets, net of accumulated depreciation:			
Buildings	13,034,877	91,225,318	104,260,195
Building improvements	16,572,848	6,597,567	23,170,415
Equipment	8,119,110	14,082,521	22,201,631
Infrastructure	93,990,388	7,932,545	101,922,933
Other improvements and drainage systems	21,959,354	197,875,123	219,834,477
Underground piping	-	77,917,558	77,917,558
Total capital assets	363,207,305	476,410,058	839,617,363
Total Assets	510,044,794	603,747,726	1,113,792,520
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	39,403	1,444,957	1,484,360
Total Deferred Outflows of Resources	39,403	1,444,957	1,484,360
LIABILITIES			
Current liabilities:			
Accounts payable	2,872,506	4,382,457	7,254,963
Salaries and benefits payable	3,895,842	1,337,469	5,233,311
Accrued interest payable	23,686	2,373,121	2,396,807
Unearned revenue	1,575,399	4,941,901	6,517,300
Deposits	1,890,422	1,564,342	3,454,764
Noncurrent liabilities:			
Other post-employment benefits (OPEB) obligation	10,594,932	3,105,068	13,700,000
Due within one year	9,486,181	6,649,057	16,135,238
Due in more than one year	6,445,226	141,278,184	147,723,410
Total Liabilities	36,784,194	165,631,599	202,415,793
NET POSITION			
Net investment in capital assets	362,539,874	340,246,483	702,786,357
Restricted for:			
Administration	177,664	-	177,664
Public safety	1,352,355	-	1,352,355
Public works	4,553,280	-	4,553,280
Community services	1,109,749	-	1,109,749
Community development	2,036,159	-	2,036,159
Capital improvements	4,133,763	-	4,133,763
Debt service reserve	561,250	3,658,608	4,219,858
Affordable housing	51,689,999	-	51,689,999
Unrestricted	45,145,910	95,655,993	140,801,903
Total Net Position	\$ 473,300,003	\$ 439,561,084	\$ 912,861,087

CITY OF SANTA BARBARA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Administration	\$ 14,650,111	\$ 2,008,383	\$ 67,423	\$ -	\$ (12,574,305)	\$ -	\$ (12,574,305)
Public safety	66,524,767	13,626,598	2,348,060	-	(50,550,109)	-	(50,550,109)
Public works	24,551,864	9,434,068	7,727,558	5,688,627	(1,701,611)	-	(1,701,611)
Community services	24,083,496	7,933,924	2,567,562	4,828,565	(8,753,445)	-	(8,753,445)
Community development	13,567,157	5,348,069	1,779,559	-	(6,439,529)	-	(6,439,529)
Interest on long-term debt	74,421	-	-	-	(74,421)	-	(74,421)
Total Governmental Activities	143,451,816	38,351,042	14,490,162	10,517,192	(80,093,420)	-	(80,093,420)
Business-Type Activities:							
Water	35,316,497	36,368,135	-	-	-	1,051,638	1,051,638
Wastewater	16,929,501	17,990,577	-	-	-	1,061,076	1,061,076
Airport	20,556,902	17,909,941	-	3,287,917	-	640,956	640,956
Waterfront	12,707,127	13,775,691	-	375,496	-	1,444,060	1,444,060
Solid Waste	19,731,704	20,689,403	-	-	-	957,699	957,699
Downtown Parking	7,692,796	7,954,647	-	-	-	261,851	261,851
Golf Course	1,819,914	2,031,373	-	-	-	211,459	211,459
Total Business-Type Activities	114,754,441	116,719,767	-	3,663,413	-	5,628,739	5,628,739
Total Primary Government	\$ 258,206,257	\$ 155,070,809	\$ 14,490,162	\$ 14,180,605	(80,093,420)	5,628,739	(74,464,681)
General Revenues:							
Taxes:							
Property					26,555,242	-	26,555,242
Transient occupancy					20,186,496	-	20,186,496
Sales & use					21,323,309	-	21,323,309
Business license					2,555,399	-	2,555,399
Utility users					14,016,381	-	14,016,381
Real property transfer					668,641	-	668,641
Franchise fees					3,822,440	-	3,822,440
Unrestricted motor vehicle license-in-lieu					39,945	-	39,945
Investment income					2,165,491	1,561,654	3,727,145
Other revenue					660,115	221,380	881,495
Extraordinary gain on transfer of capital assets					38,083,941	28,956,177	67,040,118
Transfers					918,076	(918,076)	-
Total General Revenues, Transfers, and Extraordinary items					130,995,476	29,821,135	160,816,611
Change in Net Position					50,902,056	35,449,874	86,351,930
Net Position at Beginning of Year					421,778,568	401,263,125	823,041,693
Restatement of Net Position					619,379	2,848,085	3,467,464
Net Position at Beginning of Year, as restated					422,397,947	404,111,210	826,509,157
Net Position at End of Year					\$ 473,300,003	\$ 439,561,084	\$ 912,861,087

CITY OF SANTA BARBARA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Special Revenue Funds		Total Governmental Funds
		Affordable Housing	Other Governmental Funds	
Assets:				
Pooled cash and investments	\$ 20,119,428	\$ 1,082,583	\$ 29,212,188	\$ 50,414,199
Accounts receivable	8,014,242	-	4,208,297	12,222,539
Loans receivable	2,709,456	50,594,939	13,305,591	66,609,986
Accrued interest receivable	493,048	-	-	493,048
Prepaid costs	84,997	-	70	85,067
Due from other governments	852,490	-	-	852,490
Interfund receivables	1,551,682	-	-	1,551,682
Advances to other funds	4,127,608	28,251	330,470	4,486,329
Restricted assets:				
Cash and investments with fiscal agents	-	-	561,250	561,250
Total Assets	\$ 37,952,951	\$ 51,705,773	\$ 47,617,866	\$ 137,276,590
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,026,291	\$ 894	\$ 1,091,521	\$ 2,118,706
Salaries and benefits payable	3,151,929	14,880	383,080	3,549,889
Unearned revenues	1,227,783	-	347,616	1,575,399
Deposits	1,626,189	-	264,233	1,890,422
Interfund payables	-	-	1,551,682	1,551,682
Total Liabilities	7,032,192	15,774	3,638,132	10,686,098
Deferred Inflows of Resources:				
Unavailable revenues	-	-	13,305,591	13,305,591
Total Deferred Inflows of Resources	-	-	13,305,591	13,305,591
Fund Balances:				
Nonspendable:				
Prepaid assets and deposits	72,846	-	-	72,846
Loans receivable	2,709,458	-	-	2,709,458
Advances to other funds	4,127,609	-	-	4,127,609
Restricted for:				
Administration	177,664	-	-	177,664
Public safety	107,693	-	1,244,662	1,352,355
Public works	95,675	-	4,457,605	4,553,280
Community services	251,622	-	858,127	1,109,749
Community development	1,580,785	-	455,374	2,036,159
Capital improvements	-	-	4,133,763	4,133,763
Debt service reserve	-	-	561,250	561,250
Affordable housing	-	51,689,999	-	51,689,999
Committed to:				
Capital improvements	-	-	11,049,692	11,049,692
Contingencies	4,352,202	-	-	4,352,202
Disaster Contingency	17,292,113	-	-	17,292,113
Assigned to:				
Administration	25,000	-	-	25,000
Public safety	4,262	-	-	4,262
Community services	6,371	-	-	6,371
Community development	117,459	-	-	117,459
Capital improvements	-	-	8,635,991	8,635,991
Unassigned	-	-	(722,321)	(722,321)
Total Fund Balances	30,920,759	51,689,999	30,674,143	113,284,901
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 37,952,951	\$ 51,705,773	\$ 47,617,866	\$ 137,276,590

CITY OF SANTA BARBARA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds (page 28)		\$ 113,284,901
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		354,324,743
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (1,270,500)	
Unamortized bond premiums/discounts	2,416	
Unamortized loss on defeasance	39,403	
Compensated Absences	<u>(6,687,498)</u>	(7,916,179)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		(10,594,932)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(23,686)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		13,305,591
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		
Internal Service Funds net position	\$ 12,464,530	
Portion of OPEB obligation allocated to Governmental Activities	10,594,932	
Less: business-type portion	<u>(12,139,897)</u>	<u>10,919,565</u>
Net Position of governmental activities (page 26)		<u>\$ 473,300,003</u>

CITY OF SANTA BARBARA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Special Revenue Fund		Total Governmental Funds
		Affordable Housing	Other Governmental Funds	
Revenues:				
Taxes	\$ 74,932,788	\$ -	\$ 13,858,277	\$ 88,791,065
Franchise fees	3,822,440	-	-	3,822,440
Intergovernmental	1,413,112	-	18,156,340	19,569,452
Charges for services	19,325,966	-	1,596,807	20,922,773
Use of money and property	1,144,289	669,863	232,350	2,046,502
Fines and forfeitures	3,129,096	-	1,399,836	4,528,932
Program income	-	-	311,149	311,149
Other revenues	8,145,838	-	1,496,304	9,642,142
Total Revenues	111,913,529	669,863	37,051,063	149,634,455
Expenditures:				
Current:				
Mayor and city council	743,662	-	-	743,662
City attorney	2,083,450	-	-	2,083,450
City administration	1,931,786	-	-	1,931,786
Administrative services	1,889,091	-	-	1,889,091
Finance	4,795,994	-	-	4,795,994
Public safety	60,107,960	-	1,108,001	61,215,961
Public works	6,922,989	-	5,906,450	12,829,439
Community services	18,601,234	-	2,538,339	21,139,573
Community development	9,146,681	409,546	2,775,418	12,331,645
Community promotions	2,051,156	-	-	2,051,156
Capital outlay	-	-	22,943,111	22,943,111
Debt service:				
Principal retirement	-	-	287,100	287,100
Interest and fiscal charges	-	-	63,646	63,646
Total Expenditures	108,274,003	409,546	35,622,065	144,305,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,639,526	260,317	1,428,998	5,328,841
Other Financing Sources (Uses):				
Transfers in	1,663,703	-	9,941,720	11,605,423
Transfers out	(3,605,262)	-	(8,915,534)	(12,520,796)
Total Other Financing Sources (Uses)	(1,941,559)	-	1,026,186	(915,373)
Net Change in Fund Balances	1,697,967	260,317	2,455,184	4,413,468
Fund Balances, Beginning of Year	29,222,792	51,429,682	28,218,959	108,871,433
Fund Balances, End of Year	\$ 30,920,759	\$ 51,689,999	\$ 30,674,143	\$ 113,284,901

CITY OF SANTA BARBARA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds (page 30)		\$ 4,413,468
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$ 14,492,037	
Depreciation	<u>(4,946,819)</u>	9,545,218
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments	287,100	
Amortization of deferred charge on debt refunding	(9,851)	
Amortization of bond premiums/discounts	<u>(604)</u>	276,645
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		
		(320)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		(459,256)
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense.		
		(2,729,090)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		
		110,121
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		
Change in Net Position - Internal Service Fund	1,968,136	
Less: Portion allocated to Business Activities	<u>306,807</u>	1,661,329
Extraordinary gains from transfer of capital assets from Successor Agency		
		<u>38,083,941</u>
Change in net position of governmental activities (page 27)		<u><u>\$ 50,902,056</u></u>

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
ASSETS					
Current Assets:					
Pooled cash and investments	\$ 41,547,589	\$ 14,497,985	\$ 13,972,860	\$ 10,000,299	\$ 1,177,640
Accounts receivable, net	4,261,537	1,864,288	118,413	-	2,299,406
Loans receivable	4,342,064	-	-	-	-
Prepaid assets	4,695,283	-	-	-	-
Inventories	-	-	-	-	12,522
Restricted:					
Cash and investments with fiscal agent	1,570,576	1,403,690	5,214,768	585,895	-
Total Current Assets	56,417,049	17,765,963	19,306,041	10,586,194	3,489,568
Noncurrent:					
Advances to other funds	1,535,873	454,669	-	254,840	-
Capital assets:					
Land	2,283,187	3,508,672	7,310,000	878,201	-
Buildings	7,414,694	13,953,411	67,514,832	3,690,671	-
Building improvements	1,954,330	741,616	3,623,429	3,676,562	-
Improvements other than building	137,519,477	56,623,518	132,743,321	53,333,456	-
Equipment	10,053,754	21,111,086	5,924,337	2,006,900	-
Underground piping	115,366,982	72,699,240	-	-	-
Other infrastructure	-	-	16,251,997	-	-
Construction in progress	33,455,194	10,695,681	6,101,744	5,452,672	-
Less: accumulated depreciation	(147,717,321)	(94,701,842)	(75,759,078)	(43,855,966)	-
Total capital assets, net	160,330,297	84,631,382	163,710,582	25,182,496	-
Total Noncurrent Assets	161,866,170	85,086,051	163,710,582	25,437,336	-
Total Assets	218,283,219	102,852,014	183,016,623	36,023,530	3,489,568
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	843,653	-	-	558,649	-
Total Deferred Outflows of Resources	843,653	-	-	558,649	-
LIABILITIES					
Current:					
Accounts payable	1,268,637	643,432	671,747	194,023	1,498,051
Salaries and benefits payable	350,705	223,896	233,728	263,229	37,434
Accrued interest payable	305,023	331,228	1,104,119	535,569	-
Unearned revenues	4,342,063	-	262,569	286,739	-
Deposits	124,658	-	834,296	546,893	-
Compensated absences payable	426,257	226,976	243,518	296,100	36,643
Current portion claims payable	-	-	-	-	-
Current portion long term debt	2,234,835	906,530	1,068,198	895,392	-
Total Current Liabilities	9,052,178	2,332,062	4,418,175	3,017,945	1,572,128
Noncurrent:					
Advances from other funds	-	-	4,855,709	2,167,982	-
Other post-employment (OPEB) obligation	-	-	-	-	-
Compensated absences payable	47,362	25,219	27,058	32,900	4,071
Estimated claims liability, net of current portion	-	-	-	-	-
Long-term debt, net of current portion	58,752,058	19,239,675	45,242,150	17,390,123	-
Total Noncurrent Liabilities	58,799,420	19,264,894	50,124,917	19,591,005	4,071
Total Liabilities	67,851,598	21,596,956	54,543,092	22,608,950	1,576,199
NET POSITION					
Net investment in capital assets	101,757,633	65,888,867	122,615,002	8,041,525	-
Restricted for debt service	1,488,694	580,490	910,323	679,101	-
Unrestricted	48,028,947	14,785,701	4,948,206	5,252,603	1,913,369
Total Net Position	\$ 151,275,274	\$ 81,255,058	\$ 128,473,531	\$ 13,973,229	\$ 1,913,369

Reconciliation of Net Position to the Statement of Net Position

Net Position per Statement of Net Position - Proprietary Funds

Prior years' accumulated adjustment to reflect the consolidation of
internal service funds activities related to the enterprise fundsCurrent years' adjustments to reflect the consolidation of internal
service activities related to enterprise funds

Net Position per Statement of Net Position

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Downtown Parking	Other Enterprise Funds	Totals	
ASSETS				
Current Assets:				
Pooled cash and investments	\$ 8,940,093	\$ 731,035	\$ 90,867,501	\$ 23,534,653
Accounts receivable, net	-	44,413	8,588,057	1,276,545
Loans receivable	-	-	4,342,064	-
Prepaid assets	-	-	4,695,283	-
Inventories	-	-	12,522	845,024
Restricted:				
Cash and investments with fiscal agent	-	-	8,774,929	-
Total Current Assets	8,940,093	775,448	117,280,356	25,656,222
Noncurrent:				
Advances to other funds	287,450	26,408	2,559,240	701,324
Capital assets:				
Land	10,641,593	342,302	24,963,955	-
Buildings	30,660,762	1,198,600	124,432,970	105,889
Building improvements	-	227,526	10,223,463	1,323,139
Improvements other than building	22,995,685	4,225,277	407,440,734	976,354
Equipment	2,646,202	1,466,297	43,208,576	21,350,540
Underground piping	-	-	188,066,222	-
Other infrastructure	340,131	-	16,592,128	-
Construction in progress	110,180	-	55,815,471	1,703,414
Less: accumulated depreciation	(28,324,086)	(3,975,168)	(394,333,461)	(16,576,774)
Total capital assets, net	39,070,467	3,484,834	476,410,058	8,882,562
Total Noncurrent Assets	39,357,917	3,511,242	478,969,298	9,583,886
Total Assets	48,298,010	4,286,690	596,249,654	35,240,108
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on debt refunding	-	42,655	1,444,957	-
Total Deferred Outflows of Resources	-	42,655	1,444,957	-
LIABILITIES				
Current:				
Accounts payable	85,057	21,510	4,382,457	753,800
Salaries and benefits payable	180,373	48,104	1,337,469	345,953
Accrued interest payable	-	97,182	2,373,121	-
Unearned revenues	4,000	46,530	4,941,901	-
Deposits	58,495	-	1,564,342	-
Compensated absences payable	109,114	50,794	1,389,402	325,678
Current portion claims payable	-	-	-	2,841,455
Current portion long term debt	-	154,700	5,259,655	-
Total Current Liabilities	437,039	418,820	21,248,347	4,266,886
Noncurrent:				
Advances from other funds	-	723,202	7,746,893	-
Other post-employment (OPEB) obligation	-	-	-	13,700,000
Compensated absences payable	12,124	5,644	154,378	36,186
Estimated claims liability, net of current portion	-	-	-	4,772,506
Long-term debt, net of current portion	-	499,800	141,123,806	-
Total Noncurrent Liabilities	12,124	1,228,646	149,025,077	18,508,692
Total Liabilities	449,163	1,647,466	170,273,424	22,775,578
NET POSITION				
Net investment in capital assets	39,070,467	2,872,989	340,246,483	8,882,562
Restricted for debt service	-	-	3,658,608	-
Unrestricted	8,778,380	(191,110)	83,516,096	3,581,968
Total Net Position	\$ 47,848,847	\$ 2,681,879	\$ 427,421,187	\$ 12,464,530
Reconciliation of Net Position to the Statement of Net Position				
Net Position per Statement of Net Position - Proprietary Funds			\$ 427,421,187	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds			11,833,090	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds			306,807	
Net Position per Statement of Net Position			\$ 439,561,084	

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
Operating Revenues:					
Sales	\$ 33,296,287	\$ 17,187,404	\$ -	\$ -	\$ 19,889,577
Service charges	3,064,420	803,173	2,110,600	8,287,916	-
Leases and rents	22,872	15,650	15,379,191	4,762,453	-
Other revenues	101,679	23,933	507,696	725,322	799,826
Total Operating Revenues	36,485,258	18,030,160	17,997,487	13,775,691	20,689,403
Operating Expenses:					
Salaries, wages and benefits	7,841,426	5,153,522	5,053,925	5,662,716	803,217
Materials, supplies and services	19,833,114	6,634,587	8,444,265	4,372,472	18,982,091
Depreciation expense	6,147,740	4,505,354	4,581,831	1,425,640	-
Total Operating Expenses	33,822,280	16,293,463	18,080,021	11,460,828	19,785,308
Operating Income (Loss)	2,662,978	1,736,697	(82,534)	2,314,863	904,095
Nonoperating Revenues (Expenses):					
Interest revenue	700,045	270,665	241,154	189,391	-
Interest expense	(1,590,160)	(682,030)	(2,527,726)	(1,280,820)	-
Total Nonoperating Revenues (Expenses)	(890,115)	(411,365)	(2,286,572)	(1,091,429)	-
Income (Loss) Before Transfers, Contributions and Extraordinary Gain	1,772,863	1,325,332	(2,369,106)	1,223,434	904,095
Capital Contributions	-	-	3,287,917	375,496	-
Extraordinary gain	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(189,231)	(104,727)	(124,336)	(99,155)	(67,556)
Changes in Net Position	1,583,632	1,220,605	794,475	1,499,775	836,539
Net Position:					
Beginning of Year, as previously reported	148,950,483	79,518,641	127,194,187	11,923,797	996,513
Restatements	741,159	515,812	484,869	549,657	80,317
Beginning of Fiscal Year, as restated	149,691,642	80,034,453	127,679,056	12,473,454	1,076,830
End of Fiscal Year	\$ 151,275,274	\$ 81,255,058	\$ 128,473,531	\$ 13,973,229	\$ 1,913,369
Reconciliation of Changes in Net Position to the Statement of Activities:					
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds					
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds					
Changes in Net Position of Business-Type Activities per Statement of Activities					

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Downtown Parking	Other Enterprise Funds	Totals	
Operating Revenues:				
Sales	\$ -	\$ -	\$ 70,373,268	\$ -
Service charges	7,888,783	1,803,789	23,958,681	20,834,664
Leases and rents	23,873	189,638	20,393,677	-
Other revenues	41,991	37,946	2,238,393	1,010,444
Total Operating Revenues	7,954,647	2,031,373	116,964,019	21,845,108
Operating Expenses:				
Salaries, wages and benefits	3,992,439	1,062,930	29,570,175	10,825,036
Materials, supplies and services	2,968,341	475,109	61,709,979	9,927,894
Depreciation expense	752,915	230,932	17,644,412	1,167,921
Total Operating Expenses	7,713,695	1,768,971	108,924,566	21,920,851
Operating Income (Loss)	240,952	262,402	8,039,453	(75,743)
Nonoperating Revenues (Expenses):				
Interest revenue	125,817	11,710	1,538,782	210,431
Interest expense	-	(55,946)	(6,136,682)	-
Total Nonoperating Revenues (Expenses)	125,817	(44,236)	(4,597,900)	210,431
Income (Loss) Before Transfers, Contributions and Extraordinary Gain	366,769	218,166	3,441,553	134,688
Capital Contributions	-	-	3,663,413	-
Extraordinary gain	28,956,177	-	28,956,177	-
Transfers in	43,500	-	43,500	2,045,449
Transfers out	(352,067)	(24,504)	(961,576)	(212,000)
Changes in Net Position	29,014,379	193,662	35,143,067	1,968,137
Net Position:				
Beginning of Year, as previously reported	18,456,584	2,389,830	389,430,035	20,895,014
Restatements	377,884	98,387	2,848,085	(10,398,621)
Beginning of Fiscal Year, as restated	18,834,468	2,488,217	392,278,120	10,496,393
End of Fiscal Year	\$ 47,848,847	\$ 2,681,879	\$ 427,421,187	\$ 12,464,530
Reconciliation of Changes in Net Position to the Statement of Activities:				
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds			\$ 35,143,067	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds			306,807	
Changes in Net Position of Business-Type Activities per Statement of Activities			\$ 35,449,874	

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 37,059,331	\$ 18,087,968	\$ 17,434,991	\$ 13,130,372	\$ 19,716,340
Cash received from/(paid to) interfund service provided	-	-	-	-	-
Cash paid to suppliers for goods and services	(20,978,750)	(7,226,098)	(9,572,373)	(4,573,294)	(18,843,941)
Cash paid to employees for services	(7,864,752)	(5,154,754)	(5,045,755)	(5,661,988)	(806,612)
Cash received from (payments to) others	101,679	23,933	507,696	725,322	799,826
Net Cash Provided (Used) by Operating Activities	8,317,508	5,731,049	3,324,559	3,620,412	865,613
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	-	-	-	-	-
Cash transfers out	(189,231)	(104,727)	(124,336)	(99,155)	(67,556)
Repayment received from (to) other funds	-	-	-	-	-
Advance from (to) other funds	-	(16,898)	(258,800)	(133,906)	-
Grant subsidies	-	-	1,357,993	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(189,231)	(121,625)	974,857	(233,061)	(67,556)
Cash Flows from Capital and Related Financing Activities:					
Capital construction borrowings	4,444,947	976,269	3,287,917	1,933,495	-
Acquisition and construction of capital assets	(8,360,265)	(4,777,649)	(3,971,225)	(1,241,515)	-
Principal paid on capital debt	(2,328,256)	(675,000)	(1,026,733)	(13,589,051)	-
Interest paid on capital debt	(1,541,219)	(528,403)	(2,512,024)	(1,141,887)	-
Proceeds from capital debt issued	-	-	-	12,334,391	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,784,793)	(5,004,783)	(4,222,065)	(1,704,567)	-
Cash Flows from Investing Activities:					
Collection of loans receivable	338,742	-	-	-	-
Interest received	700,045	270,665	241,154	189,391	-
Net Cash Provided (Used) by Investing Activities	1,038,787	270,665	241,154	189,391	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,382,271	875,306	318,505	1,872,175	798,057
Cash and Cash Equivalents at Beginning of Year	41,735,894	15,026,369	18,869,123	8,714,019	379,583
Cash and Cash Equivalents at End of Year	\$ 43,118,165	\$ 15,901,675	\$ 19,187,628	\$ 10,586,194	\$ 1,177,640
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 2,662,978	\$ 1,736,697	\$ (82,534)	\$ 2,314,863	\$ 904,095
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	6,147,740	4,505,354	4,581,831	1,425,640	-
(Increase) decrease in accounts receivable	995,884	81,741	(1,773)	-	(173,237)
(Increase) decrease in inventory	-	-	-	-	1,059
(Increase) decrease in accrued liabilities	39,425	16,887	30,698	26,939	(184)
(Increase) decrease in prepaid expense	(94,969)	-	-	-	-
Increase (decrease) in accounts payable	(1,090,092)	(608,398)	(1,158,806)	(227,761)	137,275
Increase (decrease) in OPEB Obligation	-	-	-	-	-
Increase (decrease) in deposits payable	18,611	-	21,099	(835)	-
Increase (decrease) in unearned revenue	(338,743)	-	(74,126)	80,838	-
Increase (decrease) in claims and judgments	-	-	-	-	-
Increase (decrease) in compensated absences	(23,326)	(1,232)	8,170	728	(3,395)
Total Adjustments	5,654,530	3,994,352	3,407,093	1,305,549	(38,482)
Net Cash Provided (Used) by Operating Activities	\$ 8,317,508	\$ 5,731,049	\$ 3,324,559	\$ 3,620,412	\$ 865,613
Non-Cash Investing, Capital, and Financing Activities:					
Value of Capital Assets transferred from Successor Agency	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	133,380	37,722	39,928	21,143	-

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Downtown Parking	Other Enterprise Funds	Totals	
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 7,937,229	\$ 1,954,525	\$ 115,320,756	\$ -
Cash received from/(paid to) interfund service provided	-	-	-	20,354,256
Cash paid to suppliers for goods and services	(2,960,223)	(489,753)	(64,644,432)	(11,028,784)
Cash paid to employees for services	(3,997,196)	(1,052,833)	(29,583,890)	(8,154,697)
Cash received from (payments to) others	41,991	37,946	2,238,393	1,010,444
Net Cash Provided (Used) by Operating Activities	1,021,801	449,885	23,330,827	2,181,219
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	43,500	-	43,500	2,045,449
Cash transfers out	(352,067)	(24,504)	(961,576)	(212,000)
Repayment received from (to) other funds	(1,791)	-	(1,791)	116,089
Advance from (to) other funds	-	(51,692)	(461,296)	-
Grant subsidies	-	-	1,357,993	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(310,358)	(76,196)	(23,170)	1,949,538
Cash Flows from Capital and Related Financing Activities:				
Capital construction borrowings	-	-	10,642,628	-
Acquisition and construction of capital assets	(158,468)	(567,473)	(19,076,595)	(2,861,748)
Principal paid on capital debt	-	(147,900)	(17,766,940)	-
Interest paid on capital debt	-	(27,086)	(5,750,619)	-
Proceeds from capital debt issued	-	-	12,334,391	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(158,468)	(742,459)	(19,617,135)	(2,861,748)
Cash Flows from Investing Activities:				
Collection of loans receivable	-	-	338,742	-
Interest received	125,817	11,710	1,538,782	210,431
Net Cash Provided (Used) by Investing Activities	125,817	11,710	1,877,524	210,431
Net Increase (Decrease) in Cash and Cash Equivalents	678,792	(357,060)	5,568,046	1,479,440
Cash and Cash Equivalents at Beginning of Year	8,261,301	1,088,095	94,074,384	22,055,213
Cash and Cash Equivalents at End of Year	\$ 8,940,093	\$ 731,035	\$ 99,642,430	\$ 23,534,653
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	-	240,952	\$ 262,402	\$ 8,039,453
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	752,915	230,932	17,644,412	1,167,921
(Increase) decrease in accounts receivable	19,159	(44,413)	877,361	(480,408)
(Increase) decrease in inventory	-	-	1,059	(155,299)
(Increase) decrease in accrued liabilities	11,644	8,159	133,568	65,843
(Increase) decrease in prepaid expense	-	-	(94,969)	-
Increase (decrease) in accounts payable	(3,526)	(22,803)	(2,974,111)	(399,983)
Increase (decrease) in OPEB Obligation	-	-	-	2,682,000
Increase (decrease) in deposits payable	1,414	-	40,289	-
Increase (decrease) in unearned revenue	4,000	5,511	(322,520)	-
Increase (decrease) in claims and judgments	-	-	-	(611,451)
Increase (decrease) in compensated absences	(4,757)	10,097	(13,715)	(11,661)
Total Adjustments	780,849	187,483	15,291,374	2,256,962
Net Cash Provided (Used) by Operating Activities	\$ 1,021,801	\$ 449,885	\$ 23,330,827	\$ 2,181,219
Non-Cash Investing, Capital, and Financing Activities:				
Value of Capital Assets transferred from Successor Agency	\$ 28,956,177	\$ -	\$ 28,956,177	\$ -
Change in Fair Value of Investments	23,849	2,191	258,213	39,668

CITY OF SANTA BARBARA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Agency Funds	Pension Trust Funds	Private Purpose Trust Funds
ASSETS			
Current assets:			
Pooled cash and investments	\$ 1,692,841	\$ -	\$ 6,219,003
Accounts receivable, net	145,689	-	-
Loans receivable	2,053,844	-	3,500,000
Restricted assets:			
Cash and investments	-	554,608	-
Cash and investments with fiscal agents	-	-	11,465,320
Non-current assets:			
Capital assets:			
Land	-	-	26,368,116
Improvements other than building	-	-	4,836,870
Construction in progress	-	-	1,392,077
Less: accumulated depreciation	-	-	(3,823,887)
Total capital assets	<u>-</u>	<u>-</u>	<u>28,773,176</u>
Total Assets	<u>\$ 3,892,374</u>	<u>554,608</u>	<u>49,957,499</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding		<u>-</u>	<u>94,145</u>
Total Deferred Outflows of Resources		<u>-</u>	<u>94,145</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,756	-	909,940
Salaries and benefits payable	-	-	3,809
Accrued interest payable	-	-	522,925
Due to the City of Santa Barbara	89,703	762,787	-
Trust liability	3,800,915	-	-
Current portion of long-term debt	-	-	6,485,000
Non-current liabilities:			
Long-term debt, net of current portion	<u>-</u>	<u>-</u>	<u>29,265,376</u>
Total Liabilities	<u>\$ 3,892,374</u>	<u>762,787</u>	<u>37,187,050</u>
NET POSITION			
Held in trust:			
Employees' pension benefit		(208,179)	-
Police		-	90,249
Library		-	2,479,949
Successor Agency of the Former RDA		<u>-</u>	<u>10,294,396</u>
Total Net Position		<u>\$ (208,179)</u>	<u>\$ 12,864,594</u>

CITY OF SANTA BARBARA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions	\$ -	\$ 359,394
Taxes	-	8,107,206
Investment earnings:		
Net appreciation (depreciation) in fair value	52,109	-
Interest	6,719	213
Dividends	10,047	1,094
Total investment earnings	<u>68,875</u>	<u>1,307</u>
Less: investment expense	<u>(6,143)</u>	<u>-</u>
Net investment income	<u>62,732</u>	<u>1,307</u>
Other	<u>-</u>	<u>220,317</u>
Total Additions	<u>62,732</u>	<u>8,688,224</u>
DEDUCTIONS		
Benefits	173,700	-
Administrative expenses	-	155,304
Contractual services	-	194,958
Interest expense	-	1,845,790
Depreciation expense	<u>-</u>	<u>1,927,350</u>
Total Deductions	<u>173,700</u>	<u>4,123,402</u>
Extraordinary loss	<u>-</u>	<u>(67,040,118)</u>
Changes in Net Position	<u>(110,968)</u>	<u>(62,475,296)</u>
NET POSITION - Beginning of the Year	<u>(97,211)</u>	<u>75,339,890</u>
NET POSITION - End of the Year	<u>\$ (208,179)</u>	<u>\$ 12,864,594</u>



Notes To The
Basic Financial Statements

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Santa Barbara, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Description of the Financial Reporting Entity

The City's reporting entity includes the City (the primary government) and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which the City adopted effective July 1, 1993. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members and a mayor, all of whom are elected at-large. The current City Charter was adopted on May 2, 1967 and provides for the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise funds, operated in a manner similar to a private business, include water, wastewater, solid waste, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency) was established in 1968 with the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Area". It was formerly a separate governmental entity as prescribed in the State of California's Community Redevelopment law as set forth in the State's Health and Safety Code. However, on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California, effective January 31, 2012. The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill (see footnote 19). Also upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the Agency.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate entity of the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies. In general, the Successor Agency's assets can only be used to pay for enforceable obligations in existence at the date of dissolution. In future fiscal years, the Successor Agency will only be allocated revenue in the amount necessary to pay the estimated payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, it is reported in a fiduciary fund (private-purpose trust fund).

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position (i.e., fund balances) as presented in these statements to the net position presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities have been combined with the governmental activities in the Government-wide financial statements.

The following are the major governmental funds of the City:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Affordable Housing* fund accounts for affordable housing financial activity of the City. This includes monitoring low and moderate income housing covenants and accounting for payments on outstanding housing loans. Revenues are derived from principal and interest payments made by loan recipients.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

The following are the major proprietary funds of the City:

- The *Water Fund* accounts for the provisions of water services to the residents of the City and some residents of the County.
- The *Wastewater Fund* accounts for the provision of sewer services to the residents of the City and some residents of the County.
- The *Airport Fund* accounts for the operation of the municipal airport and the administration of leases of airport property.
- The *Waterfront Fund* - accounts for the operation of the City managed waterfront that includes a public wharf, a small craft harbor, and parking facilities.
- The *Downtown Parking Fund* - To account for the provision of parking services in the downtown area of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.
- The *Solid Waste Fund* accounts for refuse revenues received from customers, payments remitted to the trash haulers, and franchise and recycling fees paid by haulers that are used for recycling programs in the City.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for 1) a maintenance facility for fleet and motor pool equipment used by all City departments and City-wide building maintenance operations, 2) Information Systems and computer support services, and 3) self-insurance operations of workers' compensation, unemployment, general liability insurance coverage, and post employment benefits.
- *Private Purpose Trust Funds* are used to account for monies held on behalf of others in a fiduciary capacity, typically pursuant to a formal trust agreement. The City uses private purpose trust funds to account for 1) the Successor Agency of the Former Redevelopment Agency which was dissolved on January 31, 2012, pursuant to state law; 2) resources legally held in trust for use by a not-for-profit organization devoted to library book replacement; and 3) the contributions made for the Police Canine Unit program. All resources of the funds, including any earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital.
- The *Pension Trust Fund* accounts for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulates resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to report resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales 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. Revenues from sales tax are recognized when the underlying transactions take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Grant funds earned but not received by the end of the fiscal period are recorded as a receivable, and revenue is recognized if collected within 150 days of the end of the current fiscal period. Property and sales taxes, utility users' taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and

CITY OF SANTA BARBARA
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interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary, pension and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

D. Adoption of New Accounting Principles

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City has fully conformed to the requirements of this statement for the fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for, operating lease payments that vary from a straight-line basis, the difference between the initial investment and the principal amount of a purchased loan, and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significant from a normal servicing fee rate. The City has fully conformed to the requirements of this statement for the fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension plans – an amendment of GASB Statement No. 25*, to improve the financial reporting requirements by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The City has fully conformed to the requirements of this statement for the fiscal year ending June 30, 2014.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the Primary Government.

F. Interfund Activities

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal services funds transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: Due to and from other funds, Advances to and from other funds, and Transfers in and out.

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G. Description of Program Revenue

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

H. Definition of Operating and Non-operating Revenues

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The principal operating revenues of the water, wastewater, solid waste, parking, golf, airport and waterfront enterprise funds and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue service charges, leases and rents, and miscellaneous revenue. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Flow Assumption for Restricted Resources

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

J. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIII A) provided that the ad valorem real property tax rate be limited to 1% of market value and be levied only by the county and shared with all other jurisdictions. The County of Santa Barbara collects the property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations, subject to adjustments for voter-approved debt.

Property taxes are formally due on November 1 and February 1 and become delinquent as of December 10 and April 10 respectively. Taxes become a lien on the property effective March 1 of the preceding year.

The City is a participant of the County's Teeter plan, which means the City would receive the full amount of tax due regardless of the amount actually collected. The County would assume the risk associated with collecting all existing and future past due property tax balances.

K. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of acquisition. With respect to cash and investments with fiscal agents, all investments have an original maturity of less than three months and are considered to be cash equivalents.

L. Investment Policies

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires that governmental entities, including governmental external investment pools, report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The fair value of pooled investments is determined annually and is based on current market prices received from the City's securities custodian. The Local Agency Investment Fund (LAIF) is required to invest in accordance with State statutes. At June 30, 2014, the fair value of the City's position in LAIF is the same as the value of the pool shares. Investments held in the Pension Trust Funds are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

The City has developed a formal investment policy that is more restrictive than the State of California Government Code. The policy is adopted annually by the City Council. The City has adhered to established policies for all investment activities.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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M. Receivables and Payables

Interfund transactions are reflected as either: loans, services, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable amount in applicable governmental funds to indicate that they are not currently available for appropriation and are not available financial resources.

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 between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Loans receivable in the governmental funds include the City Housing Fund, Community Development Block Grant loans, Home Investment Partnership loans, loans held with the Successor Agency, Water fund loans and Employee Mortgages. A portion of fund balance is classified as nonspendable for the Employee Mortgages due to the long-term nature of loans.

All accounts receivables are shown net of an allowance for uncollectible amounts, including water, wastewater, airport waterfront, solid waste, golf and parking. The estimate allowance is based on historical collections and a review of accounts receivable.

N. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) and lower of average cost or market for proprietary funds. Governmental fund inventories are recorded as expenses when consumed rather than when purchased. Proprietary fund inventories consist primarily of materials and supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

O. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in results of operations. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets (except land, works of art and construction in progress) of the primary government are depreciated using the straight-line method using the estimated useful lives listed below.

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	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	10-100

The City has networks of infrastructure assets such as roads, water and wastewater treatment plants, drainage systems and sidewalks. The streets pavement subsystem of the road network is reported using the modified approach. The City has established a pavement condition assessment process. Approximately one-third of the entire sub-system is assessed on a rotating basis each year. The City's streets pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are assigned to be in "Fair" or better condition, and roads with PCI's of 55 or higher to be in "Good" or better condition. Accordingly, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized.

P. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Number 63 and GASB Statement Number 65, the City recognizes deferred outflows and inflows 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. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 4 and Note 10 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

Q. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. For fire safety employees the value of the sick pay benefit is converted to additional years of service for purposes of calculating retirement benefits provided by the Public Employees Retirement System (PERS) and the employee is, therefore, compensated through an increased retirement benefit. All other employees upon retirement and with a minimum of 500 hours of accumulated sick pay benefits may elect to have an annuity or the cash value of an annuity for the value of those accumulated hours, calculated based on comparable actuarial assumptions used by PERS.

Governmental funds recognize the cost of vacation and sick pay benefits when payments are made to employees. The City has determined that 90 percent of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2014, is deemed current and expected to be paid within the next 12 months with current financial resources.

The compensated absences for governmental funds will generally be liquidated through the general fund. The balances in the proprietary funds will generally be liquidated through the individual funds.

R. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and gains and losses on defeasance, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Beginning in fiscal year 2013, bond issuance costs are reported as expenses when incurred per GASB 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and gains and losses on defeasance, during the current period. The proceeds of long-term debt issued are reported as "other financing sources". Bonds payable are reported net of the applicable bond premium or discount and gains and losses on refunding. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums received on debt issuances are reported as "other financing sources" while discounts are reported as "other financing uses".

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

S. Restricted Assets

The City has funds held by trustees or fiscal agents pledged to the payment or security of bonds and certificates of participation and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agents may make.

T. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

U. Allocated Costs Policy

Expenses reported for functional activities include allocated indirect expenses pursuant to a cost allocation plan prepared in accordance with OMB Circular A-87.

V. GASB Statement No. 51 Implementation

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Management evaluated the criteria and determined that the adoption of GASB Statement No. 51 did not have any impact on the financial position, results of operations or cash flows of the City.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 164,816,353
Cash and investments with fiscal agents	9,336,179
Fiduciary funds:	
Cash and investments	7,911,844
Restricted cash	554,608
Cash and investments with fiscal agents	11,465,320
Total cash and investments	\$ 194,084,304
Cash on hand	\$ 37,295
Demand deposit accounts with financial institutions	16,058,799
Investments	177,988,210
Total cash and investments	\$ 194,084,304

All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for the portion of cash deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), statutorily limited to \$250,000 until December 31, 2013. After this date, the limit for FDIC insured deposits will revert to \$100,000, unless an extension is again granted. As of June 30, 2014, the City maintains cash deposits that are partially insured by FDIC insurance. All uninsured cash deposited are fully collateralized.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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Investments Authorized by the California Government Code and the City's Investment Policy

The table on the next page identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees/fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized <u>Investment Type</u>	Maximum <u>Maturity</u>	Maximum Percentage <u>of Portfolio*</u>	Maximum Investment <u>in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California/Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Bank/Time Deposits/Non-Negotiable CD's	5 years	None	None
State Investment Pool (LAIF)	N/A	\$50 million*	N/A

* Excluding amounts held by trustees/fiscal agents that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

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

Authorized <u>Investment Type</u>	Maximum <u>Maturity</u>	Maximum Percentage <u>of Portfolio</u>	Maximum Investment <u>in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
State Investment Pool (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of the overall investment portfolio to 2 ½ years. In addition, the City employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

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Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days.

Investment type		Weighted Average Maturity (in years)
U.S. Treasury Notes	\$ 10,236,240	1.8
U.S. Agency Securities	96,148,640	3.2
Corporate Medium Term Notes	12,238,260	2.4
Certificates of Deposit	8,000,000	2.2
State Investment Pool (LAIF)	30,008,963	0.6
Held by Trustees/Fiscal Agents:		
Money Market Fund	14,515,713	N/A
State Investment Pool (LAIF)	48,223	0.6
Corporate Bond Funds	231,898	N/A
U.S. Agency Securities	3,646,078	4.0
Investment Contracts	2,914,195	N/A
	\$ 177,988,210	

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Market Value of Investment</u>	<u>Min. Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>Rating as of Year End</u>				
				<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>Unrated</u>
U.S. Treasury Notes	\$ 10,236,240	N/A	\$ -	\$ 10,236,240	\$ -	\$ -	\$ -	\$ -
U.S. Agency Securities	96,148,640	N/A	-	96,148,640	-	-	-	-
Corporate Med Term Notes	12,238,260	A	-	-	4,086,000	4,061,960	4,090,300	-
Certificates of Deposit	8,000,000	Collateralized	-	-	-	-	-	8,000,000
State Investment Pool (LAIF)	30,008,963	N/A	-	-	-	-	-	30,008,963
Held by Trustees/Fiscal Agents:								
Money Market Funds	14,515,713	N/A	-	-	-	-	-	14,515,713
State Investment Pool (LAIF)	48,223	N/A	-	-	-	-	-	48,223
Corporate Bond Funds	231,898	N/A	-	-	-	-	-	231,898
U.S. Agency Securities	3,646,078	N/A	-	3,646,078	-	-	-	-
Investment Contracts	2,914,195	N/A	2,914,195	-	-	-	-	-
Total	\$ 177,988,210		\$ 2,914,195	\$ 110,030,958	\$ 4,086,000	\$ 4,061,960	\$ 4,090,300	\$ 52,804,797

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Disclosure Relating to Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
US Treasury Note	U.S. Treasury Securities	\$ 10,236,240	5.8
Federal Farm Credit Bank	U.S. Agency Securities	9,125,530	5.1
Federal Home Loan Bank	U.S. Agency Securities	31,736,218	17.8
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	23,983,990	13.5
Federal Natl Mortgage Assn	U.S. Agency Securities	30,916,000	17.4

Disclosure Risk Relating to Custodial Credit Risk

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2014, \$25,418,536 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

Investment in State Investment Pool

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

NOTE 3. UNEARNED REVENUE

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net position, as well as governmental and proprietary funds, defers revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue.

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At June 30, 2014, the various components of unearned revenue reported are as follows:

Governmental funds:	<u>Unearned</u>
General Fund:	
Deferred business license tax	\$ 1,227,783
Nonmajor Governmental Funds:	
Advances on grants for streets projects	347,616
Total governmental funds	<u>\$ 1,575,399</u>
Business-type activities:	
Water Fund:	
Joint Venture Agreement	\$ 4,342,063
Airport Fund:	
Prepaid lease revenue	262,569
Golf Course Fund:	
Golf gift cards	46,530
Downtown Parking:	
Parking	4,000
Waterfront Fund:	
Prepaid lease and slipholder revenue	286,739
Total business-type activities	<u>\$ 4,941,901</u>

NOTE 4. DEFERRED OUTFLOWS 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 recognized deferred outflows of resources in the entity-wide and proprietary fund statements. This item is a consumption of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Deferred outflows of resources balances for the year ended June 30, 2014, were as follows:

	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities	
2002 Certificates of Participation Refunding	\$ 39,403
Business-type Activities	
2002 Golf Course Certificates of Participation	\$ 42,655
2013 Water Certificates of Participation refunding	843,653
2014 Waterfront Certificates of Participation refunding	558,649
	<u>\$ 1,444,957</u>

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Transfer from		Transfers/ Reclassifications	Ending Balance	Internal Service Fund	Total Governmental Capital
	July 1, 2013	Successor Agency	Increases		June 30, 2014	Activity	Assets
Governmental Activities:							
Non-depreciating capital assets:							
Construction in progress	\$ 23,707,753	\$ 7,625	\$ 11,978,762	\$ (15,238,221)	\$ 20,455,919	\$ 1,703,414	\$ 22,159,333
Land held for resale	-	-	-	3,767,605	3,767,605	-	3,767,605
Land	10,734,063	8,363,973	893,370	2,663,161	22,654,567	-	22,654,567
Streets	160,101,179	-	848,044	-	160,949,223	-	160,949,223
Total non-depreciating capital assets	194,542,995	8,371,598	13,720,176	(8,807,455)	207,827,314	1,703,414	209,530,728
Depreciating capital assets:							
Buildings	25,903,562	357,741	-	-	26,261,303	105,889	26,367,192
Building improvements	8,575,890	11,196,961	117,652	202,070	20,092,573	1,323,139	21,415,712
Improvements other than buildings	21,651,267	12,264,507	404,840	-	34,320,614	976,354	35,296,968
Equipment	12,583,705	603,500	249,372	396,738	13,833,315	21,350,540	35,183,855
Infrastructure	140,592,441	13,346,068	-	8,208,647	162,147,156	-	162,147,156
Total depreciating capital assets	209,306,865	37,768,777	771,864	8,807,455	256,654,961	23,755,922	280,410,883
Less accumulated depreciation:							
Buildings	12,656,164	125,046	445,216	-	13,226,426	105,889	13,332,315
Building improvements	3,801,210	749,527	178,654	-	4,729,391	113,473	4,842,864
Improvements other than buildings	7,927,087	4,526,234	734,826	-	13,188,147	149,467	13,337,614
Equipment	9,875,982	124,387	856,430	-	10,856,799	16,207,946	27,064,745
Infrastructure	62,893,833	2,531,242	2,731,693	-	68,156,768	-	68,156,768
Total accumulated depreciation	97,154,276	8,056,436	4,946,819	-	110,157,531	16,576,775	126,734,306
Total capital assets, being depreciated, net	112,152,589	29,712,341	(4,174,955)	8,807,455	146,497,430	7,179,147	153,676,577
Governmental activities capital assets, net	\$ 306,695,584	\$ 38,083,939	\$ 9,545,221	\$ -	\$ 354,324,744	\$ 8,882,561	\$ 363,207,305

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

Governmental activities:	
Administration	\$ 86,938
Public safety	130,398
Public works	4,062,556
Community services	509,202
Community development	157,725
General governmental depreciation	4,946,819
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	1,167,921
Total depreciation expense - governmental activities	\$ 6,114,740

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

	Beginning Balance July 1, 2013	Transfers from Successor Agency	Increases	Transfers/ Reclassifications	Ending Balance June 30, 2014
Business-Type Activities:					
Non-depreciating capital assets:					
Land	\$ 19,201,133	\$ 5,697,822	\$ 65,000	\$ -	\$ 24,963,955
Construction in progress	100,782,807	-	13,621,959	(58,589,295)	55,815,471
Total non-depreciating capital assets	<u>119,983,940</u>	<u>5,697,822</u>	<u>13,686,959</u>	<u>(58,589,295)</u>	<u>80,779,426</u>
Depreciating capital assets:					
Buildings	43,230,691	25,982,911	-	55,219,368	124,432,970
Building improvements	9,488,381	-	57,298	677,784	10,223,463
Other improvements and drainage	387,936,873	16,441,341	2,559,468	503,052	407,440,734
Equipment	42,132,937	-	1,073,506	2,133	43,208,576
Underground piping	184,201,742	-	1,699,362	2,165,118	188,066,222
Infrastructure	16,251,997	340,131	-	-	16,592,128
Total depreciating capital assets	<u>683,242,621</u>	<u>42,764,383</u>	<u>5,389,634</u>	<u>58,567,455</u>	<u>789,964,093</u>
Less accumulated depreciation:					
Buildings	27,119,273	5,114,813	973,566	-	33,207,652
Building improvements	3,395,514	-	230,382	-	3,625,896
Other improvements and drainage	186,967,618	14,051,083	8,546,910	-	209,565,611
Equipment	25,980,843	-	3,167,052	(21,840)	29,126,055
Underground piping	105,858,529	-	4,290,135	-	110,148,664
Infrastructure	7,883,085	340,131	436,367	-	8,659,583
Total accumulated depreciation	<u>357,204,862</u>	<u>19,506,027</u>	<u>17,644,412</u>	<u>(21,840)</u>	<u>394,333,461</u>
Total capital assets, being depreciated, net	<u>326,037,759</u>	<u>23,258,356</u>	<u>(12,254,778)</u>	<u>58,589,295</u>	<u>395,630,632</u>
Business-type activities capital assets, net	<u>\$ 446,021,699</u>	<u>\$ 28,956,178</u>	<u>\$ 1,432,181</u>	<u>\$ -</u>	<u>\$ 476,410,058</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water	\$ 6,147,740
Wastewater	4,505,354
Airport	4,581,831
Waterfront	1,425,640
Downtown parking	752,915
Golf	230,932
Total depreciation expense - business-type activities	<u>\$ 17,644,412</u>

Successor Agency Transfers

On January 22, 2013, the California Department of Finance determined that certain properties transferred to the Successor Agency, where in fact City assets, and therefore had to be transferred back to the City. On July 15, 2013, the City adopted resolution 13-004, accepting the transfer of these assets back to the City. The net book value of these assets at the time of the transfer was \$67,040,117, in which \$28,956,178 was transferred to the Downtown Parking Fund (enterprise fund) and remainder \$38,083,939 transferred to governmental activities.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2014, is as follows:

<u>Due to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities:	Governmental Activities:	
General Fund	Home Program Fund	\$ 60,060
	Disaster Recovery Initiative Fund	119,794
	Community Development Block Grant Fund	41,467
	Traffic Safety Fund	70
	Police - Supplemental Law Enforcement Fund	17,221
	Streets Grant Capital Fund	1,313,070
		<u>\$ 1,551,682</u>

<u>Advances to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities:	Business Type Activities:	
General Fund	Golf Course Fund	\$ 500,000
General Fund	Waterfront Fund	2,167,982
General Fund	Airport Fund	1,459,626
Creek Restoration Fund		253,691
Transportation Development Fund		5,992
County Library Fund		12,942
Affordable Housing Fund		28,251
Measure "A" Fund		57,845
Water Fund		1,535,873
Wastewater Fund		454,669
Downtown Parking Fund		287,450
Golf Course Fund		26,408
Waterfront Fund		254,840
Self-Insurance Fund		134,291
Vehicle Capital Fund		343,831
		<u>4,855,709</u>
Vehicle Capital Fund	Golf Course Fund	223,202
		<u>\$ 7,746,893</u>

The interfund balances at June 30, 2014, are generally short-term loans to cover temporary cash deficits in various funds.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

The City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling \$2,167,982 at June 30, 2014, were for the purposes of rehabilitation of the Stearns Wharf, development of a waterfront parking program, and construction of administrative offices and remodel of the Chandlery Building. The Stearns Wharf advance has a balance of \$1,046,184 at June 30, 2014, and bears interest at 6%. The Chandlery Building advance has a balance of \$1,121,798 at June 30, 2014, and bears interest at the City's portfolio rate of return. Both advances have payments due annually.

The City's General Fund advanced money to the Golf Course Enterprise Fund. These advances, totaling \$500,000 at June 30, 2014, were for the purposes of the Golf Safety Improvement Master Plan. The advance bears interest at 4%, with payments due annually.

Various City funds advanced money to the Airport Fund for a total amount of \$7,300,000 in July 2009. The advance was for the purpose of constructing a new joint use rental car facility for use by the rental car companies serving the Airport. In July 2013, the City revised the interest rate from 7% to 3.5% with annual payments being reduced from \$587,714 to \$460,364. The final payment is due June 30, 2029.

A summary of interfund transfers during the year follows:

<i>Fund Transferred From</i>	<i>Fund Transferred To</i>				
	General Fund	Other Govt Funds	Downtown Parking	Internal Service	Total
Governmental Funds					
General Fund	\$ -	\$ 2,798,313	\$ 43,500	\$ 763,449	\$ 3,605,262
General Capital Improvement	-	-	-	-	-
Street Capital Improvement	-	-	-	-	-
Other Govt Funds	1,310,637	7,143,407	-	461,490	8,915,534
Internal Service Funds	-	-	-	212,000	212,000
Enterprise Funds					
Water	-	-	-	189,231	189,231
Wastewater	-	-	-	104,727	104,727
Solid Waste	50,000	-	-	17,556	67,556
Airport	-	-	-	124,336	124,336
Waterfront	-	-	-	99,155	99,155
Downtown Parking	303,066	-	-	49,001	352,067
Other Enterprise Funds	-	-	-	24,504	24,504
Total	\$ 1,663,703	\$ 9,941,720	\$ 43,500	\$ 2,045,449	\$ 13,694,372

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

The most significant interfund transfers related to the following:

1. Transfers from the General Fund to Other Non-Major Governmental Funds were primarily due to transfers to the General Capital Improvements Fund of 50% of the General Fund surplus pursuant to City reserve policies for future appropriation for capital programs.
2. Transfers from all funds into the Information Systems Internal Service Fund were to fund the replacement of the City's financial management system.
3. Transfers between Other Governmental Funds are primarily comprised of capital outlay transfers from the Creeks Capital Fund for capital projects and operating transfers from the Creeks Fund and Streets Fund to the Streets Sweeping Fund for street sweeping services; in addition, capital outlay transfers from General Capital Improvement Fund to the Street Capital Improvement Fund for capital projects.

NOTE 7. LONG-TERM DEBT

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the former Redevelopment Agency were pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 12).

Long-term liability activity for the year ended June 30, 2014, is as follows:

	Beginning Balance July 1, 2013	Additions	Deductions	Ending Balance June 30, 2014	Due Within One Year	Due in More Than One Year
<u>Governmental Activities</u>						
Certificates of participation	\$ 1,557,600	\$ -	\$ 287,100	\$ 1,270,500	\$ 300,300	\$ 970,200
Unamortized debt discount	(3,020)	-	(604)	(2,416)	-	(2,416)
Governmental funds debt issues	1,554,580	-	286,496	1,268,084	300,300	967,784
Compensated absences	6,601,767	5,800,574	5,352,979	7,049,362	6,344,426	704,936
Claims liability	8,225,412	1,798,112	2,409,563	7,613,961	2,841,455	4,772,506
Governmental activity						
Long-term liabilities	<u>16,381,759</u>	<u>7,598,686</u>	<u>8,049,038</u>	<u>15,931,407</u>	<u>9,486,181</u>	<u>6,445,226</u>
<u>Business-Type Activities</u>						
Revenue bonds	61,435,000	12,334,391	1,769,000	72,000,391	2,373,061	69,627,330
Certificates of participation	36,777,400	-	14,917,900	21,859,500	1,514,700	20,344,800
Loans	45,070,963	6,979,215	1,080,060	50,970,118	1,371,894	49,598,224
Unamortized debt premium	2,994,868	-	319,460	2,675,408	-	2,675,408
Unamortized debt discount	(1,253,736)	-	(131,780)	(1,121,956)	-	(1,121,956)
	145,024,495	19,313,606	17,954,640	146,383,461	5,259,655	141,123,806
Compensated absences	1,557,495	1,249,165	1,262,880	1,543,780	1,389,402	154,378
Business-type activity						
Long-term liabilities	<u>146,581,990</u>	<u>20,562,771</u>	<u>19,217,520</u>	<u>147,927,241</u>	<u>6,649,057</u>	<u>141,278,184</u>
Total debt activity	<u>\$ 162,963,749</u>	<u>\$ 28,161,457</u>	<u>\$ 27,266,558</u>	<u>\$ 163,858,648</u>	<u>\$ 16,135,238</u>	<u>\$ 147,723,410</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

A description of long-term obligations outstanding at June 30, 2014, by category follows:

Governmental Activities

Certificates of Participation

General Fund:

\$4,184,400 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from \$287,100 to \$339,900 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

Amount
Outstanding
June 30, 2014

\$ 1,270,500

Total Governmental Activities

1,270,500

Business-Type Activities

Revenue Bonds

Wastewater Fund:

\$20,410,000 – 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from \$675,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.

14,355,000

Waterfront Fund:

\$12,334,391 - Waterfront Harbor Refunding Revenue Bonds, Series 2014. Revenue bonds were issued to provide funds in order to refund the outstanding City of Santa Barbara Waterfront Revenue Refunding Certificates of Participation, Series 2002 which were used to finance capital improvements at the waterfront. Remaining annual installments range from \$223,000 to \$1,163,000 through October 1, 2027. The interest rate is 3.530%.

12,140,391

Airport Fund:

\$47,270,000 – 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from \$900,000 to \$2,995,000 through July 1, 2039.

45,505,000

Total revenue bonds

72,000,391

Certificates of Participation

Golf Fund:

\$2,155,600 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from \$147,900 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

654,500

Water Fund:

\$22,680,000 - 2013 Refunding Water Certificates of Participation. Certificates issued to provide funds to refund the outstanding City of Santa Barbara 2002 Certificates, which were used to finance capital improvements to the water distribution system. Certificates were also used to defease a California Department of Health Services Safe Drinking Water State Revolving Fund loan, which was used to finance construction of a project that enabled the City to meet safe drinking water standards. Remaining annual installments range from \$1,360,000 to \$2,055,000 through October 1, 2026. Interest rates range from 2.0% to 6.85% payable semi-annually.

21,205,000

Total certificates of participation

\$ 21,859,500

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

Loans Payable

Water Fund:

\$17,900,849 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semi-annual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025. \$ 10,937,188

\$29,283,000 California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with semi-annual payments for 20 years. Interest is 2.5017% per annum. 26,282,389

Wastewater Fund:

\$1,600,000 - California State Water Resources Control Board loan. Funds used to assist in financing a two-phase project to increase energy generated at the El Estero Wastewater Treatment Plant. Once the project is complete, the total amount borrowed will be repaid to the State with semi-annual payments for 20 years. Interest is 1.8% per annum. 723,462

\$5,200,000 - California State Water Resources Control Board loan. Funds used to assist in financing the replacement design, modifications to the washer compactor area, replacement of water compactor units, and a study of the electrical generators use for new mechanical screens and conveyance. Once the project is complete, the total amount borrowed will be repaid to the State with semi-annual payments for 20 years. Interest is 2.6% per annum. 5,200,000

Airport Fund:

\$2,450,339 - State Department of Transportation Loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of \$218,714. Interest is 5.0843% per annum. The final payment is due June 30, 2024. 1,681,955

Waterfront Fund:

\$9,101,000 - State Department of Boating and Waterways loan. Funds used to finance capital improvements at the marina. Interest is 4.5% per annum. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with fixed annual principal and interest payments due each year on August 1 for 30 years. 6,145,124

Total loans payable 50,970,118

Total business-type activities \$ 144,830,009

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

The annual requirements to amortize all long-term debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending	of Participation	Revenue Bonds	of Participation	Other Loans	Total
2015	\$ 300,300	\$ 2,373,061	\$ 1,514,700	\$ 1,371,894	\$ 5,559,955
2016	306,900	2,459,849	1,548,100	2,571,545	6,886,394
2017	323,400	2,574,241	1,591,600	2,641,199	7,130,440
2018	339,900	2,669,357	1,645,100	2,714,409	7,368,766
2019	-	2,767,140	1,520,000	2,789,014	7,076,154
2020 - 2024	-	15,684,084	8,600,000	15,142,658	39,426,742
2025 - 2029	-	17,362,659	5,440,000	11,003,602	33,806,261
2030 - 2034	-	10,155,000	-	9,997,787	20,152,787
2035 - 2039	-	12,960,000	-	1,427,385	14,387,385
2040 - 2044	-	2,995,000	-	1,310,625	4,305,625
Total Principal	1,270,500	72,000,391	21,859,500	50,970,118	146,100,509

Fiscal Year Ending	Interest Payments				Total
2015	50,976	3,263,817	800,911	1,501,038	5,616,742
2016	37,502	3,167,322	766,469	1,385,682	5,356,975
2017	23,159	3,066,345	723,805	1,421,228	5,234,537
2018	7,860	2,966,031	672,499	1,347,963	4,994,353
2019	-	2,855,724	616,000	1,273,303	4,745,027
2020 - 2024	-	12,414,754	2,086,875	4,951,281	19,452,910
2025 - 2029	-	8,702,576	279,175	3,264,107	12,245,858
2030 - 2034	-	5,307,125	-	1,122,229	6,429,354
2035 - 2039	-	2,431,750	-	517,743	2,949,493
2040 - 2044	-	74,875	-	162,964	237,839
Total Interest	119,497	44,250,319	5,945,734	16,947,538	67,263,088
Total Debt	\$ 1,389,997	\$ 116,250,710	\$ 27,805,234	\$ 67,917,656	\$ 213,363,597

GASB 48 Disclosure – Pledging of revenues:

Revenue Bonds:

Annual principal and interest payment on the wastewater revenue bonds are expected to require approximately 45% of net available revenues. Total principal and interest remaining to be paid on the Bonds is \$20,319,475 as of June 30, 2014. For the current year, principal and interest paid on the Bonds was \$1,352,213 and total wastewater net revenues were \$6,141,977. The Bonds required 23% of net revenues. The City has complied with all bond covenants.

2013 Refunding Water Certificates of Participation

On May 22, 2013, the City issued Water Revenue Refunding Certificates of Participation, Series 2013 in the amount of \$22,680,000 to refund the 2003 California Department of Health Services Safe Drinking Water Loan and Water Revenue Certificates of Participation, Series 2002. The net proceeds of \$26,005,018 (including an original issue premium of \$2,881,209, less payment of \$334,568 in underwriting fees, bond insurance, and other issuance costs and a net additional

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

\$761,108 contribution from the Water Revenue Fund and \$1,088,269 of 2002 COP's reserve fund monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full payoff of the 2003 State loan, and all future debt service payments on the advance refunding of the 2002 COP's. As a result, the 2002 COP's are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Water Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$908,549. This difference, reported in the accompanying basic financial statements as a deferred charge, is being charged to operations through the final maturity date of the 2013 Refunding COP's of October 1, 2026 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 13 years by \$3,862,551 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,205,039.

This debt issue is subject to a reserve requirement in conjunction with non-subordinate (parity) debt issued by the City. The City is in compliance with the revenue rate covenant requiring net revenues of the water system to be at least equal to 1.25 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

2014 Waterfront Harbor Refunding Revenue Bonds, Series 2014

On March 7, 2014, the City issued Waterfront Harbor Refunding Revenue Bonds, Series 2014 in the amount of \$12,334,391 to refund the 2002 Waterfront Certificates of Participation. The net proceeds of \$12,898,420 (less payment of \$141,112 in underwriting fees, bond insurance, and other issuance costs and a net additional \$581,456 contribution from the Waterfront reserve fund and \$1,431,597 of 2002 COP's reserve fund monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full payoff of the 2002 COPs, and all future debt service payments on the advance refunding. As a result, the 2002 COP's are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Waterfront Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$598,552. This difference, reported in the accompanying basic financial statements as a deferred charge, is being charged to operations through the final maturity date of the 2014 Refunding Revenue Bonds of October 1, 2027 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 13 years by \$2,627,198 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$360,609.

NOTE 8. CONTINGENCIES AND COMMITMENTS

Litigation and Claims

The City is presently involved in matters of litigation and claims that have arisen in the normal course of conducting City business. City management believes that, based upon consultation with the City Attorney, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

Construction

Various construction projects were in progress at June 30, 2014, with an estimated cost to complete of approximately \$7,603,907 in all fund types. The following material construction commitments existed at June 30, 2014:

<u>Project Name</u>	<u>Amount</u>	<u>Expenditures to date as of June 30, 2014</u>	<u>Commitments</u>
Recycled Water Plant	\$ 2,253,789	\$ 394,953	\$ 1,858,836
Zone 1 Pavement Preparation	2,429,246	-	2,429,246
Sycamore Creek Channel Improvements	2,212,564	923,822	1,288,742
Low Impact Development Demonstration	1,888,630	1,655,321	233,309
Water Main Replacement	3,427,352	2,833,008	594,344
Sewer Collection System & Overflow Compliance	1,199,430	-	1,199,430

NOTE 9. RETIREMENT COMMITMENTS

Employee Retirement Systems and Pension Plans

Plan Description

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

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces a level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011. Each of these years' gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

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Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. The operating funds of the City contribute to the plan. Under GASB 27, the City reports its annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the actual plan contributions for the year. The cumulative difference is the net pension obligation (NPO). The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 23.635%, the safety police plan rate is 35.163%, and the safety fire plan rate is 32.282% of payroll. The required employee contribution rate for miscellaneous, non-safety, members is 8% and for safety police and fire members it is 9% of their annual covered salary. The City makes a portion of the contributions required of safety employees on their behalf and for their account. The City paid 6.0% of the police safety non-managerial employees' required contribution in the fiscal year ended June 30, 2014, 6.12% of the police safety managers required contribution (decreases to 0% beginning 5/31/2014), and 6.02% of the fire safety employees' required contribution. The contribution requirements of the City and plan members are established and may be amended by PERS.

A CalPERS member, safety and non-safety, becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Annual Pension Cost

For fiscal year ended June 30, 2014, the City's required annual pension costs for all of the retirement plans, in the amount of \$27,916,410 for PERS. The City's and employees' actual contributions was equal to \$28,035,410. The additional \$119,000 was contributed to cover the 2013 Net Pension Obligation. The required contribution for fiscal year 2014 was determined as part of the June 30, 2011, actuarial valuation using the entry age normal cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2011
(b) Amortization method	level percent of payroll
(c) Average remaining period	21 years (non-safety), 32 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.50% (net of administrative expenses)
-projected salary increases	3.30% to 14.20% depending on age, service and type of employment
-inflation	2.75%
-payroll growth	3.00% compounded annually
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that is dependent on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of approximately 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

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Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	\$ 24,881,631	100.0%	\$ -
06/30/13	25,018,050	99.5%	119,000
06/30/14	27,916,410	100.4%	-

Funded Status of the Plans

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated June 30, 2011, as provided by CalPERS.

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
<u>Miscellaneous Plan:</u>							
2014	06/30/11	\$ 410,437,416	\$ 318,152,827	\$ 92,284,589	77.5%	\$ 50,630,019	182.3%
<u>Safety Fire Plan:</u>							
2014	06/30/11	145,634,246	115,407,329	30,226,917	79.2%	10,171,928	297.2%
<u>Safety Police Plan:</u>							
2014	06/30/11	190,349,779	149,380,237	40,969,542	78.5%	15,149,486	270.4%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for the benefits.

City Safety and Service Retirement Pension Plans

In addition to the California PERS, the City provides two additional single-employer, defined benefit pension plans. One, the Safety Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965. The second plan, the Service Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of thirteen (13) former public safety (police and fire) employees receive a monthly pension retirement benefit in the form of a cash stipend directly from the City. Both plans have been closed to all other employees as of May 1965 and contributions from the employer and employees also ceased on that date. The City administers the plans in compliance with and under the authority of Article XVA of the City Charter. The costs of administering the plans are financed with investment earnings. As of June 30, 2014, nine (9) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and four (4) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund. Separate audited financial statements are not issued for either plan.

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Method used to value investments

The City of Santa Barbara Fire and Police Pension Plans (the Plans) investments are reported at fair market value. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment Policy

The City administers the Plans in compliance with and under the authority of Articles XV and XVA of the 1926 City Charter. The City has plan assets in a Trust fund. The City will pay any benefit payments not paid from the Trust.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The Plan's annual required contribution is based on an actuarially determined amount that is estimated to finance costs of benefits earned by plan members during the year; with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2014, the Plan's actuarially determined annual required contribution was \$108,000, in which the Employer paid \$102,000.

The components of the net pension liability of the Plan at June 30, 2014, were as follows:

Total pension liability	\$ 1,120,596
Plan fiduciary net pension	<u>554,608</u>
Net pension liability	<u>\$ 565,988</u>
Plan fiduciary net position as a percentage of the total pension liability	49.49%

Actuarial Assumptions

Valuation Date	July 1, 2013
Discount Rate	5.5%
Salary Increases	Not assumed

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

Discount Rate

The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that employer contributions would be equal to the actuarially determined contribution amount. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SANTA BARBARA
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Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.00%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (4.5%) or 1% higher (6.5%) than the current rate:

	1% Lower* (4.50%)	Current Discount Rate (5.50%)	1% Higher* (6.50%)
Net pension liability	\$ -	\$ 565,988	\$ -

*This information was not available as of July 1, 2013 valuation date.

Deferred Compensation Plan

The City offers two deferred compensation plans for regular employees and one for hourly employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of \$17,500 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

NOTE 10. DEFERRED 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 recognized deferred inflows of resources in the entity-wide and proprietary fund statements. This item is a consumption of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report revenues not considered available to liquidate liabilities of the current period as deferred inflows of resources.

Deferred inflows of resources balances for the year ended June 30, 2014, were as follows:

	Balance June 30, 2014
Nonmajor Governmental Funds	
Advances on federal grants for low-income housing	\$ 13,305,591

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Notes to the Basic Financial Statements
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NOTE 11. CLASSIFICATION OF NET POSITION

In the Government-wide financial statements, net position are classified as the following:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Position* – This category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Specific Projects and Programs, and Debt Service as established by the City Council.
- *Unrestricted Net Position* – This category represents the net position of the City, which are not restricted for any project or other purpose.

In the Fund financial statements, governmental funds report the following fund balance classifications:

- *Nonspendable* – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – Amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- *Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority, the City Council of the City of Santa Barbara. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council of the City of Santa Barbara.
- *Assigned* – Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator or Finance Director are authorized to assign amounts to a specific purpose as per the approved City Council Resolution No. 12-069.
- *Unassigned* – Residual amounts that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that may report a positive unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CITY OF SANTA BARBARA
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The components of the City's fund balances at June 30, 2014, consist of the following:

	General Fund	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Fund Affordable Housing			
Fund Balances:					
Nonspendable:					
Prepaid assets and deposits	\$ 72,846	\$ -	\$ -	\$ -	\$ 72,846
Loans receivable	2,709,458	-	-	-	2,709,458
Advances to other funds	4,127,609	-	-	-	4,127,609
Restricted for:					
Administration	177,664	-	-	-	177,664
Public safety	107,693	-	573,158	-	680,851
Livescan program	-	-	249,100	-	249,100
Auto anti-theft	-	-	198,266	-	198,266
Asset forfeiture programs	-	-	224,137	-	224,137
Public works	95,675	-	-	-	95,675
Transportation and highways	-	-	2,669,894	-	2,669,894
Creek restoration/ water quality	-	-	1,787,711	-	1,787,711
Community services	16,389	-	233,823	-	250,212
Library programs	-	-	624,304	-	624,304
Parks and recreation	235,233	-	-	-	235,233
Community development	73,490	-	455,373	-	528,863
Overnight accommodation	1,170,320	-	-	-	1,170,320
Inclusionary housing	336,975	-	-	-	336,975
Capital improvements	-	-	931,820	-	931,820
Transportation and highways	-	-	3,201,944	-	3,201,944
Debt service reserve	-	-	561,250	-	561,250
Affordable housing	-	51,689,999	-	-	51,689,999
Committed for:					
Capital improvements	-	-	185,379	-	185,379
Transportation and highways	-	-	4,244,507	-	4,244,507
Creeks improvements	-	-	2,546,813	-	2,546,813
Mission Lagoon restoration	-	-	1,316,991	-	1,316,991
Lower Arroyo Burro restoration	-	-	736,330	-	736,330
Park improvements	-	-	988,096	-	988,096
Cabrillo Ballfield renovation	-	-	375,000	-	375,000
Children's library project	-	-	656,576	-	656,576
Contingencies	4,352,202	-	-	-	4,352,202
Disaster contingency	17,292,113	-	-	-	17,292,113
Assigned to:					
Administration	25,000	-	-	-	25,000
Public safety	4,262	-	-	-	4,262
Community services	6,371	-	-	-	6,371
Community development	117,459	-	-	-	117,459
Capital improvements	-	-	3,537,140	-	3,537,140
Transportation and highways	-	-	979,411	-	979,411
Creeks improvements	-	-	3,334,507	-	3,334,507
Technology improvements	-	-	784,933	-	784,933
Unassigned:	-	-	(722,321)	-	(722,321)
Total Fund Balances	\$ 30,920,759	\$ 51,689,999	\$ 30,674,143	\$ -	\$ 113,284,901

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

NOTE 12. SELF-INSURANCE FUND

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1974, and partially self-insured for general and automobile liability since 1978. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past three fiscal years.

The City's workers' compensation program maintains a self-insured retention of \$750,000. The City purchases an excess insurance policy that provides statutory limits in excess of the City's self-insured retention. The excess insurance coverage consists of a \$5 million pooled layer above the City's self-insured retention amount plus the use of commercial insurance above the pooled layer. Employers' Liability coverage is also included within the limits of the \$5 million pooled layer.

The City's general and automobile liability program maintains a self-insured retention of \$1,000,000. Excess liability coverage is provided through a Joint Powers Agreement. The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk sharing pool created for the purpose of pooling various public sector risks. ACCEL began its twenty-eighth program year July 2013 with membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 6500-6515). In addition to the joint powers agreement, ACCEL is governed by bylaws, an investment policy, and a Memorandum of Coverage, adopted by the ACCEL members.

Claim settlements administered by ACCEL have not exceeded the pooled coverage layer in any of the past fiscal years. ACCEL now transfers most of its risk sharing exposures through the purchase of a four layer commercial policy underwritten by various carriers. ACCEL members have a \$1 million self-insured retention. ACCEL pools the next \$4 million and commercial carriers provide \$45 million in coverage above that level. Thus the City's participation in ACCEL provides liability coverage of \$50 million.

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above the self-insured retention (SIR). This document also serves as the manuscript form for which the commercial carriers provide coverage. Coverage includes comprehensive general and automobile liability protecting against bodily injury, property damage, public officials errors and omissions, personal injury, employment practices, as well as damages arising from owned, non-owned, and hired automobiles.

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting, finance, underwriting, and claims. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return. ACCEL members share pooled losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to ensure that funds are available to pay any losses within the pooled layer. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1 billion. Earthquake and flood coverage have designated limits of \$50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond. No claims were filed against the various insurance policies during fiscal year 2014.

The City's self-insurance fund is financed through contributions made by the City's General and Enterprise Funds. A cost allocation plan is used to apportion self-insurance fund costs. An actuarial study is performed every two-years. Actuarially determined liabilities in the fund include provisions for "incurred but not reported" claims. As of June 30, 2014, the estimated outstanding liabilities are \$6,568,686 for workers' compensation and \$1,045,305 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2014. There are no unpaid claims for which annuity contracts have been purchased.

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The City is self-insured for unemployment claims. At June 30, 2014, the liability for unemployment claims was \$69,829.

A summary of changes in claims liabilities is shown below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Claims liabilities, July 1	\$ 8,225,412	\$ 5,355,598	\$ 5,267,866
Incurred claims	2,409,563	3,161,792	2,590,982
Actuarial adjustment	(611,451)	2,869,814	87,732
Payments on claims attributable to events of current and prior years	<u>(2,409,563)</u>	<u>(3,161,792)</u>	<u>(2,590,982)</u>
Claims liabilities, June 30	<u>\$ 7,613,961</u>	<u>\$ 8,225,412</u>	<u>\$ 5,355,598</u>

NOTE 13. JOINT VENTURES

In 1991, the City’s electorate approved participation in the State Water Project (SWP). As a result, the City joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation, and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each Santa Barbara Project participant, including the City of Santa Barbara, has entered into a Water Supply Agreement in order to provide for the development, financing, construction, operation, and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA (“take or pay”); and (2) assigning the Santa Barbara Project participant’s entitlement rights in the State Water Project to CCWA. Although the City does have an ongoing financial responsibility pursuant to the Water Supply Agreement between the City and CCWA, the City does not have an equity interest as defined by GASB Cod. Sec. J50.105.

Each Santa Barbara Project participant is required to pay to CCWA an amount equal to its share of the total cost of “fixed project costs” and certain other costs in the proportion established in the Water Supply Agreement. This includes the Santa Barbara Project participant’s share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power, and replacement costs of the DWR facilities), debt service on CCWA bonds, and all CCWA operating and administrative costs.

Each Santa Barbara Project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe, and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity’s pro-rata share of the water provided by the project. The City’s share of the project, based upon number of acre-feet of water, is 11.47%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold \$177,200,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

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On November 1, 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

On September 28, 2006, CCWA sold \$123,190,000 of revenue bonds at an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%.

Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown on the following table:

City of Santa Barbara
 Projected DWR and CCWA Fixed Costs Through 2035

Fiscal Year	DWR COSTS		CCWA COSTS				TOTAL CCWA AND DWR COSTS
	Fixed Costs	Variable Costs (1)	Fixed Costs	Variable Costs (1)	Debt Service	Total CCWA Costs	
2014/15	\$ 2,688,005	\$ 236,925	\$ 254,332	\$ 208,862	\$ 1,727,818	\$ 2,191,012	\$ 5,115,942
2015/16	2,666,828	105,966	261,962	-	1,723,858	1,985,820	4,758,614
2016/17	2,695,550	104,393	269,820	-	1,722,243	1,992,064	4,792,007
2017/18	2,666,895	107,524	277,915	-	1,727,360	2,005,275	4,779,694
2018/19	2,562,194	110,750	286,253	-	1,719,657	2,005,910	4,678,854
Thereafter	44,571,689	-	6,416,189	-	5,163,494	11,579,683	56,151,372
TOTAL:	\$ 57,851,161	\$ 665,559	\$ 7,766,470	\$ 208,862	\$ 13,784,431	\$ 21,759,763	\$ 80,276,483

(1) Variable costs only shown through 2018/19 because delivery information is not available thereafter.

Additional information and complete financial statements for the CCWA are available for public inspection in the Finance Department at City Hall, 735 Anacapa Street, between the hours of 7:30 am and 5:30 p.m., Monday through Thursday.

The City of Santa Barbara has entered into a cost sharing agreement with the Carpinteria Valley Water District (Carpinteria) and the Montecito Water District (Montecito) for water treatment. Under the agreement, Carpinteria reimburses the City 20% of the costs to operate the City's Cater Treatment Plant and Montecito reimburses 19.7% of the costs.

The Districts also agreed to reimburse the City for a pro rata portion of capital expenses of the Treatment Plant including debt issued by and loans secured by the City to make the capital improvements. The City currently has two loans outstanding with the California State Department of Water Resources for improvements to the Plant (see Note 7) with principal balances outstanding totaling \$37,219,576. Of these loan balances, \$10,937,188 is shared by the City of Santa Barbara (60.3%), Carpinteria (20%) and Montecito (19.7%); \$17,431,143 is shared by the City of Santa Barbara (75.37%) and Montecito (24.63%); and \$8,851,245 is for the City of Santa Barbara (100%) for improvements to the Ortega Groundwater Treatment Plant.

The Districts repay the City semi-annually for the costs of the water treatment improvements plus interest. These repayments by the Districts will be paid through June 30, 2034.

Cachuma Operation and Maintenance Board

The Cachuma Operation and Maintenance Board (COMB) is a California Joint Powers Agency formed in 1956 pursuant to an agreement with the Bureau of Reclamation. The agreement transferred to the Cachuma Member Units the responsibility to operate, repair and maintain all Cachuma Project facilities, except Bradbury Dam, which the Bureau of Reclamation has continued to operate. COMB's Member Units include Carpinteria Valley Water District, City of Santa Barbara, Goleta Water District, Montecito Water District, and Santa Ynez River Water Conservation District-Improvement District No. 1. An Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project (Cachuma Operation and Maintenance Board) was adopted on May 23, 1996, and amended on September 16, 2003.

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COMB is responsible for diversion of water to the South Coast through the Tecolote Tunnel, and operation and maintenance of the South Coast Conduit pipeline, flow control valves, meters, and instrumentation at control stations, and turnouts along the South Coast Conduit and at four regulating reservoirs. COMB coordinates closely with the Bureau of Reclamation and Member Units' staff to ensure that water supplies meet daily demands. The Fisheries Division of COMB conducts fish monitoring and habitat improvement projects to implement provisions of the October 2000 Lower Santa Ynez River Fish Management Plan. Following is a summary of preliminary FY 2014 year-end COMB expenditures as of June 30, 2014:

Operations Division	
Operating & Maintenance	\$ 831,723
General & Administrative	\$971,047
Special General & Administrative	\$4,952
Special Projects - Infrastructure & Drought Planning	\$371,219
Special Projects - Emergency Pumping Facility	\$1,138,483
Operations Subtotal:	\$3,317,425
Fisheries Division	
Operating & Maintenance	\$524,768
General & Administrative	\$ 343,854
Special Projects	\$ 123,248
Habitat Improvement Plan Projects	\$ 889,122
Depreciation	\$77,213
Interest Expense	\$104,464
Fisheries Subtotal:	\$ 2,062,669
Total FY 2014 Expenditures:	\$5,380,093

Expenditures for FY 2014 represent normal costs for operation and maintenance of Cachuma Project facilities, as well as extraordinary costs associated with severe drought. Expenditures are allocated to Member Units in relation to percentage share of Cachuma Project yield. The City's share is typically 32.19% for costs apportioned among all Member Units, and 35.89% for costs apportioned only among South Coast Member Units.

Cachuma Conservation Release Board

The Cachuma Conservation Release Board (CCRB) is a joint powers agency formed in January 1973 by Carpinteria Valley Water District, the City of Santa Barbara, Goleta Water District, and the Montecito Water District. In January 2011, Carpinteria withdrew its membership. CCRB was established to represent its members in protecting their Cachuma Project water rights and other related interests. CCRB's activities are funded by its Members, which in turn are funded by their water rate payers.

In 1993, CCRB began development of a Fish Management Plan Program in the Lower Santa Ynez River with many federal, state, and local partners. CCRB was the primary implementing agency of the fisheries program until January 2011. At that time, implementation of the Fish Management Plan was transferred to the Cachuma Operation and Maintenance Board (COMB). Since that time, CCRB has focused on issues related to the Cachuma Project water rights.

The U.S. Bureau of Reclamation, on behalf of the Cachuma Project Member Units, holds the Cachuma Project water right permits, and CCRB is the agency responsible for the actions and decisions relative to the terms and conditions of those permits for CCRB Member Units. These include issues related to downstream releases of water from Cachuma Reservoir for the benefit and protection of steelhead/rainbow trout and their habitats, and protection of the Cachuma Project water supply. Since 2000, CCRB has participated in various water rights hearings before the State Water Resources Control Board to establish the Cachuma Project operating parameters necessary to conform to the various parties' water rights, the most recent of which occurred in 2012. Since that time CCRB has participated in hearings related the Final EIR on the water rights issues and continued legal and technical preparations for an anticipated draft water rights order. In some instances, the costs for this work are shared with other parties that have similar interests. Following is a summary of preliminary FY 2014 year-end CCRB expenditures as of June 30, 2014 for the portion of these activities that CCRB funds:

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General & Administrative	\$97,818
Legal Activities	\$131,864
Consultant Activities	\$532,604
Total FY 2014 Expenditures:	\$762,286

Expenditures are higher than in recent years reflecting a relatively high level of activity associated with water rights issues. CCRB members share costs based each member's proportionate share of Cachuma Project yield, resulting in a City cost share percentage of 40.88%, for most items. This represents approximately \$311,600 in City costs for FY 2014, with the balance of the City's FY 2014 budget assessment carried forward to FY 2015.

NOTE 14. PROPOSITION 218 IMPACTS

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

The taxes, fees, and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies potentially include business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to establish new, or increase existing, revenues it receives from taxes, assessments and fees. All other taxes, fees and assessments were approved by vote prior to the effective date of Proposition 218.

NOTE 15. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program ("EMLAP"). The purpose of the program was to help the City attract and retain highly qualified employees by providing assistance in dealing with the high cost of home ownership in the Santa Barbara area. The goals of the program included establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program was open to all permanent employees who are "first-time homebuyers" (defined as not having owned a home on the South Coast of Santa Barbara County within the last three years). Homes purchased under the City's EMLAP must be located on the South Coast of Santa Barbara County. The City's EMLAP was structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

Employee down payment (minimum)	5%
Bank-provided 1st Deed of Trust loan	80%
City-funded 2nd Deed of Trust loan (maximum)	<u>15%</u>
Total financing	<u><u>100%</u></u>

Under the terms of the EMLAP, City participation was limited to a purchase price of \$1,250,000. Therefore, the maximum second deed of trust loan available to an employee was \$187,500 (15% of \$1,250,000). Interest on the City loan is variable, adjusted annually, and is set equal to the most recent quarterly interest rate paid the City on its State of California Local Agency Investment Fund ("LAIF rate") balances. The loan is repayable over 15 years, with interest only due for the first five years, converting to a thirty year amortization schedule payable over 10 years with a balloon payment due at the end of 15 years. Payment is made by payroll deduction. To assist the employee, the City also paid up to four (4) points to the bank on the employee's first deed of trust loan up to \$40,000 in order to "buy down" the interest rate on the first trust deed. The points paid by the City are to be repaid when the second trust deed is refinanced or if the home is sold. However, if the employee maintains continuous employment with the City for 5 years from the date of the loan, 25% of the value of the points loan obligation will be forgiven, and after 10 years 50% will be forgiven. Upon termination of employment the second deed of trust loan, and any related points, are payable either on the fifth anniversary of the loan, or 180 days from the last day of employment, whichever is longer.

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As of June 30, 2014, the City has \$2,709,458 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

NOTE 16. DEFICIT FUND EQUITY

The following funds had deficit balances as of June 30, 2014:

Self-insurance Internal Service	\$ (14,656,942)
Disaster Recovery Initiative	(168,138)
Street Grant Capital Improvement Fund	(548,819)
Police Supplemental Law Enforcement Fund	(5,364)

NOTE 17. OTHER POST-EMPLOYMENT BENEFITS

Retiree Medical Care Benefits and Implied Subsidy of Retiree Health Insurance Premiums

Plan Description. The City provides a retiree medical insurance contribution benefit, in accordance with employee Memorandum of Understanding, to retired employees. This is a single employer defined benefits OPEB plan. The benefit is applicable to employees who retire from City service and,

1. Have at least 10 or 15 years of classified or unclassified service, depending on bargaining unit; or
2. Retire from City with an industrial disability.

The City contributes an amount each month towards the purchase of medical insurance for the retiree and his/her spouse or domestic partner registered with the City Clerk or the Secretary of State, if applicable. The monthly amount is determined by the applicable Memorandum of Agreement of the retired employee. The payment is based upon the employees' years of service up to a maximum of 35 years, multiplied by the annual amount for the respective employee unit. The City will continue to make its contribution until the retiree reaches age 65 or dies, whichever occurs first, provided however, that if the retiree dies before reaching the age of 65 and there is a surviving spouse or registered domestic partner, the City's contribution shall cease when the retiree would have reached age 65. Thereafter, the spouse may remain on the insurance plan, at his/her own cost, subject to the conditions set forth by the insurance company.

For the Police bargaining unit only: The City will continue the normal retiree medical allowance past the age of 65 for the six (6) specified employees named in the Police Memorandum of Understanding who retire after December 23, 2006 and thereafter certify, on an annual basis, that they are not eligible to apply for Medicare Part A (hospitalization) coverage on the basis of their City service, other covered employment, through a spouse's covered employment, or through any other means. The OPEB plan does not have a stand-alone financial report.

In addition to the direct City paid contributions, retirees covered under the City's plans receive pre-65 benefits that are subsidized as the cost of their coverage is based on blended (active and retiree) premium rates instead of normally higher retiree only rates. This implicit subsidy is also considered in the valuation for retirees electing City healthcare plan coverage. However, it does not apply to retirees electing coverage in non-City plans.

Funding Policy. The City currently administers its retiree medical plan. There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If retirees elect medical insurance coverage through the City, the retiree pays the entire cost of the premiums, less the City's monthly payment to the retiree.

The City is evaluating various options for funding the post retirement health benefits liability. The City has not set up a trust for purposes of funding the required retiree medical payments but continues to fund the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the July 1, 2013 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

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Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. 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 costs for the year, the estimated amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 3,652,000
Interest on net OPEB obligation	430,000
Adjustment to annual required contribution	(392,000)
Annual OPEB cost (expense)	3,690,000
Contributions made	(1,174,000)
Increase/(decrease) in Net OPEB obligation	2,516,000
Net OPEB obligation - beginning of year	10,743,000
Net OPEB obligation - end of year	\$ 13,259,000

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, and each of the preceding two years was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2012	\$ 3,376,000	\$1,104,000	32.7%	\$ 8,528,000
6/30/2013	3,540,000	1,325,000	37.4%	10,743,000
6/30/2014	3,690,000	1,174,000	31.8%	13,259,000

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows (in \$000's):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/09	\$ -	\$30,697	\$30,697	0%	\$76,267	40.2%
07/01/11	-	34,113	34,113	0%	74,178	46.0%
07/01/13	-	32,870	32,870	0%	81,322	40.4%

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

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

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Actuarial Cost Method - In the July 1, 2013 actuarial valuation, the actuarial cost shown in the report was developed using the Entry Age Normal (EAN) cost method.

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

City Contribution Increase – 3.25% - This is the rate the monthly benefit amounts are assumed to increase per year after the end of the current respective bargaining agreements.

Discount Rate - 4.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

Payroll Increases - 3.25% - This is the annual rate at which total payroll (\$76 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Mortality, Disability, Retirement Age, & Turnover - Mortality, disability, retirement age, and turnover rates developed in the CalPERS 1997-2011 Experience Study were used in the valuation.

General Inflation Rate – 2.5% - This is the annual rate at which consumer inflation is expected to increase and is the basis for setting other interest rates.

Sick Leave Retiree Benefits

Plan Description. The City provides additional retirement benefits based on unused accumulated sick leave to eligible employees who retire with CalPERS pension benefits immediately upon termination of employment from the City. Under this plan, unused accumulated sick leave balances are converted to credited service that is used to provide additional retirement benefits. Annuity benefits are determined based on credited service, final average compensation, and the CalPERS benefit formulas. Employees are eligible for benefits if they terminate employment at a minimum of age 50 and 5 years' service. Eligibility is applicable to employees who have accrued at least 500 hours of unused sick leave.

Funding Policy. The City is evaluating various options for funding the sick leave retirement benefits. The City has not set up a trust for purposes of funding the required sick leave retiree benefits but continues to fund the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the July 1, 2013 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. 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.

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The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 509,000
Interest on Net OPEB Obligation	11,000
Adjustment to the ARC	(10,000)
Annual OPEB Cost	510,000
Contributions Made	(344,000)
Increase (Decrease) in Net OPEB Obligation	166,000
Net OPEB Obligation – Beginning of Year	275,000
Net OPEB Obligation – End of Year	\$441,000

The City Sick Leave Retirement Benefits annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2014, was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2012	\$ 457,000	\$ 402,000	88.0%	\$ 222,000
6/30/2013	469,000	416,000	88.7%	275,000
6/30/2014	510,000	344,000	67.5%	441,000

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows: (in \$000's)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/09	\$ -	\$3,805	\$3,805	0%	\$68,107	5.6%
07/01/11	-	4,910	4,910	0%	65,904	7.5%
07/01/13	-	5,616	5,616	0%	68,806	8.2%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits. Since this is the first year of including this information in the financial report, the data presented is limited.

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

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Actuarial Cost Method - In the July 1, 2013 actuarial valuation, the actuarial cost shown in the report was developed using the Entry Age Normal (EAN) cost method.

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

Discount Rate - 4.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

Payroll Increases - 3.25% - This is the annual rate at which total payroll (\$68 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Salary Increases - 4.00% - This is the annual rate at which individual salaries are expected to increase and is used in the determination of benefits.

General Inflation Rate - 2.5% - This is the annual rate at which consumer inflation is expected to increase and is the basis for setting other interest rates.

NOTE 18. RESTATEMENT OF BEGINNING NET POSITION

The Self Insurance net position was restated \$619,379 to account for depository funds held with the Authority of California Cities Excess Liability Joint Powers Agreement and \$11,018,000 to account for OPEB obligation consolidated into the Self-Insurance Fund. Total fund balance was restated \$10,398,621, the net effect of these two restatements.

Proprietary funds' net position were restated \$2,848,085 to account for the removal of the OPEB liability from the individual proprietary funds and consolidated into the Self-Insurance Internal Service Fund.

NOTE 19. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

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

A. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 3,648,805
Cash and investments with fiscal agent	11,465,320
	<u>\$ 15,114,125</u>

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B. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance July 1, 2013	Transferred from Successor Agency	Increases	Decreases	Ending Balance June 30, 2014
Fiduciary Activities:					
Non-depreciating capital assets:					
Construction in progress	\$ 2,000,243	\$ (7,625)	\$ 1,451,619	\$ (2,052,160)	\$ 1,392,077
Land	40,429,911	(14,061,795)	-	-	26,368,116
Total non-depreciating capital assets	42,430,154	(14,069,420)	1,451,619	(2,052,160)	27,760,193
Depreciating capital assets:					
Buildings	26,340,652	(26,340,652)	-	-	-
Building improvements	9,692,404	(11,196,961)	1,504,557	-	-
Improvements other than buildings	33,349,349	(28,705,848)	193,369	-	4,836,870
Equipment	603,500	(603,500)	-	-	-
Infrastructure	13,331,968	(13,686,199)	354,231	-	-
Total depreciating capital assets	83,317,873	(80,533,160)	2,052,157	-	4,836,870
Less accumulated depreciation:					
Buildings	4,728,233	(5,239,859)	511,626	-	-
Building improvements	503,552	(749,527)	245,975	-	-
Improvements other than buildings	21,618,069	(18,577,317)	783,135	-	3,823,887
Equipment	111,293	(124,387)	13,094	-	-
Infrastructure	2,497,852	(2,871,372)	373,520	-	-
Total accumulated depreciation	29,458,999	(27,562,462)	1,927,350	-	3,823,887
Total capital assets, being depreciated, net	53,858,874	(52,970,698)	124,807	-	1,012,983
Fiduciary activities capital assets, net	\$ 96,289,028	\$ (67,040,118)	\$ 1,576,426	\$ (2,052,160)	\$ 28,773,176

C. Long-Term Debt

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution.

A description of long-term debt outstanding of the Successor Agency as of June 30, 2014, follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year	Due in More than One Year
Fiduciary Funds:						
Tax allocation bonds	\$ 41,780,000	\$ -	\$ 6,195,000	\$ 35,585,000	\$ 6,485,000	\$ 29,100,000
Unamortized debt premium	438,772	-	73,128	365,644	-	365,644
Unamortized debt discount	(240,322)	-	(40,054)	(200,268)	-	(200,268)
Total Fiduciary Funds	\$ 41,978,450	\$ -	\$ 6,228,074	\$ 35,750,376	\$ 6,485,000	\$ 29,265,376

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Amount
Outstanding
June 30, 2014

Successor Agency
Tax Allocation Bonds

\$7,150,000 - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds were used to provide funds to finance redevelopment housing activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$520,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.

\$2,890,000

\$34,810,000 - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$2,245,000 to \$2,835,000 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.

12,935,000

\$38,855,000 - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$3,430,000 to \$4,340,000 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.

19,760,000

Total tax allocation bonds

\$35,585,000

The annual requirements to amortize all long-term debt outstanding as of June 30, 2014, are as follows:

Tax Allocation Bonds	
Fiscal Year Ending	Principal Payments
2015	\$ 6,485,000
2016	6,790,000
2017	7,085,000
2018	7,430,000
2019	7,795,000
Total Principal	<u>\$ 35,585,000</u>
Fiscal Year Ending	Interest Payments
2015	\$ 1,662,175
2016	1,356,980
2017	1,057,830
2018	714,913
2019	350,530
Total Interest	<u>\$ 5,142,428</u>
Total Debt	<u>\$ 40,727,428</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2014

GASB 48 Disclosure – Pledging of revenues:

Tax Allocation Bonds:

The total principal and interest remaining to be paid on the Bonds is \$40,727,428 as of June 30, 2014. For the current year, principal and interest paid on the Bonds was \$8,144,835, and property tax received in the Successor Agency was \$8,107,206. With the elimination of the Redevelopment Agency on January 31, 2012, the outstanding tax allocation bonds have been assumed by the Successor Agency. However, the security for the debt continues to be property taxes to be distributed by the County pursuant ABx1 26 and AB 1484 whereby the outstanding tax allocation bonds are considered enforceable obligations. As such, the City will receive property taxes sufficient to meet the annual debt service payments each year until the bonds are fully retired.

The City has complied with all bond covenants.

D. Commitments and Contingencies

Various construction projects were in progress at June 30, 2014, with an estimated cost to complete of approximately \$392,138 in all fund types.

The following material construction commitments existed at June 30, 2014:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2014</u>	<u>Remaining Commitments</u>
Police Department 911 Call Center	\$ 1,965,999	\$ 1,045,470	\$ 920,529
Cabrillo Pavilion and Bathhouse Renovation	1,147,066	192,830	954,236
West Downtown Lighting Project	426,769	-	426,769

NOTE 20. RECONCILIATION OF EXTRAORDINARY GAIN/(LOSS)

	<u>Extraordinary Gain/(Loss)</u>
Governmental Activities:	
Assets received from Successor Agency	\$ 38,083,941
Business Activities:	
Assets received from Successor Agency	<u>28,956,177</u>
Extraordinary loss recorded in Successor Agency	<u>\$ 67,040,118</u>

CITY OF SANTA BARBARA

PENSION PLAN

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

	<u>2014</u>
Total pension liability:	
Interest	\$ 63,008
Experience losses/(gains)	<u>(173,700)</u>
Net change in total pension liability	(110,692)
Total pension liability, beginning of year	<u>1,231,288</u>
Total pension liability, end of year	<u>1,120,596</u>
Plan fiduciary net position:	
Contributions - employer	102,126
Net investment income	62,733
Benefit payments, including refunds of member contributions	<u>(173,700)</u>
Net change in plan fiduciary net position	(8,841)
Total fiduciary net position, beginning of year	<u>563,449</u>
Total fiduciary net position, end of year	<u>554,608</u>
Net pension liability (asset), end of year	<u>\$ 565,988</u>
Plan fiduciary net position as a percentage of the total pension liability	49.49%
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

	<u>2014</u>
Employer contributions:	
Actuarial determined contributions	\$ 108,000
Actual contributions	<u>102,000</u>
Deficiency/(Excess)	<u>\$ 6,000</u>
Actual contributions as a percentage of actuarial determined contributions	94.44%
Covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

2014

Annual money-weighted rate of return, net of investment expense

11.82%

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

PENSION PLAN

**SCHEDULE OF FUNDING PROGRESS - DEFINED BENEFIT PENSION PLANS (PERS)
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

<u>Rates Applicable to Fiscal Year</u>	<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>(Over-funded) Liability as a % of Payroll</u>
<u>Miscellaneous Plan:</u>							
2005	06/30/02	172,996,353	169,784,872	3,211,481	98.1%	43,147,673	7.4%
2006	06/30/03	200,205,019	172,606,727	27,598,292	86.2%	44,387,254	62.2%
2007	06/30/04	236,356,262	183,267,479	53,088,783	77.5%	45,499,938	116.7%
2008	06/30/05	255,720,658	198,200,895	57,519,763	77.5%	46,712,874	123.1%
2009	06/30/06	278,930,353	218,224,291	60,706,062	78.2%	46,724,590	129.9%
2010	06/30/07	299,764,650	242,421,975	57,342,675	80.9%	48,999,460	117.0%
2011	06/30/08	325,959,823	264,529,982	61,429,841	81.2%	52,403,289	117.2%
2012	06/30/09	363,220,718	281,760,454	81,460,264	77.6%	52,816,930	154.2%
2013	06/30/10	383,255,437	298,837,969	84,417,468	78.0%	51,566,379	163.7%
2014	06/30/11	410,437,416	318,152,827	92,284,589	77.5%	50,630,019	182.3%
<u>Safety Fire Plan:</u>							
2005	06/30/02	85,100,613	71,982,755	13,117,858	84.6%	7,387,092	177.6%
2006	06/30/03	89,536,901	72,602,869	16,934,032	81.1%	7,531,518	224.8%
2007	06/30/04	94,816,120	76,722,184	18,093,936	80.9%	7,758,265	233.2%
2008	06/30/05	101,575,435	82,519,834	19,055,601	81.2%	8,195,490	232.5%
2009	06/30/06	108,541,856	88,617,640	19,924,216	81.6%	8,895,765	224.0%
2010	06/30/07	115,216,176	95,597,935	19,618,241	83.0%	9,491,027	206.7%
2011	06/30/08	122,124,602	101,954,942	20,169,660	83.5%	9,669,632	208.6%
2012	06/30/09	131,297,827	106,045,827	25,252,000	80.8%	10,105,721	249.9%
2013	06/30/10	136,668,712	110,516,251	26,152,461	80.9%	10,476,219	249.6%
2014	06/30/11	145,634,246	115,407,329	30,226,917	79.2%	10,171,928	297.2%
<u>Safety Police Plan:</u>							
2005	06/30/02	104,007,310	86,387,932	17,619,378	83.1%	11,193,527	157.4%
2006	06/30/03	109,523,544	88,493,786	21,029,758	80.8%	11,815,759	178.0%
2007	06/30/04	116,822,430	94,867,540	21,954,890	81.2%	12,369,163	177.5%
2008	06/30/05	125,487,092	102,700,503	22,786,589	81.8%	13,246,248	172.0%
2009	06/30/06	135,385,172	111,388,655	23,996,517	82.3%	13,196,123	181.8%
2010	06/30/07	146,668,344	121,314,000	25,354,344	82.7%	14,075,549	180.1%
2011	06/30/08	158,045,346	129,677,993	28,367,353	82.1%	14,898,978	190.4%
2012	06/30/09	173,581,671	135,805,999	37,775,672	78.2%	15,110,797	250.0%
2013	06/30/10	180,792,452	141,957,070	38,835,382	78.5%	15,402,065	252.1%
2014	06/30/11	190,349,779	149,380,237	40,969,542	78.5%	15,149,486	270.4%

CITY OF SANTA BARBARA

PENSION PLAN

SCHEDULE OF FUNDING PROGRESS - OPEB (000s Omitted)

AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

Retiree Medical

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/2007	\$ -	\$ 19,627	\$ 19,627	0%	\$ 69,293	28.3%	5.00%	3.25%
Estimated	7/1/2008	-	20,755	20,755	0%	71,545	29.0%	5.00%	3.25%
2010	7/1/2009	-	30,697	30,697	0%	76,267	40.2%	5.00%	3.25%
2011	7/1/2010	-	33,009	33,009	0%	78,746	41.9%	4.00%	3.25%
2012	7/1/2011	-	34,113	34,113	0%	74,178	46.0%	4.00%	3.25%
2013	7/1/2013	-	32,870	32,870	0%	81,322	40.4%	4.00%	3.25%

(A) Information is not available in preceding years as the City adopted GASB Statement No. 45 for this plan in 2008.

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 72,690,594	\$ 72,690,594	\$ 74,932,788	\$ 2,242,194
Franchise fees	3,660,300	3,660,300	3,822,440	162,140
Intergovernmental	585,720	1,213,308	1,413,112	199,804
Charges for services	19,392,990	19,595,195	19,325,966	(269,229)
Use of money and property	1,208,999	1,098,764	1,144,289	45,525
Fines and forfeitures	3,133,967	3,133,967	3,129,096	(4,871)
Other revenues	9,393,888	9,430,568	8,145,838	(1,284,730)
Total Revenues	110,066,458	110,822,696	111,913,529	1,090,833
Expenditures:				
Current:				
Mayor and city council	740,831	770,723	743,662	27,061
City attorney	2,095,929	2,129,254	2,083,450	45,804
City administration	2,009,016	2,040,028	1,931,786	108,242
Administrative services	2,202,048	2,202,228	1,889,091	313,137
Finance	4,790,422	4,933,529	4,795,994	137,535
Public safety	59,680,749	60,375,977	60,107,960	268,017
Public works	7,428,279	7,447,449	6,922,989	524,460
Community services	18,598,877	18,965,852	18,601,234	364,618
Community development	9,703,079	9,865,479	9,146,681	718,798
Community promotions	2,464,438	2,409,938	2,051,156	358,782
Total Expenditures	109,713,668	111,140,457	108,274,003	2,866,454
Excess (Deficiency) of Revenues Over (Under) Expenditures	352,790	(317,761)	3,639,526	3,957,287
Other Financing Sources (Uses):				
Transfers in	1,327,721	1,738,421	1,663,703	(74,718)
Transfers out	(1,680,511)	(3,800,960)	(3,605,262)	195,698
Total Other Financing Sources (Uses)	(352,790)	(2,062,539)	(1,941,559)	120,980
Net Change in Fund Balances	-	(2,380,300)	1,697,967	4,078,267
Fund Balances, Beginning of Year	29,222,792	29,222,792	29,222,792	-
Fund Balances, End of Year	\$ 29,222,792	\$ 26,842,492	\$ 30,920,759	\$ 4,078,267

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 AFFORDABLE HOUSING
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 502,000	\$ 502,000	\$ 669,863	\$ 167,863
Total Revenues	502,000	502,000	669,863	167,863
Expenditures:				
Current:				
Community development	502,000	502,000	409,546	92,454
Total Expenditures	502,000	502,000	409,546	92,454
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	260,317	260,317
Net Change in Fund Balances	-	-	260,317	260,317
Fund Balances, Beginning of Year	51,429,682	51,429,682	51,429,682	-
Fund Balances, End of Year	\$ 51,429,682	\$ 51,429,682	\$ 51,689,999	\$ 260,317

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
June 30, 2014

BUDGETARY INFORMATION

A two-year financial plan is prepared from which annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects, capital projects generally span more than one year and are effectively controlled at the project level.

In February of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In mid-April, the City Administrator presents a recommended budget to the City Council. From April through mid-June, public hearings are held and the recommended budget is reviewed in detail with the Council and Finance Committee. The budget is adopted by June 30.

The appropriated budget is prepared by fund, department and program. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed appropriations at the department level for the General Fund and at the fund level for all other legally budgeted funds. Department heads may make transfers of appropriations between line items within a program and across programs as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). The City Administrator is authorized to transfer amounts within individual departmental budgets, both between programs and between major object categories. All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. The 2002 Municipal Refunding Certificates Fund is used to accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation. The fund did not have a legally adopted budget during the current year since the debt service transfer is budgeted in the General Fund.

Budgeted amounts, as shown, reflect the originally adopted budget and the final budget that includes re-appropriated prior year encumbrances as well as any approved revisions as detailed below. Except for the General Fund, individual amendments were not material in relation to the original appropriations. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	\$ 111,394,179
Re-appropriated Prior Year Encumbrances	672,699
Amendments	2,874,539
Amended Budget	<u>\$ 114,941,417</u>

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the streets system, water and wastewater treatment plants, drainage systems, bridges, and sidewalks. Each major infrastructure network can be divided into subsystems. For example, the street network can be divided into concrete and asphalt pavements, curbs and gutters, sidewalks, streetlights, traffic control devices, landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date periodic inventory is performed; (2) condition assessments and summary of results using a measurement scale is completed, and (3) annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
June 30, 2014

- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The pavement network within the City has approximately 245 miles of paved surfaces, comprised of 126 miles of residential streets, 47 miles of principal arterial and minor arterial streets, 69 miles of collector streets and 3 miles of alleys. This equates to almost 41,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition of the City’s street network, including a pavement preservation program. Every two years the City updates a Pavement Management System Report, which identifies and documents the updated condition of the City’s street network. City-owned streets are classified based on land use, access, and traffic utilization into the following five classifications: principal arterial, minor arterial, collector, residential, and alley. A condition assessment is performed, through physical street inspections, as part of each biennial report update covering at least one-third of the City’s streets on a rotating basis. As part of the report, each street segment is assigned a condition rating based on a variety of potential defects. A Pavement Condition Index (PCI) rating, a nationally recognized index, is calculated for each street segment and is expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following PCI thresholds, which are generally accepted industry standards, were assigned to each street segment:

<u>Condition</u>	<u>Rating</u>
Excellent/Good	71-100
At Risk	51-70
Poor	25-50
Very Poor/Failed	0-24

The City’s Pavement Management System provides staff with current technical data to target a desirable level of pavement performance, while optimizing the expenditure of limited fiscal resources. The following table summarizes the average citywide PCI biennially reported since 2004.

<u>Year</u>	<u>PCI</u>
2004	72
2006	71
2008	71
2010	69
2012	63
2014	64

Prior to 2012, the City previously used the then industry standard MicroPAVER pavement management software, but in 2012 transitioned to the StreetSaver pavement management software, which is widely used throughout California. The StreetSaver program has several advantages over MicroPAVER, one being the fact that StreetSaver provides PCI information in real-time. StreetSaver utilizes a street segment’s actual inspection and maintenance history, in conjunction with standard pavement deterioration curves, to provide a real-time PCI. Real-time PCI information, as reported by StreetSaver, is more accurate than PCI information based on a past inspection or maintenance and repair treatment, as reported by MicroPAVER. This real-time PCI information provides the City with the greatest opportunity to effectively manage the PMS and accurately report the current condition of the street network. As a result of this software change coupled with ongoing budgetary constraints, the average citywide PCI dropped significantly between 2010 (PCI 69) and 2012 (63). The PCI has generally been declining since 2002 due to budgetary constraints.

PCI rating levels in the mid 60’s to low 70’s range allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. The City’s formal policy with regard to pavement condition levels is to maintain a minimum average rating of no less than 60 (“At Risk”) for all streets. This PCI was selected because there is a significant cost increase to maintain streets averaging below a PCI of 60.

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
June 30, 2014

In the most recent Pavement Management System report that was completed for fiscal year 2014, the City’s street network was rated an average PCI index value of 64 (“At Risk”) with the detail condition as follows:

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent/Good (PCI 71-100)	42%
At Risk (PCI 51-70)	37%
Poor (PCI 25-50)	16%
Very Poor/Failed (PCI 0-24)	5%

In January 2014, the former State Route 225 was relinquished to the City from the State, adding over 4.5 centerline miles of primary arterial roadway to the City’s network. This equates to nearly 1.4 million additional square feet of asphalt pavement. The additional roadway segments were inspected in summer 2014 and were included in the analyses used for the 2014 report. Caltrans micro-surfaced the entire route in summer 2011 and as a result, the roadway segments are currently in “good/excellent” condition, with PCIs generally in the 80s. As a result of adding a large amount of square footage with relatively high PCIs, the citywide PCI has increased slightly since the last report in 2012. While this addition has a short-term positive effect on the citywide PCI, over the long term, the unfunded backlog will be increased due to the increase in pavement square footage requiring maintenance. This resulted in the PCI increasing to 64 in 2014 as compared to the rating of 63 in 2012.

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching.

The City expended \$2,839,154 on street maintenance for the fiscal year ended June 30, 2014. The City has estimated that the average amount of annual expenditures required for fiscal years 2015-2019 to maintain the City’s streets at an average PCI rating of at least 70 is approximately \$12,600,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is \$23.7 million. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below:

<u>Fiscal Year</u>	<u>Estimate (to maintain current PCI)</u>	<u>Expenditures</u>	<u>PCI Rating</u>
2009-2010	\$4,700,000	\$3,216,089	70
2010-2011	\$4,700,000	\$4,748,006*	69
2011-2012	\$6,700,000	\$4,491,598*	63
2012-2013	\$6,700,000	\$2,285,772	63
2013-2014	\$7,500,000	\$2,839,154	64

* City received American Recovery and Reinvestment Act of 2009 funds, which were expended in FY 10/11 (\$1,367,567) and FY 11/12 (\$1,450,307).

The City’s on-going street preservation program is also intended to maintain the condition rating of City streets. The preservation program is developed with a six-year cycle that is tied to 6 maintenance zones with 1 zone completed each year. The strategy objective is to maintain City streets over the next 6 years and maintain the overall condition of the road network, and involves both slurry seal and pavement resurfacing as preservation components. For pavements that are beyond economical preservation, reconstruction may be proposed to restore the pavement.





Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Traffic Safety Fund - To account for the receipt of fines collected pursuant to the California Vehicle Code. The State of California Government Code restricts use of these funds to traffic control devices, equipment and supplies related to traffic control or traffic safety and maintenance of public streets. The funds may not be used to pay compensation of traffic or police officers.

Creek Restoration/Water Quality Fund - To account for funds received from a two-percent tax increase in the City's transient occupancy tax. The proceeds are restricted for use in the City's Creeks Restoration and Water Quality Improvement Program. Measure B was approved by the voters of Santa Barbara County in an election held on November 7, 2000. The tax became effective on January 1, 2001.

Wildland Fire Suppression Fund- To account for funds received and expended for wildland fire suppression.

Transportation Development Fund - To account for the receipt and disbursement of the City's share of gasoline sales tax pursuant to the Transportation Development Act of 1971. These funds are restricted for use in support of alternative transportation, including sidewalks and bikeways.

Community Development Block Grant Fund - To account for the receipt and disbursement of the City's Community Development Block Grant funds.

Police - Asset Forfeiture Fund - To account for assets confiscated by police special operations. These funds are restricted to use in support of police operations.

County Library Fund- To account for funds received and expended for library services on behalf of the County (non-City) residents.

Measure D Road Maintenance Fund - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure D. This measure was approved by the voters of Santa Barbara County in an election held on November 7, 1989, and became effective on April 1, 1990. The proceeds are restricted to transportation uses.

Measure A Road Maintenance Fund - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure A. This measure was approved by the voters of Santa Barbara County in an election held on November 4, 2008, and became effective on April 1, 2010. The proceeds are restricted to transportation uses.

Miscellaneous Grants Fund- To account for resources received from various granting agencies.

Street Sweeping Fund- To account for funds received and expended for street sweeping services.

Disaster Recovery Initiative Fund - To account for the receipt and disbursement of the Disaster Recovery Initiative funds from the State Community Development Block Grant Program.

HOME Program Fund - To account for the receipt and disbursement of the City's Federal HOME grant funds.

FEMA Reimbursement Fund - To account for costs incurred as a result of the four federally declared disasters for storms and wildfires from January, 2005 through May 2009.

Police – Supplemental Law Enforcement Fund - To account for State voter-approved grant funds (AB 3229) restricted to public safety and law enforcement.

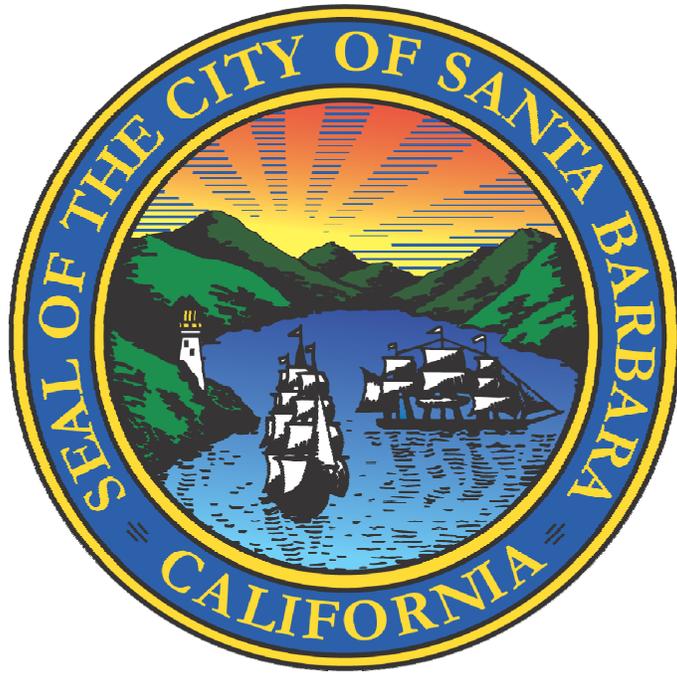
Street Grant Capital Improvements Fund - To account for streets-related capital projects financed by Grants.

General Capital Improvements Fund - To account for all capital projects financed by the General Fund.

Street Capital Improvements Fund – To account for streets-related capital projects.

Creeks Restoration Capital Improvement Fund – To account for creeks restoration capital improvements funded by Measure B.

2002 Municipal Refunding Certificates of Participation Fund (Unbudgeted) - To accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation.



CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Traffic Safety Fund	Creek Restoration/Water Quality	Wildland Fire Suppression	Transportation Development
Assets:				
Pooled cash and investments	\$ -	\$ 1,318,919	\$ 129,477	\$ 216,439
Accounts receivable, net	-	335,270	-	-
Loans receivable	-	-	-	-
Prepaid assets and deposits	70	-	-	-
Advances to other funds	-	253,691	-	5,992
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 70	\$ 1,907,880	\$ 129,477	\$ 222,431
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 78,701	\$ -	\$ -
Salaries and benefits payable	-	41,468	3,802	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Interfund payables	70	-	-	-
Total Liabilities	70	120,169	3,802	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	125,675	-
Public works	-	1,787,711	-	222,431
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	1,787,711	125,675	222,431
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 70	\$ 1,907,880	\$ 129,477	\$ 222,431

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Community Development Block Grant	Police - Asset Forfeiture Grants	County Library	Measure D
Assets:				
Pooled cash and investments	\$ -	\$ 1,182,788	\$ 275,504	\$ -
Accounts receivable, net	555,945	22,056	411,270	-
Loans receivable	5,307,106	-	-	-
Prepaid assets and deposits	-	-	-	-
Advances to other funds	-	-	12,942	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 5,863,051	\$ 1,204,844	\$ 699,716	\$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 68,740	\$ 523	\$ 24,914	\$ -
Salaries and benefits payable	3,618	57,767	50,498	-
Unearned revenues	-	-	-	-
Deposits	-	264,233	-	-
Interfund payables	41,467	-	-	-
Total Liabilities	113,825	322,523	75,412	-
Deferred Inflows of Resources:				
Unavailable revenues	5,307,106	-	-	-
Total Deferred Inflows of Resources	5,307,106	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	882,321	-	-
Public works	-	-	-	-
Community services	-	-	624,304	-
Community development	442,120	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	442,120	882,321	624,304	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,863,051	\$ 1,204,844	\$ 699,716	\$ -

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Measure A	Misc. Grants Fund	Street Sweeping Fund	Disaster Recovery Initiative
Assets:				
Pooled cash and investments	\$ 2,031,929	\$ 198,871	\$ 301,700	\$ -
Accounts receivable, net	238,815	326,913	-	-
Loans receivable	-	-	-	-
Prepaid assets and deposits	-	-	-	-
Advances to other funds	57,845	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 2,328,589	\$ 525,784	\$ 301,700	\$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 73,300	\$ 42,041	\$ 60,402	\$ 48,344
Salaries and benefits payable	47,853	-	1,271	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Interfund payables	-	-	-	119,794
Total Liabilities	121,153	42,041	61,673	168,138
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	236,666	-	-
Public works	2,207,436	-	240,027	-
Community services	-	233,823	-	-
Community development	-	13,254	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	(168,138)
Total Fund Balances	2,207,436	483,743	240,027	(168,138)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,328,589	\$ 525,784	\$ 301,700	\$ -

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	HOME Program Fund	Undergrounding Utility Fund	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement Fund
Assets:				
Pooled cash and investments	\$ -	\$ -	\$ 133,554	\$ -
Accounts receivable, net	96,770	-	-	17,221
Loans receivable	7,998,485	-	-	-
Prepaid assets and deposits	-	-	-	-
Advances to other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 8,095,255	\$ -	\$ 133,554	\$ 17,221
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 35,565	\$ -	\$ -	\$ -
Salaries and benefits payable	1,145	-	-	5,364
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Interfund payables	60,060	-	-	17,221
Total Liabilities	96,770	-	-	22,585
Deferred Inflows of Resources:				
Unavailable revenues	7,998,485	-	-	-
Total Deferred Inflows of Resources	7,998,485	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	133,554	-
Debt service	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	(5,364)
Total Fund Balances	-	-	133,554	(5,364)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,095,255	\$ -	\$ 133,554	\$ 17,221

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital Projects Funds			
	General Capital Improvements	Street Capital Improvements Fund	Creeks Restoration Capital	Street Grant Capital Improvement
Assets:				
Pooled cash and investments	\$ 7,006,963	\$ 8,051,396	\$ 8,364,648	\$ -
Accounts receivable, net	-	748,596	71,052	1,384,389
Loans receivable	-	-	-	-
Prepaid assets and deposits	-	-	-	-
Advances to other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 7,006,963	\$ 8,799,992	\$ 8,435,700	\$ 1,384,389
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 145,653	\$ 204,182	\$ 36,634	\$ 272,522
Salaries and benefits payable	-	169,948	346	-
Unearned revenues	-	-	-	347,616
Deposits	-	-	-	-
Interfund payables	-	-	-	1,313,070
Total Liabilities	145,653	374,130	36,980	1,933,208
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	334,186	3,201,944	464,079	-
Debt service	-	-	-	-
Committed to:				
Capital improvements	2,205,051	4,244,507	4,600,134	-
Assigned to:				
Capital improvements	4,322,073	979,411	3,334,507	-
Unassigned	-	-	-	(548,819)
Total Fund Balances	6,861,310	8,425,862	8,398,720	(548,819)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,006,963	\$ 8,799,992	\$ 8,435,700	\$ 1,384,389

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Debt Service Funds	
	2002 Municipal	Total
	Refunding	Governmental Fund
	Certificates of	
Assets:		
Pooled cash and investments	\$ -	\$ 29,212,188
Accounts receivable, net	-	4,208,297
Loans receivable	-	13,305,591
Prepaid assets and deposits	-	70
Advances to other funds	-	330,470
Restricted assets:		
Cash and investments with fiscal agents	561,250	561,250
Total Assets	\$ 561,250	\$ 47,617,866
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 1,091,521
Salaries and benefits payable	-	383,080
Unearned revenues	-	347,616
Deposits	-	264,233
Interfund payables	-	1,551,682
Total Liabilities	-	3,638,132
Deferred Inflows of Resources:		
Unavailable revenues	-	13,305,591
Total Deferred Inflows of Resources	-	13,305,591
Fund Balances:		
Restricted for:		
Public safety	-	1,244,662
Public works	-	4,457,605
Community services	-	858,127
Community development	-	455,374
Capital improvements	-	4,133,763
Debt service	561,250	561,250
Committed to:		
Capital improvements	-	11,049,692
Assigned to:		
Capital improvements	-	8,635,991
Unassigned	-	(722,321)
Total Fund Balances	561,250	30,674,143
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 561,250	\$ 47,617,866

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Traffic Safety Fund	Creek Restoration/Water Quality Improvements	Wildland Fire Suppression	Transportation Development
Revenues:				
Taxes	\$ -	\$ 3,362,193	\$ -	\$ 66,254
Intergovernmental	-	-	-	-
Charges for services	-	412	-	-
Use of money and property	-	110,945	-	2,612
Fines and forfeitures	580,151	2,308	-	-
Program income	-	-	-	-
Other revenues	-	9,542	243,426	-
Total Revenues	580,151	3,485,400	243,426	68,866
Expenditures:				
Current:				
Public safety	21,665	-	239,026	-
Public works	-	1,710,333	-	430
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	21,665	1,710,333	239,026	430
Excess (Deficiency) of Revenues Over (Under) Expenditures	558,486	1,775,067	4,400	68,436
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(558,486)	(2,940,816)	-	-
Total Other Financing Sources (Uses)	(558,486)	(2,940,816)	-	-
Net Change in Fund Balances	-	(1,165,749)	4,400	68,436
Fund Balances, Beginning of Year	-	2,953,460	121,275	153,995
Fund Balances, End of Year	\$ -	\$ 1,787,711	\$ 125,675	\$ 222,431

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	<u>Special Revenue Funds</u>			
	<u>Community Development Block Grant</u>	<u>Police - Asset Forfeiture Grants</u>	<u>County Library</u>	<u>Measure D</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	804,212	46,540	1,513,375	-
Charges for services	-	85,348	-	-
Use of money and property	-	1,397	24,170	2,195
Fines and forfeitures	-	-	159,112	-
Program income	285,246	-	-	-
Other revenues	-	157,777	381,663	-
Total Revenues	1,089,458	291,062	2,078,320	2,195
Expenditures:				
Current:				
Public safety	-	187,237	-	-
Public works	-	-	-	439,791
Community services	-	-	2,031,565	-
Community development	1,044,459	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,044,459	187,237	2,031,565	439,791
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,999	103,825	46,755	(437,596)
Other Financing Sources (Uses):				
Transfers in	-	-	-	6,078
Transfers out	-	-	(33,637)	-
Total Other Financing Sources (Uses)	-	-	(33,637)	6,078
Net Change in Fund Balances	44,999	103,825	13,118	(431,518)
Fund Balances, Beginning of Year	397,121	778,496	611,186	431,518
Fund Balances, End of Year	\$ 442,120	\$ 882,321	\$ 624,304	\$ -

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Measure A</u>	<u>Misc. Grants Fund</u>	<u>Street Sweeping Fund</u>	<u>Disaster Recovery Initiative</u>
Revenues:				
Taxes	\$ 3,421,651	\$ -	\$ -	\$ -
Intergovernmental	-	656,333	-	1,120,302
Charges for services	-	92,299	-	-
Use of money and property	25,314	-	-	-
Fines and forfeitures	-	-	658,265	-
Program income	-	-	-	-
Other revenues	-	265,444	-	-
Total Revenues	3,446,965	1,014,076	658,265	1,120,302
Expenditures:				
Current:				
Public safety	-	526,683	-	-
Public works	3,153,775	-	602,121	-
Community services	-	506,774	-	-
Community development	-	13,362	-	1,217,680
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	3,153,775	1,046,819	602,121	1,217,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	293,190	(32,743)	56,144	(97,378)
Other Financing Sources (Uses):				
Transfers in	-	57,385	347,305	-
Transfers out	-	(410,700)	(350,793)	(70,760)
Total Other Financing Sources (Uses)	-	(353,315)	(3,488)	(70,760)
Net Change in Fund Balances	293,190	(386,058)	52,656	(168,138)
Fund Balances, Beginning of Year	1,914,246	869,801	187,371	-
Fund Balances, End of Year	\$ 2,207,436	\$ 483,743	\$ 240,027	\$ (168,138)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	<u>Special Revenue Funds</u>			
	<u>HOME Program Fund</u>	<u>Undergrounding Utility Fund</u>	<u>FEMA Reimbursement Fund</u>	<u>Police - Supplemental Law Enforcement Fund</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	474,014	-	-	128,026
Charges for services	-	-	417,048	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	-	-	-
Program income	25,903	-	-	-
Other revenues	-	-	-	-
Total Revenues	499,917	-	417,048	128,026
Expenditures:				
Current:				
Public safety	-	-	-	133,390
Public works	-	-	-	-
Community services	-	-	-	-
Community development	499,917	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	499,917	-	-	133,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	417,048	(5,364)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	417,048	(5,364)
Fund Balances, Beginning of Year	-	-	(283,494)	-
Fund Balances, End of Year	\$ -	\$ -	\$ 133,554	\$ (5,364)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Capital Projects Funds</u>			
	<u>General Capital Improvements Fund</u>	<u>Street Capital Improvements Fund</u>	<u>Creeks Restoration Capital Improvement Fund</u>	<u>Street Grant Capital Improvement Fund</u>
Revenues:				
Taxes	\$ -	\$ 7,008,179	\$ -	\$ -
Intergovernmental	-	2,896,347	4,828,565	5,688,626
Charges for services	-	1,001,700	-	-
Use of money and property	-	36,968	-	-
Fines and forfeitures	-	-	-	-
Program income	-	-	-	-
Other revenues	140,277	298,175	-	-
Total Revenues	140,277	11,241,369	4,828,565	5,688,626
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	1,284,342	10,378,519	5,137,836	6,142,414
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,284,342	10,378,519	5,137,836	6,142,414
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,144,065)	862,850	(309,271)	(453,788)
Other Financing Sources (Uses):				
Transfers in	2,418,850	3,475,270	2,725,000	589,754
Transfers out	(2,863,000)	(739,754)	-	(947,588)
Total Other Financing Sources (Uses)	(444,150)	2,735,516	2,725,000	(357,834)
Net Change in Fund Balances	(1,588,215)	3,598,366	2,415,729	(811,622)
Fund Balances, Beginning of Year	8,449,525	4,827,496	5,982,991	262,803
Fund Balances, End of Year	\$ 6,861,310	\$ 8,425,862	\$ 8,398,720	\$ (548,819)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Debt Service Funds</u>	
	<u>2002 Municipal Refunding Certificates of Participation Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ -	\$ 13,858,277
Intergovernmental	-	18,156,340
Charges for services	-	1,596,807
Use of money and property	28,749	232,350
Fines and forfeitures	-	1,399,836
Program income	-	311,149
Other revenues	-	1,496,304
Total Revenues	28,749	37,051,063
Expenditures:		
Current:		
Public safety	-	1,108,001
Public works	-	5,906,450
Community services	-	2,538,339
Community development	-	2,775,418
Capital outlay	-	22,943,111
Debt service:		
Principal retirement	287,100	287,100
Interest and fiscal charges	63,646	63,646
Total Expenditures	350,746	35,622,065
Excess (Deficiency) of Revenues Over (Under) Expenditures	(321,997)	1,428,998
Other Financing Sources (Uses):		
Transfers in	322,078	9,941,720
Transfers out	-	(8,915,534)
Total Other Financing Sources (Uses)	322,078	1,026,186
Net Change in Fund Balances	81	2,455,184
Fund Balances, Beginning of Year	561,169	28,218,959
Fund Balances, End of Year	\$ 561,250	\$ 30,674,143

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 506,204	\$ 506,204	\$ 580,151	\$ 73,947
Total Revenues	506,204	506,204	580,151	73,947
Expenditures:				
Current:				
Public safety	35,000	35,000	21,665	13,335
Total Expenditures	35,000	35,000	21,665	13,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	471,204	471,204	558,486	87,282
Other Financing Sources (Uses):				
Transfers out	(471,204)	(471,204)	(558,486)	(87,282)
Total Other Financing Sources (Uses)	(471,204)	(471,204)	(558,486)	(87,282)
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 CREEK RESTORATION/WATER QUALITY IMPROVEMENTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,241,900	\$ 3,241,900	\$ 3,362,193	\$ 120,293
Charges for services	-	-	412	412
Use of money and property	112,600	112,600	110,945	(1,655)
Fines and forfeitures	-	-	2,308	2,308
Other revenues	13,072	13,072	9,542	(3,530)
Total Revenues	3,367,572	3,367,572	3,485,400	117,828
Expenditures:				
Current:				
Public works	2,198,563	2,492,366	1,710,333	782,033
Total Expenditures	2,198,563	2,492,366	1,710,333	782,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,169,009	875,206	1,775,067	899,861
Other Financing Sources (Uses):				
Transfers out	(1,890,816)	(2,940,816)	(2,940,816)	-
Total Other Financing Sources (Uses)	(1,890,816)	(2,940,816)	(2,940,816)	-
Net Change in Fund Balances	(721,807)	(2,065,610)	(1,165,749)	899,861
Fund Balances, Beginning of Year	2,953,460	2,953,460	2,953,460	-
Fund Balances, End of Year	\$ 2,231,653	\$ 887,850	\$ 1,787,711	\$ 899,861

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 WILDLAND FIRE SUPPRESSION
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ 241,665	\$ 241,665	\$ 243,426	\$ 1,761
Total Revenues	241,665	241,665	243,426	1,761
Expenditures:				
Current:				
Public safety	272,604	287,681	239,026	48,655
Total Expenditures	272,604	287,681	239,026	48,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,939)	(46,016)	4,400	50,416
Net Change in Fund Balances	(30,939)	(46,016)	4,400	50,416
Fund Balances, Beginning of Year	121,275	121,275	121,275	-
Fund Balances, End of Year	\$ 90,336	\$ 75,259	\$ 125,675	\$ 50,416

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION DEVELOPMENT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 68,177	\$ 68,177	\$ 66,254	\$ (1,923)
Use of money and property	3,500	3,500	2,612	(888)
Total Revenues	71,677	71,677	68,866	(2,811)
Expenditures:				
Current:				
Public works	71,677	127,145	430	126,715
Total Expenditures	71,677	127,145	430	126,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(55,468)	68,436	123,904
Net Change in Fund Balances	-	(55,468)	68,436	123,904
Fund Balances, Beginning of Year	153,995	153,995	153,995	-
Fund Balances, End of Year	\$ 153,995	\$ 98,527	\$ 222,431	\$ 123,904

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 787,989	\$ 1,453,369	\$ 804,212	\$ (649,157)
Program income	400,000	400,000	285,246	(114,754)
Total Revenues	1,187,989	1,853,369	1,089,458	(763,911)
Expenditures:				
Current:				
Community development	1,187,989	2,167,812	1,044,459	1,123,353
Total Expenditures	1,187,989	2,167,812	1,044,459	1,123,353
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(314,443)	44,999	359,442
Net Change in Fund Balances	-	(314,443)	44,999	359,442
Fund Balances, Beginning of Year	397,121	397,121	397,121	-
Fund Balances, End of Year	\$ 397,121	\$ 82,678	\$ 442,120	\$ 359,442

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 POLICE-ASSET FORFEITURE GRANTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 46,540	\$ 6,540
Charges for services	80,000	80,000	85,348	5,348
Use of money and property	-	-	1,397	1,397
Other revenues	-	-	157,777	157,777
Total Revenues	120,000	120,000	291,062	171,062
Expenditures:				
Current:				
Public safety	120,000	293,300	187,237	106,063
Total Expenditures	120,000	293,300	187,237	106,063
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(173,300)	103,825	277,125
Net Change in Fund Balances	-	(173,300)	103,825	277,125
Fund Balances, Beginning of Year	778,496	778,496	778,496	-
Fund Balances, End of Year	\$ 778,496	\$ 605,196	\$ 882,321	\$ 277,125

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 COUNTY LIBRARY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	1,321,261	1,501,360	1,513,375	12,015
Use of money and property	27,300	27,300	24,170	(3,130)
Fines and forfeitures	156,000	156,000	159,112	3,112
Other revenues	323,723	332,723	381,663	48,940
Total Revenues	1,828,284	2,017,383	2,078,320	60,937
Expenditures:				
Current:				
Community services	1,964,418	2,200,577	2,031,565	169,012
Total Expenditures	1,964,418	2,200,577	2,031,565	169,012
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,134)	(183,194)	46,755	229,949
Other Financing Sources (Uses):				
Transfers out	(33,637)	(33,637)	(33,637)	-
Total Other Financing Sources (Uses)	(33,637)	(33,637)	(33,637)	-
Net Change in Fund Balances	(169,771)	(216,831)	13,118	229,949
Fund Balances, Beginning of Year	611,186	611,186	611,186	-
Fund Balances, End of Year	\$ 441,415	\$ 394,355	\$ 624,304	\$ 229,949

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 MEASURE D
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 2,195	\$ 2,195
Total Revenues	-	-	2,195	2,195
Expenditures:				
Current:				
Public works	-	444,487	439,791	4,696
Total Expenditures	-	444,487	439,791	4,696
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(444,487)	(437,596)	6,891
Other Financing Sources (Uses):				
Transfers in	-	6,078	6,078	-
Total Other Financing Sources (Uses)	-	6,078	6,078	-
Net Change in Fund Balances	-	(438,409)	(431,518)	6,891
Fund Balances, Beginning of Year	431,518	431,518	431,518	-
Fund Balances, End of Year	\$ 431,518	\$ (6,891)	\$ -	\$ 6,891

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 MEASURE A
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,397,816	\$ 3,397,816	\$ 3,421,651	\$ 23,835
Use of money and property	13,600	13,600	25,314	11,714
Total Revenues	3,411,416	3,411,416	3,446,965	35,549
Expenditures:				
Current:				
Public works	3,411,416	4,761,898	3,153,775	1,608,123
Total Expenditures	3,411,416	4,761,898	3,153,775	1,608,123
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,350,482)	293,190	1,643,672
Net Change in Fund Balances	-	(1,350,482)	293,190	1,643,672
Fund Balances, Beginning of Year	1,914,246	1,914,246	1,914,246	-
Fund Balances, End of Year	\$ 1,914,246	\$ 563,764	\$ 2,207,436	\$ 1,643,672

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 MISC. GRANTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 196,657	\$ 1,643,185	\$ 656,333	\$ (986,852)
Charges for services	101,070	101,070	92,299	(8,771)
Other revenues	86,559	308,161	265,444	(42,717)
Total Revenues	384,286	2,052,416	1,014,076	(1,038,340)
Expenditures:				
Current:				
Public safety	48,000	851,243	526,683	324,560
Community services	363,671	1,335,686	506,774	828,912
Community development	-	123,000	13,362	109,638
Total Expenditures	411,671	2,309,929	1,046,819	1,263,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,385)	(257,513)	(32,743)	224,770
Other Financing Sources (Uses):				
Transfers in	57,385	57,385	57,385	-
Transfers out	(30,000)	(490,406)	(410,700)	79,706
Total Other Financing Sources (Uses)	27,385	(433,021)	(353,315)	79,706
Net Change in Fund Balances	-	(690,534)	(386,058)	304,476
Fund Balances, Beginning of Year	869,801	869,801	869,801	-
Fund Balances, End of Year	\$ 869,801	\$ 179,267	\$ 483,743	\$ 304,476

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 STREET SWEEPING
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 646,000	\$ 646,000	\$ 658,265	\$ 12,265
Total Revenues	646,000	646,000	658,265	12,265
Expenditures:				
Current:				
Public works	626,767	626,767	602,121	24,646
Total Expenditures	626,767	626,767	602,121	24,646
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,233	19,233	56,144	36,911
Other Financing Sources (Uses):				
Transfers in	347,305	347,305	347,305	-
Transfers out	(350,793)	(350,793)	(350,793)	-
Total Other Financing Sources (Uses)	(3,488)	(3,488)	(3,488)	-
Net Change in Fund Balances	15,745	15,745	52,656	36,911
Fund Balances, Beginning of Year	187,371	187,371	187,371	-
Fund Balances, End of Year	\$ 203,116	\$ 203,116	\$ 240,027	\$ 36,911

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
DISASTER RECOVERY INITIATIVE
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 2,778,884	\$ 1,120,302	\$ (1,658,582)
Total Revenues	-	2,778,884	1,120,302	(1,658,582)
Expenditures:				
Current:				
Community development	-	2,708,123	1,217,680	1,490,443
Total Expenditures	-	2,708,123	1,217,680	1,490,443
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	70,761	(97,378)	(168,139)
Other Financing Sources (Uses):				
Transfers out	-	(70,760)	(70,760)	-
Total Other Financing Sources (Uses)	-	(70,760)	(70,760)	-
Net Change in Fund Balances	-	1	(168,138)	(168,139)
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ 1	\$ (168,138)	\$ (168,139)

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 HOME PROGRAM
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 391,483	\$ 2,036,358	\$ 474,014	\$ (1,562,344)
Program income	10,000	10,000	25,903	15,903
Total Revenues	401,483	2,046,358	499,917	(1,546,441)
Expenditures:				
Current:				
Community development	401,483	2,046,358	499,917	1,546,441
Total Expenditures	401,483	2,046,358	499,917	1,546,441
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 POLICE-SUPPLEMENTAL LAW ENFORCEMENT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	144,188	144,188	128,026	(16,162)
Use of money and property	-	-	-	-
Total Revenues	144,188	144,188	128,026	(16,162)
Expenditures:				
Current:				
Public safety	144,188	144,188	133,390	10,798
Total Expenditures	144,188	144,188	133,390	10,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(5,364)	(5,364)
Net Change in Fund Balances	-	-	(5,364)	(5,364)
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ (5,364)	\$ (5,364)

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ -	\$ 501,624	\$ 140,277	\$ (361,347)
Total Revenues	-	501,624	140,277	(361,347)
Expenditures:				
Capital outlay	1,295,000	4,267,255	1,284,342	2,982,913
Total Expenditures	1,295,000	4,267,255	1,284,342	2,982,913
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,295,000)	(3,765,631)	(1,144,065)	2,621,566
Other Financing Sources (Uses):				
Transfers in	583,880	2,423,880	2,418,850	(5,030)
Transfers out	-	(2,863,000)	(2,863,000)	-
Total Other Financing Sources (Uses)	583,880	(439,120)	(444,150)	(5,030)
Net Change in Fund Balances	(711,120)	(4,204,751)	(1,588,215)	2,616,536
Fund Balances, Beginning of Year	8,449,525	8,449,525	8,449,525	-
Fund Balances, End of Year	\$ 7,738,405	\$ 4,244,774	\$ 6,861,310	\$ 2,616,536

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 STREET CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,000,000	\$ 7,000,000	\$ 7,008,179	\$ 8,179
Intergovernmental	2,731,238	2,731,238	2,896,347	165,109
Charges for services	452,098	1,271,098	1,001,700	(269,398)
Use of money and property	36,968	36,968	36,968	-
Other revenues	229,548	231,548	298,175	66,627
Total Revenues	10,449,852	11,270,852	11,241,369	(29,483)
Expenditures:				
Capital outlay	11,112,075	18,465,322	10,378,519	8,086,803
Total Expenditures	11,112,075	18,465,322	10,378,519	8,086,803
Excess (Deficiency) of Revenues Over (Under) Expenditures	(662,223)	(7,194,470)	862,850	8,057,320
Other Financing Sources (Uses):				
Transfers in	-	3,475,270	3,475,270	-
Transfers out	(150,000)	(739,754)	(739,754)	-
Total Other Financing Sources (Uses)	(150,000)	2,735,516	2,735,516	-
Net Change in Fund Balances	(812,223)	(4,458,954)	3,598,366	8,057,320
Fund Balances, Beginning of Year	4,827,496	4,827,496	4,827,496	-
Fund Balances, End of Year	\$ 4,015,273	\$ 368,542	\$ 8,425,862	\$ 8,057,320

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 CREEKS RESTORATION CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2014

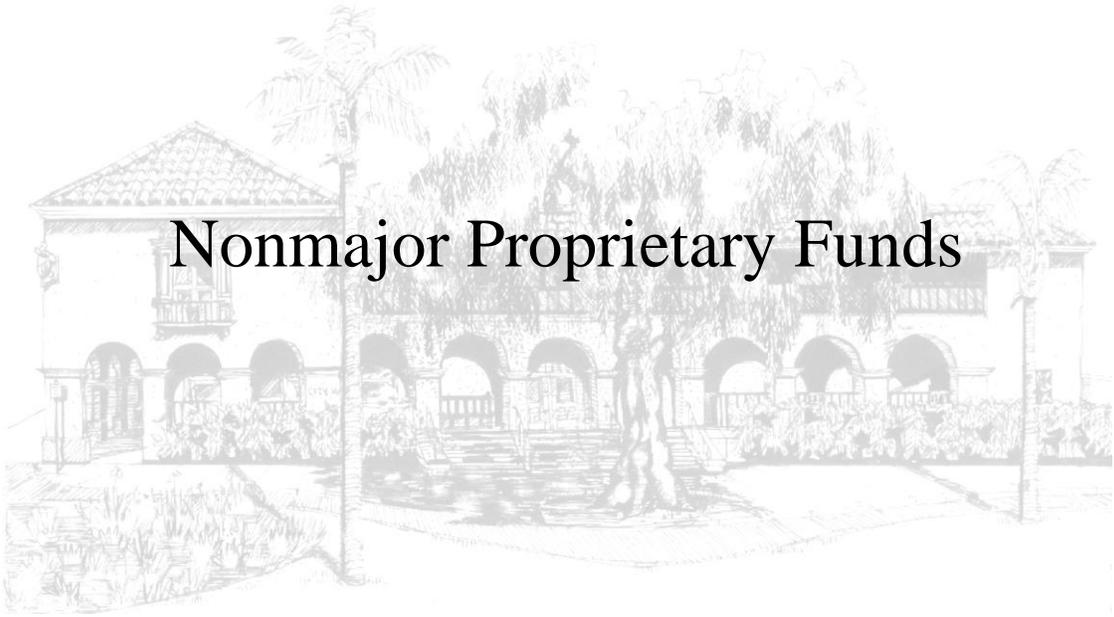
	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 5,071,973	\$ 4,828,565	\$ (243,408)
Total Revenues	-	5,071,973	4,828,565	(243,408)
Expenditures:				
Capital outlay	1,675,000	11,823,115	5,137,836	6,685,279
Total Expenditures	1,675,000	11,823,115	5,137,836	6,685,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,675,000)	(6,751,142)	(309,271)	6,441,871
Other Financing Sources (Uses):				
Transfers in	1,675,000	2,725,000	2,725,000	-
Total Other Financing Sources (Uses)	1,675,000	2,725,000	2,725,000	-
Net Change in Fund Balances	-	(4,026,142)	2,415,729	6,441,871
Fund Balances, Beginning of Year	5,982,991	5,982,991	5,982,991	-
Fund Balances, End of Year	\$ 5,982,991	\$ 1,956,849	\$ 8,398,720	\$ 6,441,871

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 STREET GRANT CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 344,717	\$ 10,408,984	\$ 5,688,626	\$ (4,720,358)
Total Revenues	344,717	10,408,984	5,688,626	(4,720,358)
Expenditures:				
Capital outlay	344,717	11,092,282	6,142,414	4,949,868
Total Expenditures	344,717	11,092,282	6,142,414	4,949,868
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(683,298)	(453,788)	229,510
Other Financing Sources (Uses):				
Transfers in	-	589,754	589,754	-
Transfers out	-	(947,588)	(947,588)	-
Total Other Financing Sources (Uses)	-	(357,834)	(357,834)	-
Net Change in Fund Balances	-	(1,041,132)	(811,622)	229,510
Fund Balances, Beginning of Year	262,803	262,803	262,803	-
Fund Balances, End of Year	\$ 262,803	\$ (778,329)	\$ (548,819)	\$ 229,510





Nonmajor Proprietary Funds

NONMAJOR PROPRIETARY FUNDS

Golf Course Fund - To account for the operation of a municipal golf course. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2014

Business-Type Activities - Enterprise Funds

	<u>Golf Course</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Pooled cash and investments	\$ 731,035	\$ 731,035
Accounts receivable, net	44,413	44,413
Total Current Assets	775,448	775,448
Noncurrent:		
Advances to other funds	26,408	26,408
Capital assets:		
Land	342,302	342,302
Buildings	1,198,600	1,198,600
Building improvements	227,526	227,526
Improvements other than building	4,225,277	4,225,277
Equipment	1,466,297	1,466,297
Less: accumulated depreciation	<u>(3,975,168)</u>	<u>(3,975,168)</u>
Total capital assets, net	<u>3,484,834</u>	<u>3,484,834</u>
Total Noncurrent Assets	3,511,242	3,511,242
Total Assets	4,286,690	4,286,690
Deferred Outflows of Resources:		
Deferred charge on debt refunding	42,655	42,655
Total Deferred Outflows of Resources	42,655	42,655
LIABILITIES		
Current:		
Accounts payable	21,510	21,510
Salaries and benefits payable	48,104	48,104
Accrued interest payable	97,182	97,182
Unearned revenues	46,530	46,530
Compensated absences payable	50,794	50,794
Current portion long-term debt	154,700	154,700
Total Current Liabilities	418,820	418,820
Noncurrent:		
Advances from other funds	723,202	723,202
Compensated absences payable	5,644	5,644
Long-term debt, net of current portion	499,800	499,800
Total Noncurrent Liabilities	1,228,646	1,228,646
Total Liabilities	1,647,466	1,647,466
Net Position:		
Net investment in capital assets	2,872,989	2,872,989
Unrestricted	<u>(191,110)</u>	<u>(191,110)</u>
Total Net Position	\$ 2,681,879	\$ 2,681,879

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Business-Type Activities - Enterprise Funds

	<u>Golf Course</u>	<u>Totals</u>
Operating Revenues:		
Service charges	\$ 1,803,789	\$ 1,803,789
Leases and rents	189,638	189,638
Other revenues	37,946	37,946
	<u>2,031,373</u>	<u>2,031,373</u>
Operating Expenses:		
Salaries, wages and benefits	1,062,930	1,062,930
Materials, supplies and services	475,109	475,109
Depreciation expense	230,932	230,932
	<u>1,768,971</u>	<u>1,768,971</u>
Operating Income (Loss)	<u>262,402</u>	<u>262,402</u>
Nonoperating Revenues (Expenses):		
Interest revenue	11,710	11,710
Interest expense	(55,946)	(55,946)
	<u>(44,236)</u>	<u>(44,236)</u>
Income (Loss) Before Transfers	218,166	218,166
Transfers out	(24,504)	(24,504)
Changes in Net Position	<u>193,662</u>	<u>193,662</u>
Net Position:		
Beginning of Year, as originally reported	2,389,830	2,389,830
Restatements	98,387	98,387
Beginning of Fiscal Year, as restated	<u>2,488,217</u>	<u>2,488,217</u>
End of Fiscal Year	<u>\$ 2,681,879</u>	<u>\$ 2,681,879</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Business-Type Activities - Enterprise Funds

	<u>Golf Course</u>	<u>Totals</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 1,954,525	\$ 1,954,525
Cash paid to suppliers for goods and services	(489,753)	(489,753)
Cash paid to employees for services	(1,052,833)	(1,052,833)
Cash received from (payments to) others	37,946	37,946
	<u>449,885</u>	<u>449,885</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(24,504)	(24,504)
Advance from (to) other funds	(51,692)	(51,692)
	<u>(76,196)</u>	<u>(76,196)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities		
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(567,473)	(567,473)
Principal paid on capital debt	(147,900)	(147,900)
Interest paid on capital debt	(27,086)	(27,086)
	<u>(742,459)</u>	<u>(742,459)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest received	11,710	11,710
	<u>11,710</u>	<u>11,710</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(357,060)	(357,060)
Cash and Cash Equivalents at Beginning of Year	1,088,095	1,088,095
Cash and Cash Equivalents at End of Year	<u>\$ 731,035</u>	<u>\$ 731,035</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 262,402	\$ 262,402
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	230,932	230,932
(Increase) decrease in accounts receivable	(44,413)	(44,413)
(Increase) decrease in accrued liabilities	8,159	8,159
Increase (decrease) in accounts payable	(22,803)	(22,803)
Increase (decrease) in unearned revenue	5,511	5,511
Increase (decrease) in compensated absences	10,097	10,097
	<u>187,483</u>	<u>187,483</u>
Total Adjustments		
Net Cash Provided (Used) by Operating Activities	<u>\$ 449,885</u>	<u>\$ 449,885</u>
Non-Cash Investing, Capital, and Financing Activities:		
Change in Fair Value of Investments	\$ 2,191	\$ 2,191



Internal Service Funds

INTERNAL SERVICE FUNDS

Intra-City Service Fund – To account for the operating and capital costs of City-wide building maintenance operations, custodial services, and communications.

Self Insurance Fund - To account for the cost of providing workers' compensation, unemployment, liability, employee health insurance coverage, and other post employment benefits, on a City-wide basis.

Information Systems Fund - To account for the cost of providing computer equipment and service to all departments and funds within the City.

Vehicle Capital Fund - To account for the costs of operating an automotive maintenance facility, maintaining all City departmental vehicles, and purchasing new vehicles for use within the City-wide organization.

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Governmental Activities - Internal Service Funds				
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	Totals
ASSETS					
Current Assets:					
Pooled cash and investments	\$ 2,949,831	\$ 5,656,369	\$ 2,636,338	\$ 12,292,115	\$ 23,534,653
Accounts receivable, net	184,082	1,075,735	-	16,728	1,276,545
Inventories	708,416	-	-	136,608	845,024
Total Current Assets	3,842,329	6,732,104	2,636,338	12,445,451	25,656,222
Noncurrent:					
Advances to other funds	-	134,291	-	567,033	701,324
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	1,323,139	-	-	-	1,323,139
Improvements other than building	976,354	-	-	-	976,354
Equipment	392,230	-	121,345	20,836,965	21,350,540
Construction in progress	629,014	-	1,021,466	52,934	1,703,414
Less: accumulated depreciation	(533,375)	-	(18,202)	(16,025,197)	(16,576,774)
Total capital assets, net	2,893,251	-	1,124,609	4,864,702	8,882,562
Total Noncurrent Assets	2,893,251	134,291	1,124,609	5,431,735	9,583,886
Total Assets	6,735,580	6,866,395	3,760,947	17,877,186	35,240,108
LIABILITIES					
Current:					
Accounts payable	299,253	118,460	155,977	180,110	753,800
Salaries and benefits payable	178,822	65,383	81,185	20,563	345,953
Compensated absences payable	155,354	22,980	83,382	63,962	325,678
Current portion claims payable	-	2,841,455	-	-	2,841,455
Total Current Liabilities	633,429	3,048,278	320,544	264,635	4,266,886
Noncurrent:					
Other post-employment (OPEB) obligation	-	13,700,000	-	-	13,700,000
Compensated absences payable	17,261	2,553	9,265	7,107	36,186
Estimated claims liability, net of current portion	-	4,772,506	-	-	4,772,506
Total Noncurrent Liabilities	17,261	18,475,059	9,265	7,107	18,508,692
Total Liabilities	650,690	21,523,337	329,809	271,742	22,775,578
Net Position:					
Investment in capital assets	2,893,251	-	1,124,609	4,864,702	8,882,562
Unrestricted	3,191,639	(14,656,942)	2,306,529	12,740,742	3,581,968
Total Net Position	\$ 6,084,890	\$ (14,656,942)	\$ 3,431,138	\$ 17,605,444	\$ 12,464,530

CITY OF SANTA BARBARA

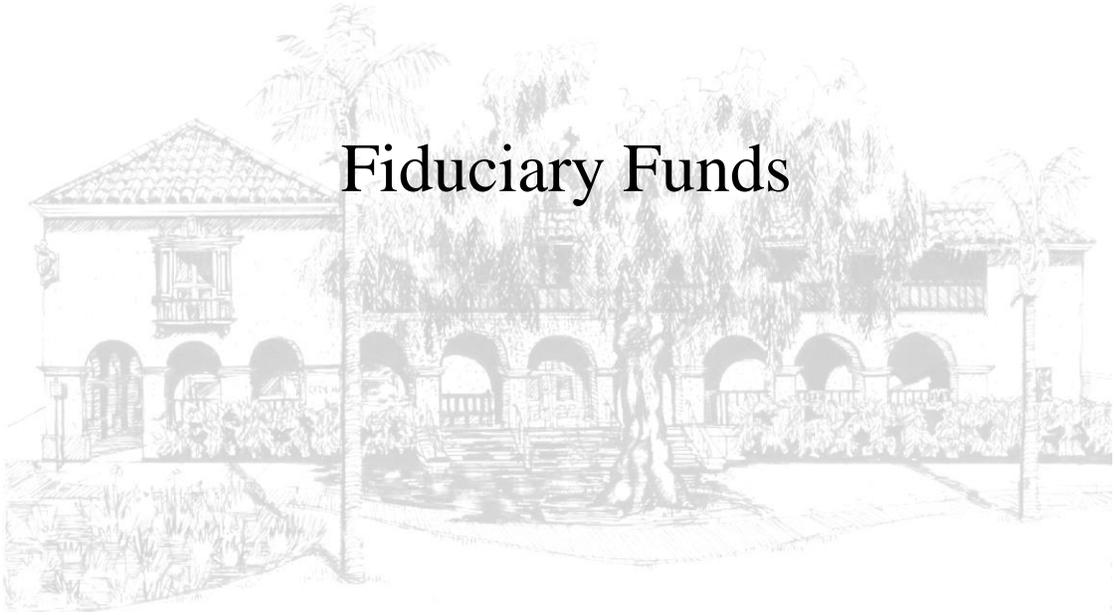
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
Operating Revenues:					
Service charges	\$ 5,888,800	\$ 7,504,647	\$ 2,515,002	\$ 4,926,215	\$ 20,834,664
Other revenues	298,351	496,589	-	215,504	1,010,444
Total Operating Revenues	6,187,151	8,001,236	2,515,002	5,141,719	21,845,108
Operating Expenses:					
Salaries, wages and benefits	3,309,174	4,377,579	1,758,201	1,380,082	10,825,036
Materials, supplies and services	2,910,239	5,093,784	695,567	1,228,304	9,927,894
Depreciation expense	91,792	-	18,202	1,057,927	1,167,921
Total Operating Expenses	6,311,205	9,471,363	2,471,970	3,666,313	21,920,851
Operating Income (Loss)	(124,054)	(1,470,127)	43,032	1,475,406	(75,743)
Nonoperating Revenues (Expenses):					
Interest revenue	-	59,901	-	150,530	210,431
Total Nonoperating Revenues (Expenses)	-	59,901	-	150,530	210,431
Income (Loss) Before Transfers	(124,054)	(1,410,226)	43,032	1,625,936	134,688
Transfers in	735,449	-	1,310,000	-	2,045,449
Transfers out	-	-	(212,000)	-	(212,000)
Changes in Net Position	611,395	(1,410,226)	1,141,032	1,625,936	1,968,137
Net Position:					
Beginning of Year, as originally reported	5,473,495	(2,848,095)	2,290,106	15,979,508	20,895,014
Restatements	-	(10,398,621)	-	-	(10,398,621)
Beginning of Fiscal Year, as restated	5,473,495	(13,246,716)	2,290,106	15,979,508	10,496,393
End of Fiscal Year	\$ 6,084,890	\$ (14,656,942)	\$ 3,431,138	\$ 17,605,444	\$ 12,464,530

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds				
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	Totals
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	\$ 5,794,298	\$ 7,123,291	\$ 2,515,002	\$ 4,921,665	\$ 20,354,256
Cash paid to suppliers for goods and services	(3,051,580)	(6,260,858)	(551,367)	(1,164,979)	(11,028,784)
Cash paid to employees for services	(3,315,225)	(1,699,450)	(1,758,061)	(1,381,961)	(8,154,697)
Cash received from (payments to) others	298,351	496,589	-	215,504	1,010,444
Net Cash Provided (Used) by Operating Activities	(274,156)	(340,428)	205,574	2,590,229	2,181,219
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	735,449	-	1,310,000	-	2,045,449
Cash transfers out	-	-	(212,000)	-	(212,000)
Repayment received from other funds	-	50,284	-	65,805	116,089
Net Cash Provided (Used) by Non-Capital Financing Activities	735,449	50,284	1,098,000	65,805	1,949,538
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(442,961)	-	(1,142,811)	(1,275,976)	(2,861,748)
Net Cash Provided (Used) by Capital and Related Financing Activities	(442,961)	-	(1,142,811)	(1,275,976)	(2,861,748)
Cash Flows from Investing Activities:					
Interest received	-	59,901	-	150,530	210,431
Net Cash Provided (Used) by Investing Activities	-	59,901	-	150,530	210,431
Net Increase (Decrease) in Cash and Cash Equivalents	18,332	(230,243)	160,763	1,530,588	1,479,440
Cash and Cash Equivalents at Beginning of Year	2,931,499	5,886,612	2,475,575	10,761,527	22,055,213
Cash and Cash Equivalents at End of Year	\$ 2,949,831	\$ 5,656,369	\$ 2,636,338	\$ 12,292,115	\$ 23,534,653
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (124,054)	\$ (1,470,127)	\$ 43,032	\$ 1,475,406	\$ (75,743)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	91,792	-	18,202	1,057,927	1,167,921
(Increase) decrease in accounts receivable	(94,502)	(381,356)	-	(4,550)	(480,408)
(Increase) decrease in inventory	(226,339)	-	-	71,040	(155,299)
(Increase) decrease in accrued liabilities	12,630	44,603	10,597	(1,987)	65,843
Increase (decrease) in accounts payable	72,368	(600,226)	133,603	(5,728)	(399,983)
Increase (decrease) in OPEB Obligation	-	2,682,000	-	-	2,682,000
Increase (decrease) in claims and judgments	-	(611,451)	-	-	(611,451)
Increase (decrease) in compensated absences	(6,051)	(3,871)	140	(1,879)	(11,661)
Total Adjustments	(150,102)	1,129,699	162,542	1,114,823	2,256,962
Net Cash Provided (Used) by Operating Activities	\$ (274,156)	\$ (340,428)	\$ 205,574	\$ 2,590,229	\$ 2,181,219
Non-Cash Investing, Capital, and Financing Activities:					
Change in Fair Value of Investments	\$ -	\$ 11,142	\$ -	\$ 28,526	\$ 39,668



Fiduciary Funds

FIDUCIARY FUNDS

PENSION TRUST FUNDS

Service Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

Safety Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

PRIVATE PURPOSE TRUST FUNDS

Successor Agency of the former RDA Fund - To account for assets held until they are distributed to other units of state and local government and to receive revenue from the County to pay enforceable obligations of the former redevelopment agency.

Library Gifts Fund - To account for gifts and bequests made to the City library. Funds are used for book replacement.

Canine Unit Fund - To account for contributions made for the Police's Canine Unit program.

AGENCY FUNDS

Revolving Rehabilitation Loan Fund - To account for moneys received from various public agencies for funding of rehabilitation loans to low and moderate income applicants.

California Law Enforcement Telecommunications System Fund - To account for moneys received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

Seismic Safety Assessment Fund - To account for the financial activities of the Seismic Assessment District #1.

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
 ALL PENSION TRUST FUNDS
 JUNE 30, 2014

	<u>Service Retirement Fund</u>	<u>Safety Retirement Fund</u>	<u>Total</u>
ASSETS			
Restricted assets:			
Cash and investments	\$ 554,608	\$ -	\$ 554,608
Total Assets	<u>554,608</u>	<u>-</u>	<u>554,608</u>
LIABILITIES			
Due to the City of Santa Barbara	<u>-</u>	<u>762,787</u>	<u>762,787</u>
Total Liabilities	<u>-</u>	<u>762,787</u>	<u>762,787</u>
NET POSITION			
Held in trust:			
For Pension	<u>554,608</u>	<u>(762,787)</u>	<u>(208,179)</u>
Total Net Position	<u>\$ 554,608</u>	<u>\$ (762,787)</u>	<u>\$ (208,179)</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2014

	Service Retirement Fund	Safety Retirement Fund	Total
ADDITIONS			
Investment earnings:			
Net appreciation (depreciation) in fair value	\$ 52,109	\$ -	\$ 52,109
Interest	6,719	-	6,719
Dividends	10,047	-	10,047
Total investment earnings	68,875	-	68,875
Less: investment expense	(6,143)	-	(6,143)
Net investment income	62,732	-	62,732
Total Additions	62,732	-	62,732
DEDUCTIONS			
Benefits	71,574	102,126	173,700
Total Deductions	71,574	102,126	173,700
Changes in Net Position	(8,842)	(102,126)	(110,968)
NET POSITION - Beginning of the Year	563,450	(660,661)	(97,211)
NET POSITION - End of the Year	\$ 554,608	\$ (762,787)	\$ (208,179)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
 ALL PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2014

	Successor Agency of the Former RDA	Library Gift Trust	Canine Unit Trust	Total
ASSETS				
Current assets:				
Pooled cash and investments	\$ 3,648,805	\$ 2,479,949	\$ 90,249	\$ 6,219,003
Loans receivable	3,500,000	-	-	3,500,000
Restricted assets:				
Cash and investments with fiscal agents	11,465,320	-	-	11,465,320
Non-current assets:				
Capital assets:				
Land	26,368,116	-	-	26,368,116
Improvements other than building	4,836,870	-	-	4,836,870
Construction in progress	1,392,077	-	-	1,392,077
Less: accumulated depreciation	(3,823,887)	-	-	(3,823,887)
Total capital assets	<u>28,773,176</u>	<u>-</u>	<u>-</u>	<u>28,773,176</u>
Total Assets	<u>47,387,301</u>	<u>2,479,949</u>	<u>90,249</u>	<u>49,957,499</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on debt refunding	94,145	-	-	94,145
Total Deferred Outflows of Resources	<u>94,145</u>	<u>-</u>	<u>-</u>	<u>94,145</u>
LIABILITIES				
Current liabilities:				
Accounts payable	909,940	-	-	909,940
Salaries and benefits payable	3,809	-	-	3,809
Accrued interest payable	522,925	-	-	522,925
Current portion of long-term debt	6,485,000	-	-	6,485,000
Non-current liabilities:				
Long-term debt, net of current portion	29,265,376	-	-	29,265,376
Total Liabilities	<u>37,187,050</u>	<u>-</u>	<u>-</u>	<u>37,187,050</u>
NET POSITION				
Held in trust:				
Police	-	-	90,249	90,249
Library	-	2,479,949	-	2,479,949
Successor Agency of the Former RDA	10,294,396	-	-	10,294,396
Total Net Position	<u>\$ 10,294,396</u>	<u>\$ 2,479,949</u>	<u>\$ 90,249</u>	<u>\$ 12,864,594</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2014

	Successor Agency of the Former RDA	Library Gift Trust	Canine Unit Trust	Total
ADDITIONS				
Contributions	\$ -	\$ 359,394	\$ -	\$ 359,394
Taxes	8,107,206	-	-	8,107,206
Investment earnings:				
Interest	-	-	213	213
Dividends	1,094	-	-	1,094
Total investment earnings	1,094	-	213	1,307
Other	175,116	-	45,201	220,317
Total Additions	8,283,416	359,394	45,414	8,688,224
DEDUCTIONS				
Administrative expenses	119,322	-	35,982	155,304
Contractual services	194,958	-	-	194,958
Interest expense	1,845,790	-	-	1,845,790
Depreciation Expense	1,927,350	-	-	1,927,350
Total Deductions	4,087,420	-	35,982	4,123,402
Extraordinary loss	(67,040,118)	-	-	(67,040,118)
Changes in Net Position	(62,844,122)	359,394	9,432	(62,475,296)
NET POSITION - Beginning of the Year	73,138,518	2,120,555	80,817	75,339,890
NET POSITION - End of the Year	\$ 10,294,396	\$ 2,479,949	\$ 90,249	\$ 12,864,594

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2014

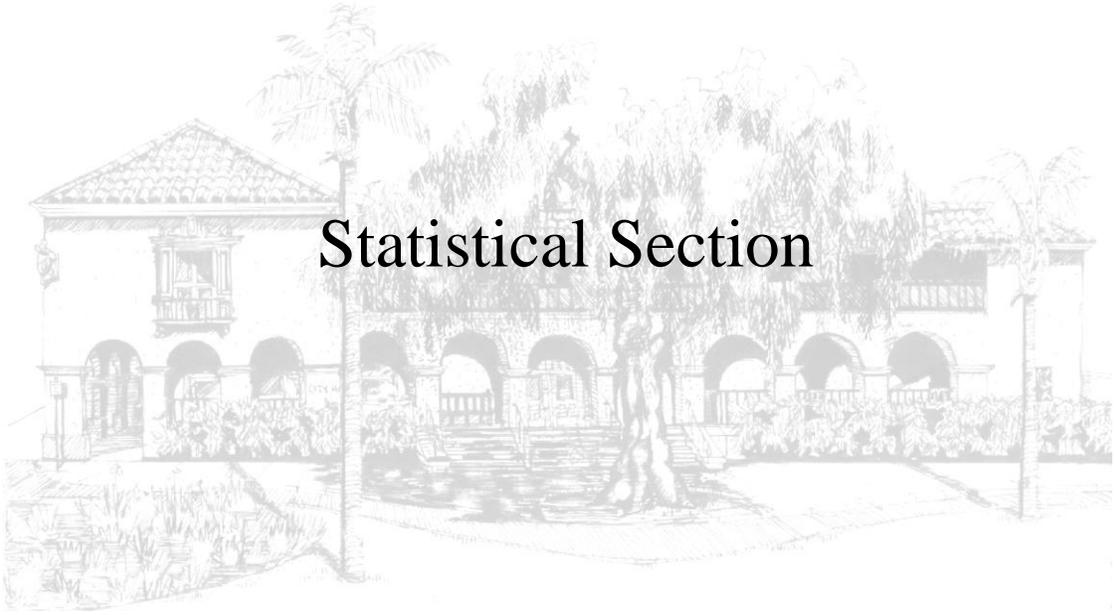
	Revolving Rehab Loan	California Law Enforcement Telecommunicat	Seismic Safety Assessment Fund	Totals
ASSETS				
Pooled cash and investments	\$ 1,488,824	\$ -	\$ 204,017	\$ 1,692,841
Accounts receivable, net	-	145,689	-	145,689
Loans receivable	2,053,844	-	-	2,053,844
Total Assets	\$ 3,542,668	\$ 145,689	\$ 204,017	\$ 3,892,374
LIABILITIES				
Accounts payable	\$ 1,569	\$ 187	\$ -	\$ 1,756
Due to the City of Santa Barbara	-	89,703	-	89,703
Trust Liability	3,541,099	55,799	204,017	3,800,915
Total Liabilities	\$ 3,542,668	\$ 145,689	\$ 204,017	\$ 3,892,374

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014
<u>Revolving Rehab Loan</u>				
ASSETS				
Pooled cash and investments	\$ 1,386,382	\$ 102,442	\$ -	\$ 1,488,824
Loans receivable	2,079,843	-	25,999	2,053,844
Total Assets	\$ 3,466,225	\$ 102,442	\$ 25,999	\$ 3,542,668
LIABILITIES				
Accounts payable	\$ 1,568	\$ 1	\$ -	\$ 1,569
Trust liability	3,464,657	76,442	-	3,541,099
Total Liabilities	\$ 3,466,225	\$ 76,443	\$ -	\$ 3,542,668
<u>California Law Enforcement Telecommunications</u>				
ASSETS				
Accounts receivable, net	\$ 27,863	\$ 117,826	\$ -	\$ 145,689
Total Assets	\$ 27,863	\$ 117,826	\$ -	\$ 145,689
LIABILITIES				
Accounts payable	\$ 1,057	\$ -	\$ 870	\$ 187
Due to the City of Santa Barbara	9,241	80,462	-	89,703
Trust liability	17,565	38,234	-	55,799
Total Liabilities	\$ 27,863	\$ 118,696	\$ 870	\$ 145,689
<u>Seismic Safety Assessment Fund</u>				
ASSETS				
Pooled cash and investments	\$ 204,017	\$ -	\$ -	\$ 204,017
Total Assets	\$ 204,017	\$ -	\$ -	\$ 204,017
LIABILITIES				
Trust liability	\$ 204,017	\$ -	\$ -	\$ 204,017
Total Liabilities	\$ 204,017	\$ -	\$ -	\$ 204,017
<u>Totals - All Agency Funds</u>				
ASSETS				
Pooled cash and investments	\$ 1,590,399	\$ 102,442	\$ -	\$ 1,692,841
Accounts receivable, net	27,863	117,826	-	145,689
Loans receivable	2,079,843	-	25,999	2,053,844
Total Assets	\$ 3,698,105	\$ 220,268	\$ 25,999	\$ 3,892,374
LIABILITIES				
Accounts payable	\$ 2,625	\$ 1	\$ 870	\$ 1,756
Due to the City of Santa Barbara	9,241	80,462	-	89,703
Trust Liability	3,686,239	114,676	-	3,800,915
Total Liabilities	\$ 3,698,105	\$ 195,139	\$ 870	\$ 3,892,374





Statistical Section

STATISTICAL SECTION

This part of the City of Santa Barbara's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	146
Revenue Capacity <i>These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.</i>	153
Debt Capacity <i>These schedules present 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 in the future.</i>	157
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	162
Operating Information <i>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.</i>	165

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Santa Barbara
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$80,483	\$301,827	\$305,449	\$319,070	\$331,171	\$340,824	\$325,209	\$304,586	\$312,891	\$362,540
Restricted	70,888	77,906	85,569	89,964	99,248	94,789	110,947	63,244	66,510	65,614
Unrestricted	24,228	33,815	36,228	36,948	32,329	33,148	22,625	41,161	42,378	45,146
Total governmental activities net position	<u>\$175,599</u>	<u>\$413,548</u>	<u>\$427,246</u>	<u>\$445,982</u>	<u>\$462,748</u>	<u>\$468,761</u>	<u>\$458,781</u>	<u>\$408,991</u>	<u>\$421,779</u>	<u>\$473,300</u>
Business-type activities										
Net investment in capital assets	\$135,336	\$245,095	\$255,451	\$275,594	\$285,547	\$290,085	\$309,659	\$296,692	\$300,997	\$340,246
Restricted	4,704	4,266	12,303	9,784	8,377	7,618	17,223	18,565	1,358	3,659
Unrestricted	75,088	78,148	84,159	87,716	83,993	83,606	86,528	78,969	98,908	95,656
Total business-type activities net position	<u>\$215,128</u>	<u>\$327,509</u>	<u>\$351,913</u>	<u>\$373,094</u>	<u>\$377,917</u>	<u>\$381,309</u>	<u>\$413,410</u>	<u>\$394,226</u>	<u>\$401,263</u>	<u>\$439,561</u>
Primary government										
Net investment in capital assets	\$215,819	\$546,922	\$560,900	\$594,664	\$616,718	\$630,909	\$634,868	\$601,278	\$613,888	\$702,786
Restricted	75,592	82,172	97,872	99,748	107,625	102,407	128,170	81,809	67,868	69,273
Unrestricted	99,316	111,963	120,387	124,664	116,322	116,754	109,153	120,130	141,286	140,802
Total primary government net position	<u>\$390,727</u>	<u>\$741,057</u>	<u>\$779,159</u>	<u>\$819,076</u>	<u>\$840,665</u>	<u>\$850,070</u>	<u>\$872,191</u>	<u>\$803,217</u>	<u>\$823,042</u>	<u>\$912,861</u>

City of Santa Barbara
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Administration	\$10,139	\$11,385	\$12,329	\$12,197	\$12,217	\$11,255	\$10,519	\$11,081	\$11,851	\$14,650
Public safety	45,653	48,836	51,186	54,395	55,394	55,564	54,707	57,457	61,719	66,525
Public works	19,915	39,887	45,284	44,528	46,914	43,082	44,407	25,878	25,252	24,552
Community services	19,607	20,959	22,032	22,983	23,610	21,657	21,251	19,969	24,104	24,083
Community development	17,002	20,804	17,939	19,948	19,676	29,336	21,314	17,017	11,864	13,567
Interest on long-term debt	4,081	4,069	3,810	3,408	3,186	3,040	2,876	572	82	74
Total governmental activities expenses	116,397	145,940	152,580	157,459	160,997	163,934	155,074	131,974	134,872	143,451
Business-type activities:										
Water	23,169	25,937	27,311	27,415	29,642	29,575	29,427	29,985	32,214	35,316
Wastewater	10,909	12,618	13,253	14,560	15,938	15,312	15,709	15,887	17,217	16,930
Airport	11,786	13,499	14,862	16,307	19,013	20,349	22,288	20,167	21,376	20,557
Waterfront	10,164	10,778	11,004	11,054	11,561	11,075	11,217	11,575	12,026	12,707
Solid Waste	-	-	-	-	-	-	-	18,773	19,124	19,732
Parking	4,925	5,839	6,018	6,262	6,949	6,219	6,666	6,849	7,359	7,693
Golf course	1,877	1,924	2,033	2,086	2,118	2,028	1,972	1,923	1,949	1,820
Total business-type activities expenses	62,830	70,595	74,481	77,684	85,221	84,558	87,279	105,159	111,265	114,755
Total primary government expenses	\$179,227	\$216,535	\$227,061	\$235,143	\$246,218	\$248,492	\$242,353	\$237,133	\$246,137	\$258,206
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$1,600	\$1,825	\$1,982	\$1,845	\$1,836	\$1,120	\$1,042	\$1,074	\$1,259	\$2,008
Public safety	8,092	9,186	9,195	9,401	9,448	9,807	9,610	9,365	10,538	13,627
Public works	7,822	21,781	22,255	23,902	25,683	26,444	25,949	8,471	8,789	9,434
Community services	4,699	4,784	4,945	5,211	5,369	5,078	4,854	5,022	5,532	7,934
Community development	4,259	5,670	5,548	5,608	5,403	5,251	5,427	4,670	5,095	5,348
Operating grants and contributions	10,006	12,447	15,979	15,099	13,576	17,150	13,782	14,829	13,251	14,490
Capital grants and contributions	3,599	2,313	4,178	8,733	11,102	5,469	11,318	5,703	8,474	10,517
Total governmental activities program revenues	40,077	58,006	64,082	69,799	72,417	70,319	71,982	49,134	52,938	63,358
Business-type activities:										
Charges for services:										
Water	26,492	27,410	30,477	32,610	32,263	32,359	31,158	36,265	38,171	36,368
Wastewater	11,379	12,096	12,559	13,449	13,896	14,140	14,770	15,563	17,658	17,991
Airport	13,187	13,939	14,861	15,451	15,298	14,621	15,863	16,745	17,740	17,910
Waterfront	9,899	10,253	10,894	11,177	10,754	11,275	11,313	12,370	12,782	13,776
Solid Waste	-	-	-	-	-	-	-	18,741	19,354	20,689
Parking	4,968	5,859	6,592	6,669	6,615	6,661	6,579	7,231	7,691	7,955
Golf course	1,976	2,060	2,231	2,245	2,221	1,715	1,892	1,820	1,833	2,031
Operating grants and contributions	13	57	115	145	135	328	-	-	-	-
Capital grants and contributions	3,440	12,382	17,155	11,861	5,049	4,217	6,174	2,778	4,256	3,663
Total business-type activities program revenues	71,354	84,056	94,884	93,607	86,231	85,316	87,749	111,513	119,485	120,383
Total primary government program revenues	\$111,431	\$142,062	\$158,966	\$163,406	\$158,648	\$155,635	\$159,731	\$160,647	\$172,423	\$183,741

(Continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	(\$76,320)	(\$87,934)	(\$88,498)	(\$87,660)	(\$88,581)	(\$93,615)	(\$83,092)	(\$82,840)	(\$81,934)	(\$80,093)
Business-type activities	8,524	13,461	20,403	15,923	1,010	758	470	6,354	8,220	5,628
Total primary government net expense	<u>(\$67,796)</u>	<u>(\$74,473)</u>	<u>(\$68,095)</u>	<u>(\$71,737)</u>	<u>(\$87,571)</u>	<u>(\$92,857)</u>	<u>(\$82,622)</u>	<u>(\$76,486)</u>	<u>(\$73,714)</u>	<u>(\$74,465)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$30,022	\$34,078	\$37,871	\$40,520	\$43,275	\$43,164	\$42,739	\$35,453	\$27,575	\$26,555
Sales & use	18,949	19,968	19,927	20,838	17,876	16,990	17,892	19,444	20,134	21,323
Transient occupancy	13,298	14,439	15,409	15,523	14,469	13,758	14,951	16,394	17,611	20,186
Utility users	11,977	12,422	13,133	12,525	12,654	11,711	13,887	13,974	14,054	14,016
Business license	2,037	2,169	2,214	2,252	2,302	2,245	2,207	2,202	2,345	2,555
Real property transfer	719	685	646	452	278	389	372	439	642	669
Franchise fees	2,124	3,260	3,583	3,181	3,284	3,351	3,480	3,579	3,579	3,822
Unrestricted motor vehicle license-in-lieu	2,297	659	853	418	320	276	478	6	77	40
Investment income	3,410	3,955	4,762	6,643	4,846	2,275	1,912	2,366	2,521	2,165
Other revenue	2,024	4,384	3,111	3,862	5,952	5,199	4,755	3,932	6,193	660
Extraordinary gain	-	-	-	-	-	-	-	-	-	38,084 ²
Extraordinary loss	-	-	-	-	-	-	-	(91,210) ¹	-	-
Gain/loss on sale of capital assets	-	-	-	-	-	-	-	-	(695)	-
Transfers	70	12	687	182	91	269	(29,560)	27,861	748	918
Total governmental activities	<u>86,927</u>	<u>96,031</u>	<u>102,196</u>	<u>106,396</u>	<u>105,347</u>	<u>99,627</u>	<u>73,113</u>	<u>34,440</u>	<u>94,784</u>	<u>130,995</u>
Business-type activities:										
Investment earnings	2,329	2,836	4,687	5,440	3,904	2,904	2,070	1,813	582	1,562
Other revenue	-	-	-	-	-	-	-	-	-	221
Extraordinary gain	-	-	-	-	-	-	-	-	-	28,956 ²
Transfers	(70)	(12)	(687)	(182)	(91)	(269)	29,560	(27,861)	(748)	(918)
Total business-type activities	<u>2,259</u>	<u>2,824</u>	<u>4,000</u>	<u>5,258</u>	<u>3,813</u>	<u>2,635</u>	<u>31,630</u>	<u>(26,048)</u>	<u>(166)</u>	<u>29,821</u>
Total primary government	<u>\$89,186</u>	<u>\$98,855</u>	<u>\$106,196</u>	<u>\$111,654</u>	<u>\$109,160</u>	<u>\$102,262</u>	<u>\$104,743</u>	<u>\$8,392</u>	<u>\$94,618</u>	<u>\$160,816</u>
Change in Net Position										
Governmental activities	\$10,607	\$8,097	\$13,698	\$18,736	\$16,766	\$6,012	(\$9,979)	(\$48,400)	\$12,850	\$50,902
Business-type activities	10,783	16,285	24,403	21,181	4,823	3,393	32,100	(19,694)	8,054	35,449
Total primary government	<u>\$21,390</u>	<u>\$24,382</u>	<u>\$38,101</u>	<u>\$39,917</u>	<u>\$21,589</u>	<u>\$9,405</u>	<u>\$22,121</u>	<u>(\$68,094)</u>	<u>\$20,904</u>	<u>\$86,351</u>

Note: Description of extraordinary gain / loss

¹ Extraordinary loss of dissolution of RDA

² Extraordinary gain from Successor Agency property transfer

City of Santa Barbara
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Trans- portation Tax	Business License Tax	Real Property Transfer Tax	Total
2005	\$ 30,022	\$ 18,949	\$ 13,298	\$ 11,977	\$ 4,502	\$ 2,037	\$ 719	\$ 81,504
2006	34,078	19,968	14,439	12,422	4,632	2,169	685	88,393
2007	37,871	19,927	15,409	13,133	4,877	2,214	646	94,077
2008	40,520	20,838	15,523	12,525	4,778	2,252	452	96,888
2009	43,275	17,876	14,469	12,654	4,224	2,301	278	95,077
2010	43,164	16,990	13,758	11,711	4,441	2,245	389	92,698
2011	42,738	17,891	14,951	13,887	2,885	2,207	372	94,933
2012	35,453 *	19,444	16,394	13,974	3,185	2,202	439	91,091
2013	27,575	20,134	17,611	14,054	3,322	2,345	642	85,683
2014	26,555	21,323	20,186	14,016	3,488	2,555	669	88,792

Source: FY 14, Munis reporting.

* Note: In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

City of Santa Barbara
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 *	2012	2013	2014
General Fund										
Reserved	\$ 4,395	\$ 4,866	\$ 5,175	\$ 7,060	\$ 6,249	\$ 8,959	\$ -	\$ -	\$ -	\$ -
Unreserved	25,428	24,949	23,033	17,965	17,973	15,686	-	-	-	-
Nonspendable	-	-	-	-	-	-	8,313	8,664	7,813	6,910
Restricted	-	-	-	-	-	-	463	405	421	2,213
Committed	-	-	-	-	-	-	-	18,304	20,762	21,644
Assigned	-	-	-	-	-	-	-	103	226	153
Unassigned	-	-	-	-	-	-	17,770	-	-	-
Total general fund	\$ 29,823	\$ 29,815	\$ 28,208	\$ 25,025	\$ 24,222	\$ 24,645	\$ 26,546	\$ 27,476	\$ 29,222	\$ 30,920
All other governmental funds										
Reserved	\$ 130,317	\$ 117,371	\$ 114,672	\$ 118,960	\$ 122,736	\$ 113,565	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	(1,390)	(977)	1,346	2,582	3,015	1,419	-	-	-	-
Capital projects funds	539	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	49,642	434	-
Restricted	-	-	-	-	-	-	110,484	13,198	66,088	63,401
Committed	-	-	-	-	-	-	2,666	6,998	2,807	11,050
Assigned	-	-	-	-	-	-	2,208	4,165	10,603	8,636
Unassigned	-	-	-	-	-	-	(340)	(23)	(283)	(722)
Total all other governmental funds	\$ 129,466	\$ 116,394	\$ 116,018	\$ 121,542	\$ 125,751	\$ 114,984	\$ 115,018	\$ 73,980	\$ 79,649	\$ 82,365

* Note: In FY 2011, the City implemented Standard GASB 54, that required new fund balance classifications.

City of Santa Barbara
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$81,504	\$88,493	\$94,361	\$96,917	\$95,134	\$92,697	\$94,933	\$91,091	\$85,683	\$88,791
Franchise fees	2,497	3,260	3,583	3,181	3,284	3,351	3,480	3,579	3,579	3,822
Intergovernmental	9,744	9,061	14,599	18,296	19,328	16,724	20,603	15,722	16,801	19,569
Fines and forfeitures	4,072	4,547	4,016	4,335	4,167	4,392	4,331	4,166	4,416	4,529
Use of money and property	3,758	4,361	5,173	6,632	4,944	2,502	2,258	2,472	2,924	2,047
Charges for services	15,562	32,365	33,399	35,478	37,649	38,689	38,722	20,625	20,192	20,923
Program income	845	420	512	283	321	661	835	321	493	311
Other revenues	6,590	10,046	8,610	9,234	11,156	10,858	9,982	8,346	12,192	9,642
Total revenues	124,572	152,553	164,253	174,356	175,983	169,874	175,144	146,322	146,280	149,634
Expenditures										
General government/administration	9,806	11,025	12,008	12,007	11,931	10,941	10,008	10,699	10,788	11,444
Public safety	45,035	47,772	50,349	54,109	54,990	54,313	55,020	56,355	59,166	61,216
Public works	19,025	31,278	37,677	38,615	40,058	31,743	30,301	12,817	13,072	12,829
Community services	18,077	18,870	20,044	21,420	21,549	19,317	18,763	19,140	20,365	21,140
Community development	14,224	17,599	16,144	18,014	17,140	24,546	18,110	14,567	11,085	12,332
Community promotions	2,439	2,253	2,373	1,884	1,824	1,824	1,868	1,991	2,005	2,051
Capital outlay	15,775	28,434	19,217	17,169	19,855	29,279	30,875	22,580	22,229	22,943
Debt service										
Principal	4,750	5,411	5,571	5,076	5,341	6,282	5,724	754	274	287
Interest	3,935	3,904	3,687	3,459	3,126	2,981	2,776	1,396	75	64
Other charges	305	-	-	-	-	-	-	-	-	-
Total expenditures	133,371	166,546	167,070	171,753	175,814	181,226	173,445	140,299	139,059	144,306
Excess of revenues over (under) expenditures	(8,799)	(13,993)	(2,817)	2,603	169	(11,352)	1,699	6,023	7,221	5,328

(Continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses)										
Transfers in	\$14,115	\$11,563	\$19,202	\$16,291	\$25,002	\$15,126	\$75,713	\$68,994	\$12,433	\$11,605
Transfers out	(14,164)	(11,400)	(18,368)	(16,553)	(21,765)	(14,118)	(75,477)	(68,782)	(12,239)	(12,520)
Proceeds from bond issuance	7,184	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	7,135	163	834	(262)	3,237	1,008	236	212	194	(915)
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-	-	-	(44,954)	-	-
Net change in fund balances	(\$1,664)	(\$13,830)	(\$1,983)	\$2,341	\$3,406	(\$10,344)	\$1,935	(\$38,719)	\$7,415	\$4,413
Debt service as a percentage of noncapital expenditures	7.30%	6.35%	6.06%	5.45%	5.31%	5.71%	5.50%	1.71%	0.28%	0.27%

City of Santa Barbara
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Sales & Use Tax	Utility Users Tax	Property Tax	Real Property Transfer Tax	Transient Occupancy Tax	Business License tax	Business portation Tax	Total
2005	\$ 18,949	\$ 11,977	\$ 30,022	\$ 719	\$ 13,298	\$ 2,037	\$ 4,502	\$ 81,504
2006	20,068	12,422	34,078	685	14,439	2,169	4,632	88,493
2007	20,211	13,132	37,871	646	15,409	2,215	4,877	94,361
2008	20,838	12,525	40,520	452	15,523	2,252	4,778	96,888
2009	17,876	12,654	43,275	278	14,469	2,301	4,224	95,077
2010	16,990	11,711	43,164	389	13,758	2,245	4,441	92,698
2011	17,891	13,887	42,738	372	14,951	2,207	2,885	94,933
2012	19,444	13,974	35,453 *	439	16,394	2,202	3,185	91,091
2013	20,134	14,054	27,575	642	17,611	2,345	3,322	85,683
2014	21,323	14,016	26,555	669	20,186	2,555	3,488	88,792

* In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

City of Santa Barbara
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	City			Taxable Assessed Value	Redevelopment Agency ¹			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2005	\$ 10,768,306	\$738,641	\$ (708,983)	\$ 10,797,964	\$ 1,303,295	\$250,008	\$ (82,652)	\$ 1,470,651	1.00%
2006	11,921,748	738,200	(802,033)	11,857,915	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	13,005,939	757,276	(794,226)	12,968,989	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	13,996,764	775,075	(947,703)	13,824,136	1,651,716	301,018	(116,640)	1,836,094	1.00%
2009	14,896,566	908,857	(1,089,312)	14,716,111	1,851,532	336,783	(150,558)	2,037,757	1.00%
2010	15,140,213	919,545	(1,221,317)	14,838,441	1,938,383	342,544	(166,008)	2,114,919	1.00%
2011	15,225,027	908,676	(1,325,902)	14,807,801	1,918,388	353,339	(166,018)	2,105,709	1.00%
2012	15,527,645	878,177	(1,514,963)	14,890,859	1,950,504	340,862	(181,263)	2,110,103	1.00%
2013	15,885,111	881,840	(1,619,242)	15,147,709	1,981,494 ²	342,346 ²	(198,644) ²	2,125,196 ²	1.00% ²
2014	16,656,998	897,217	(1,734,827)	15,819,388	2,038,537 ²	364,304 ²	(199,484) ²	2,203,357 ²	1.00% ²

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

¹ In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

² Assessed taxable value of property reported under the Redevelopment Agency Property Tax Trust.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Direct and Overlapping Property Tax Rates
(\$1 per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Direct Rates:										
City Direct Rate ¹	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Overlapping Rates: ²										
SB Elementary Bonds 1995 Inv/Redem	0.01131%	0.01397%	0.00271%	0.00217%	0.00217%	0.00230%	0.00230%	0.00230%	0.00150%	0.00188%
SB Unified School District High School Bonds 2000	0.00955%	0.01189%	0.01248%	0.01248%	0.01248%	0.01248%	0.01248%	0.01273%	0.01298%	0.01298%
SB Elementary Bonds 1998 Inv/Redem	-	-	0.01112%	0.01168%	0.01168%	0.01168%	0.01168%	0.01168%	0.00888%	0.01154%
SB City College - Bond 2008	-	-	-	-	0.00850%	0.00850%	0.00850%	0.00850%	0.00850%	0.00850%
SB Unified School District High School Bonds 2010 Meas Q	-	-	-	-	-	-	-	0.00093%	0.00093%	0.00697%
SB Unified School District Elem School Bonds 2010 Meas R	-	-	-	-	-	-	-	0.00005%	0.00010%	0.00653%
SB Elementary Refunding Bonds 1995/1998	0.02086%	0.02586%	0.02631%	0.02633%	0.03483%	0.03496%	0.03496%	0.03619%	0.00680%	-
Total Direct and Overlapping Rates:	1.02086%	1.02586%	1.02631%	1.02633%	1.03483%	1.03496%	1.03496%	1.03619%	1.03969%	1.04840%

Note:

¹ In 1978 the voter of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed.

² In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Santa Barbara School District and Santa Barbara City College bonds.

Sources: Santa Barbara County Auditor-Controller

**City of Santa Barbara
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)**

Taxpayer	Fiscal Year 2014	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Parker Fess Doubletree Hotel	\$86,975	0.55%
El Encanto, Inc	70,000	0.44%
Hitchcock Holdings, LLC	51,097	0.32%
GRI - Regency, LLC	49,702	0.31%
Levon Investments, LLC	48,077	0.30%
Clark Huguet M/Estate of	46,818	0.30%
I & G Direct Real Estate 3, LP	44,927	0.28%
KHP II Canary LLC	43,626	0.28%
MCC BB Property, LLC	43,604	0.28%
Nettleship, Patricia S Trust	38,028	0.24%
	<u>\$522,854</u>	<u>3.31%</u>

Taxpayer	Fiscal Year 2005	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Redevelopment Agency / Santa Barbara	\$80,886	0.75%
Parker Fess Doubletree Hotel	73,671	0.68%
Macerich La Cumbre, LLC	35,240	0.33%
BPP Retail, LLC	32,457	0.30%
HDG Associates	26,599	0.25%
ESJ Centers	24,850	0.23%
Chapala Street Investors	23,507	0.22%
Santa Barbara Cottage Hospital Foundation	18,895	0.17%
Ampersand Publishing, LLC	15,372	0.14%
Santa Barbara Cottage Hospital	15,256	0.14%
	<u>\$346,733</u>	<u>3.21%</u>

In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for 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
2005	\$ 30,022	\$ 30,022	100%	-	\$ 30,022	100%
2006	34,078	34,078	100%	-	34,078	100%
2007	37,871	37,871	100%	-	37,871	100%
2008	40,520	40,520	100%	-	40,520	100%
2009	43,275	43,275	100%	-	43,275	100%
2010	43,164	43,164	100%	-	43,164	100%
2011	42,738	42,738	100%	-	42,738	100%
2012	35,453 *	35,453	100%	-	35,453	100%
2013	27,575	27,575	100%	-	27,575	100%
2014	26,555	26,555	100%	-	26,555	100%

*Note: In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

City of Santa Barbara
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Certificates of Participation	Tax Allocation Bonds ²	Loans	Revenue Bonds	Certificates of Participation	Loans			
2005	\$ 3,511	\$ 84,650	\$ 750	\$25,555	\$ 33,739	\$34,776	\$ 182,981	1.26%	2,021
2006	3,290	79,460	750	24,570	32,710	37,229	178,009	1.10%	1,988
2007	3,069	74,110	750	23,545	31,656	40,303	173,433	1.02%	1,939
2008	2,838	69,265	750	22,470	30,557	38,269	164,149	0.88%	1,818
2009	2,597	64,165	750	68,625	29,423	36,159	201,719	1.02%	2,234
2010	2,350	58,880	-	67,470	28,240	40,491	197,431	1.04%	2,172
2011	2,095	53,410	-	66,270	27,100	33,907	182,782	0.95%	2,048
2012	1,832	-	-	65,020	25,908	41,885	134,645	0.70%	1,511
2013	1,555	-	-	60,384	39,569	45,071	146,579	0.71%	1,634
2014	1,268	-	-	70,991	24,422	50,970	147,651	0.68%	1,634

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

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data.

² In Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective January 31, 2012. The bonds were assumed by the Successor Agency.

City of Santa Barbara
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Certificates of Participation	Tax Allocation Bonds³	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2005	\$ 3,511	\$ 84,650	\$ 750	\$ 1,251	\$ 87,660	0.81%	968
2006	3,290	79,460	750	1,258	82,242	0.69%	918
2007	3,069	74,110	750	1,260	76,669	0.59%	857
2008	2,838	69,265	750	561	72,292	0.52%	801
2009	2,597	64,165	750	561	66,951	0.45%	741
2010	2,350	58,880	-	562	60,668	0.41%	667
2011	2,095	53,410	-	561	54,944	0.37%	616
2012	1,832	-	-	561	1,271	0.01%	14
2013	1,555	-	-	561	994	0.01%	11
2014	1,268	-	-	561	707	0.00%	8

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

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics.

³ In Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective January 31, 2012. The bonds were assumed by the Successor Agency.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2014
(amounts expressed in thousands)

2013-14 Assessed Valuation	\$17,554,215
Redevelopment Agency Property Tax Trust Assessed Valuation	2,402,840
Adjusted Assessed Valuation	<u><u>\$15,151,375</u></u>

<u>Overlapping Debt Repaid with Property Taxes</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Santa Barbara Unified - Elementary Bonds	\$56,471	95%	\$53,738
Santa Barbara Unified - High School Bonds	126,127	41%	52,179
Cold Spring Elementary Bonds	4,435	6%	257
Hope District Elementary Bonds	11,675	34%	3,946
Montecito Union Elementary Bonds	3,140	2%	54
Santa Barbara City College Bonds	59,340	36%	21,606
Total overlapping debt repaid with property taxes	<u><u>\$261,188</u></u>		<u><u>\$131,780</u></u>
Overlapping General Obligation Debt			
Santa Barbara County Certificates of Participation	\$65,355	21%	\$13,630
Total overlapping general obligation debt	<u>65,355</u>		<u>13,630</u>
Total overlapping debt	<u><u>\$326,543</u></u>		<u><u>\$145,409</u></u>
Direct General Obligation Debt			
City of Santa Barbara Certificates of Participation	\$1,925	100%	\$1,925
Total direct general obligation debt	<u>1,925</u>		<u>1,925</u>
Total direct debt	<u><u>\$1,925</u></u>		<u><u>\$1,925</u></u>
Total direct and overlapping debt			<u><u>\$147,334</u></u>
<u>Ratio to 2013-14 Assessed Valuation</u>			
Total direct and overlapping debt			0.84%

Notes:

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

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹ The estimated percentage applicable for the school districts and City College debt were obtained from the County of Santa Barbara. Population estimates for the City and County were used to calculate the estimated percentage applicable for the County General Fund Obligations. Of the County's 433,398 population, 21% (or 90,385) reside within the city's boundaries.

Sources: County of Santa Barbara, California Department of Finance Demographic Research Unit

City of Santa Barbara
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuation	\$11,506,947	\$12,659,948	\$13,763,215	\$14,771,839	\$15,805,423	\$16,059,758	\$16,133,703	\$16,405,822	\$16,766,951	\$17,554,215
Coverage percentage	<u>25%</u>	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$2,876,737	\$3,164,987	\$3,440,804	\$3,692,960	\$3,951,356	\$4,014,940	\$4,033,426	\$4,101,456	\$4,191,738	\$4,388,554
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	<u>15%</u>
Debt limit	\$431,511	\$474,748	\$516,121	\$553,944	\$592,703	\$602,241	\$605,014	\$615,218	\$628,761	\$658,283
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$431,511</u>	<u>\$474,748</u>	<u>\$516,121</u>	<u>\$553,944</u>	<u>\$592,703</u>	<u>\$602,241</u>	<u>\$605,014</u>	<u>\$615,218</u>	<u>\$628,761</u>	<u>\$658,283</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

City of Santa Barbara
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water Revenue Bonds					Wastewater Revenue Bonds					Tax Allocation Bonds ¹							
	Water Revenue	Less		Net Available		Waste-water Revenue	Less		Net Available		Debt Service Principal	Debt Service Interest		Tax Increment	Debt Service Principal	Debt Service Interest		Coverage
		Operating Expenses	Debt Service Principal	Debt Service Interest	Coverage		Operating Expenses	Debt Service Principal	Debt Service Interest	Coverage		Operating Expenses	Debt Service Principal			Debt Service Interest	Coverage	
2005	\$ 26,492	\$ 18,547	\$ 7,945	\$ 435	\$ 290	\$ 11,379	\$ 8,284	\$ 3,095	\$ 675	\$ 680	\$ 13,946	\$ 4,535	\$ 3,701	1.69				
2006	27,410	19,770	7,640	460	268	12,096	8,828	3,268	525	829	15,273	5,190	3,733	1.71				
2007	30,477	20,170	10,307	480	246	12,559	9,320	3,239	545	808	16,831	5,350	3,522	1.90				
2008	32,610	21,351	11,259	510	222	13,471	10,718	2,753	565	789	18,081	4,845	3,302	2.22				
2009	32,263	22,694	9,569	535	197	13,915	11,493	2,422	580	775	20,038	5,100	3,053	2.46				
2010	32,359	22,601	9,758	560	171	14,141	10,746	3,395	595	760	20,124	5,285	2,869	2.47				
2011	31,158	21,996	9,162	590	143	14,771	10,920	3,851	610	742	19,957	5,470	2,680	2.45				
2012	36,265	21,912	14,353	620	114	15,563	10,878	4,685	630	722	11,740 ²	5,705 ²	2,443 ²	1.44 ²				
2013	38,172	23,577	14,595	655	83	17,658	11,688	5,970	655	701	8,145 ²	5,925 ²	2,220 ²	1.00 ²				
2014	36,485	27,675	8,810	1,475	666	18,030	11,788	6,242	675	677	8,145 ²	6,195 ²	1,950 ²	1.00 ²				

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

¹ In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

² Debt service payments of the former Redevelopment Agency have become Recognized Obligation Payments of the Successor Agency Trust of the former Redevelopment Agency.

**City of Santa Barbara
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	City Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Personal Income ⁽²⁾	June 30 Unemployment Rate ⁽³⁾
2005	90,518	\$ 15,389	\$ 38,313	4.1%
2006	89,548	16,231	40,486	4.0%
2007	89,456	16,968	42,385	4.2%
2008	90,305	18,642	46,120	5.1%
2009	90,308	19,740	48,693	8.2%
2010	90,893	18,976	46,619	8.3%
2011	89,253	19,262	45,353	8.9%
2012	89,082	19,303	45,219	7.9%
2013	89,681	20,641	47,862	6.3%
2014	90,385	21,726	49,864	5.4%

Notes:

(2) (3) Data shown is for the metropolitan statistical area of Santa Barbara-Santa Maria-Goleta.

Sources:

(1) California Department of Finance, Demographic Research Unit

(2) U.S. Department of Commerce, Bureau of Economic Analysis

(3) California Employment Development Department

**City of Santa Barbara
Principal Employers
Ten Largest Employers - South Santa Barbara County
Current Year and Nine Years Ago**

As of June 30, 2014			As of June 30, 2005		
Employer	Number of Employees (1)	Percentage of Total City Employment	Employer	Number of Employees (2)	Percentage of Total City Employment
University of California, Santa Barbara	10,403	18.98%	University of California, Santa Barbara	9,626	17.76%
County of Santa Barbara	4,652	8.49%	County of Santa Barbara	4,088	7.54%
Cottage Health System	2,605	4.75%	Santa Barbara Cottage Hospital	2,529	4.67%
Santa Barbara City College	2,066	3.77%	Santa Barbara City College	2,211	4.08%
Santa Barbara Unified School District	1,988	3.63%	Raytheon Electronic Systems	1,950	3.60%
City of Santa Barbara	1,716	3.13%	Santa Barbara High School District	1,810	3.34%
Raytheon Electronic Systems	1,300	2.37%	Sansum Medical Foundation Clinic	1,170	2.16%
Sansum Medical Foundation Clinic	1,040	1.90%	City of Santa Barbara	1,063	1.96%
Santa Barbara County Education Office	929	1.70%	U.S. Postal Service	1,005	1.85%
US Postal Service	805	1.47%	Santa Barbara Bank & Trust	820	1.51%
<hr/>			<hr/>		
Ten largest companies or organizations	<u>27,504</u>	<u>50.19%</u>		<u>26,272</u>	<u>48.47%</u>

Sources:

- (1) County of Santa Barbara, City of Santa Barbara, Pacific Coast Business Times
- (2) City of Santa Barbara CAFR FY 2004-05.

City of Santa Barbara
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	111	107	110	113	113	106	103	102	102	106
Administrative services	29	30	32	32	32	29	26	26	26	29
City administrator	12	10	11	12	12	11	11	11	11	11
City attorney	12	12	13	13	13	12	11	11	11	12
Finance	46	46	45	47	47	46	48	47	47	47
Mayor and city council	12	9	9	9	9	9	8	8	8	8
Public safety	343	333	329	328	327	323	311	317	317	316
Police	230	221	214	213	212	209	201	207	207	211
Fire	113	112	115	115	115	114	110	110	110	105
Public works	138	142	142	143	154	152	139	138	139	144
Community services	135	134	137	141	144	129	121	115	117	122
Library	47	48	48	48	48	42	39	35	36	36
Parks and recreation	88	86	89	93	96	86	82	81	81	86
Community development	85	88	88	89	88	79	75	74	65	68
Water	56	60	64	68	62	62	68	68	67	69
Wastewater	55	53	53	53	50	49	49	49	49	49
Airport	51	53	53	54	54	53	54	54	52	56
Waterfront	46	46	46	46	46	46	46	46	46	46
Parking	31	32	34	36	38	34	34	34	34	30
Golf course	12	13	13	13	13	13	13	13	10	10
Total	1,063	1,061	1,069	1,084	1,089	1,046	1,013	1,011	998	1,016

Source: City's Human Resources Department

City of Santa Barbara
Operating Indicators by Function
Last Nine Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Police									
Criminal citations issued	1,990	2,209	2,013	2,898	1,642	1,847	1,407	3,172	4,282
Parking citations	64,300	54,928	60,984	54,692	54,377	50,252	45,055	46,450	55,555
Street sweeping citations	35,392	32,065	33,017	30,184	27,400	25,989	25,660	25,612	26,187
Fire									
Number of calls received	7,302	7,441	7,500	13,768	15,632	15,249	14,984	8,038	8,165
Engine company fire inspections	946	1,334	1,417	2,668	1,340	2,611	2,650	2,773	2,661
Public works									
Street resurfacing (miles)	75	70	60	64.5	34.5	38	85	26.2	32
Tons of debris collected by street sweepers	1,056	1,545	1,673	2,122	2,399	2,210	1,846	2,143	2,287
Community services									
Library items checked out	726,375	740,703	730,598	758,046	689,391	656,488	703,639	826,627	853,177
Community development									
Building inspections completed	14,400	12,909	11,047	11,598	10,815	11,257	11,395	10,665	11,220
Total permits issued	3,000	2,478	2,704	2,696	2,425	2,308	2,282	2,373	2,412
Water									
Million gallons water treated	7,790	7,424	7,909	6,757	6,528	6,581	6,409	7,481	7,527
Percent of drinking water regulations met	100%	100%	100%	100%	100%	100%	100%	100%	100%
Wastewater									
Million gallons waste water treated	3,100	2,774	2,875	2,750	2,761	2,897	2,708	2,627	2,551
Miles of wastewater collection system pipes cleaned	200	202	206	173	214	256	186	217	230
Percent of discharge requirements met	100.0%	99.9%	100.0%	99.9%	99.9%	99.99%	99.7%	100.0%	100.0%
Airport									
Total number of annual passengers	858,352	832,396	833,164	772,718	745,167	747,531	716,625	722,041	699,916
Annual tons of airfreight	3,019	3,053	2,948	2,436	2,132	2,138	2,007	1,813	1,764
Waterfront									
Number of lease contracts managed	58	60	67	64	62	64	64	65	65
Number of parking permits distributed	677,731	720,184	756,377	772,588	697,788	652,923	682,111	564,294	702,622
Parking									
Vehicles parked in city lots	4,042,042	4,414,764	4,290,998	4,304,337	4,315,418	4,233,333	4,308,000	4,324,000	4,430,000
Golf course									
Rounds of golf	76,600	78,532	74,484	70,546	59,091	62,800	63,620	61,558	62,512

Note:
Trend data is only available for the last nine fiscal years due to the implementation of GASB 34.

Source: Various City Departments

City of Santa Barbara
Capital Asset Statistics by Function
Last Nine Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Police									
Stations	1	1	1	1	1	1	1	1	1
Fire									
Stations	8	8	8	8	8	8	8	8	8
Public works									
Streets (miles)	238	238	238	238	238	238	238	238	254
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661	25,661	24,455	54,196	21,474	16,088	10,754
Community services									
Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765
Parks and sports facilities	59	59	59	59	54	54	54	54	56
Swimming	2	2	2	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34	34	34	34
Community buildings	8	8	8	8	12	12	12	12	15
Libraries	2	2	2	2	2	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	423,019	410,010	401,160	384,880	380,617	365,839	357,256	319,898	330,703
Water									
Number of distribution system reservoirs	14	14	13	13	13	13	13	15	15
Number of water supply reservoirs				1	1	1	1	1	1
Number of pump stations	12	12	12	12	12	12	12	14	14
Number of treatment plants	2	2	2	2	2	2	2	2	2
Number of wells	9	9	9	9	9	9	9	9	9
Wastewater									
Number of treatment plants	1	1	1	1	1	1	1	1	1
Number of lift stations	10	10	9	9	9	9	9	9	9
Airport									
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079
Waterfront									
Number of harbor slips	1,133	1,133	1,133	1,133	1,133	1,137	1,137	1,139	1,139
Parking									
Number of parking structures and lots	14	14	14	14	14	14	14	15	15
Number of parking spaces	3,595	3,595	3,595	3,595	3,591	3,591	3,591	3,620	3,548

Note:
Trend data is only available for the last nine fiscal years due to the implementation of GASB 34.

Source: Various City Departments

Compliance and Internal Control Section



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

To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

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



To the Honorable Mayor and Members of the City Council
City of Santa Barbara, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Brea, California
January 20, 2015