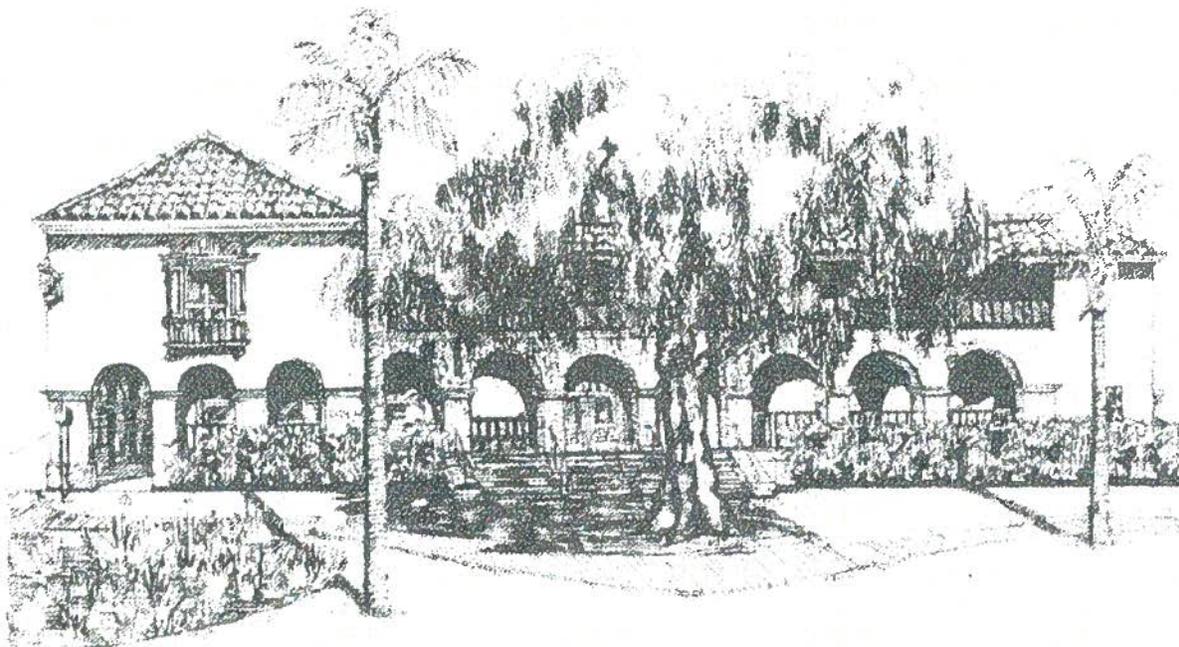


City of Santa Barbara California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2012

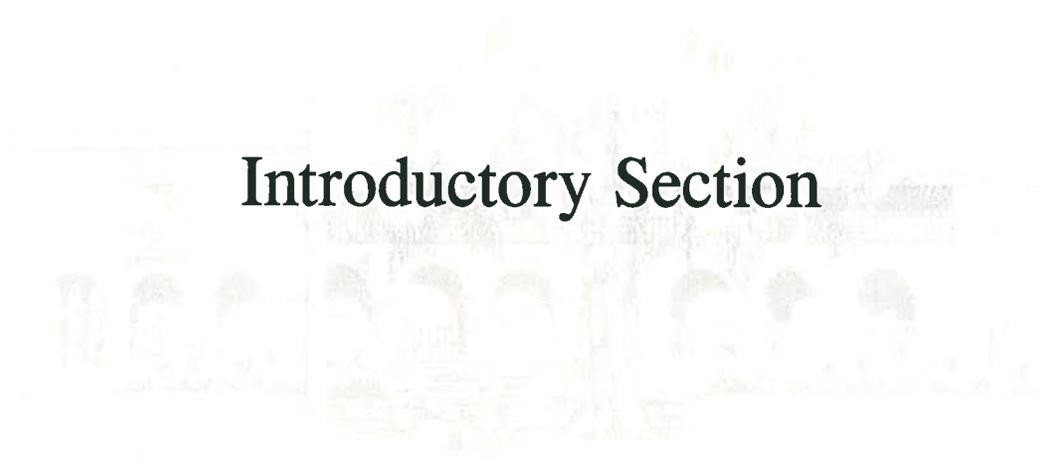
City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

Prepared Under the Supervision of

Robert Samario
Finance Director



Introductory Section

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 12, 2012

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

805.564.5528

Utility Billing

805.564.5343

Fax

805.897.1978

735 Anacapa St.

PO Box 1990

Santa Barbara, CA

93102-1990

Purchasing

805.564.5349

Warehouse

805.564.5354

Mailroom

805.564.5360

Fax

805.897.1977

310. E. Ortega St.

PO Box 1990

Santa Barbara, CA

93102-1990

Environmental Services

805.564-5631

Fax

805.564.5688

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, 2012, 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 unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2012. The independent auditors' report is located on pages 9-10 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 11.

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 89,253. 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

The local economy is dominated by industries supporting tourism. Restaurants, shops, hotels, wineries and other businesses are highly impacted by national, state and local economic trends affecting the number of visitors to our region. Consequently, the local economy suffered significantly from the recent recession and general economic downturn that now appears to be recovering.

Similarly, since several of the City's key revenues are derived from consumer spending and tourism, such as sales tax and transient occupancy tax (TOT) revenues, the economic decline of the last few years had a significant impact on the City and City services.

Over the last two years, the local economy has seen improvement. Most notably, the hotel industry has experienced an increased demand for rooms and conferences starting in fiscal year 2011. Transient occupancy tax revenues grew by 8.7% in fiscal year 2011 and by 9.7% in fiscal year 2012, two exceptionally strong years. While many of the visitors into the area are from California, there has been a healthy increase of international travelers. Industry experts have projected continued strong growth through 2013.

The retail sector has also improved. Sales tax revenues in fiscal year 2012 grew 8.8%, the highest growth rate in many years, following a 5.2% growth in the prior year. The increase in spending was aided by the arrival of new retail outlets, including an Apple store in the downtown area.

While sales tax and transient occupancy tax receipts have improved substantially, property and utility tax revenues continue to remain relatively flat. This is primarily a result of lower property tax assessments due to declining property values, and flat utility prices overall. With property prices stabilizing, we expect a slow recovery in property tax receipts over the next several years.

The recent upswing in consumer spending and tourism is tempered by broader factors that could affect the U.S. and local economy. Lingering high unemployment rates, although better than a year ago, will continue to impact the overall pace of the recovery. In October 2012, the national unemployment rate was 7.9% compared to 9% a year earlier. In California, unemployment fell to 10.1% from 11.5% a year ago. And in the County of Santa Barbara, unemployment was 7.3% compared to 8.4% a year earlier.

Lastly, current decisions being made in Washington to reduce the Federal deficit may result in major cuts to Federal expenditures and overall higher rates of taxation. These actions could stall the modest economic recovery of the last two years.

In summary, the local economy seems to be showing some signs of recovery. The question that will be answered in the next year will be to what extent the broader concerns and external factors affecting the U.S. and California economies will impact the recent recovery in Santa Barbara.

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, 2012, 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, 2011. This was the sixth 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,



James L. Armstrong
City Administrator/
Clerk/Treasurer



Robert Samario
Finance Director

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, 2011

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



Linda C. Danson

President

Jeffrey R. Emer

Executive Director

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2012

Helene Schneider
Mayor

Grant R. House
Councilmember

Cathy Murillo
Councilmember

Harwood "Bendy" White
Councilmember

Randy Rowse
Councilmember

Frank Hotchkiss
Councilmember

Dale Francisco
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Stephen P. Wiley
City Attorney

Robert Samario
Finance Director

Karen S. Ramsdell
Airport Director

Nancy L. Rapp
Parks and Recreation Director

Irene Macias
Library Director

Camerino Sanchez
Police Chief

Andrew DiMizio
Fire Chief

Paul A. Casey
Assistant City Administrator

Christine Andersen
Public Works Director

Marcelo Lopez
Assistant City Administrator

Scott K. Riedman
Waterfront Director

CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2012

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

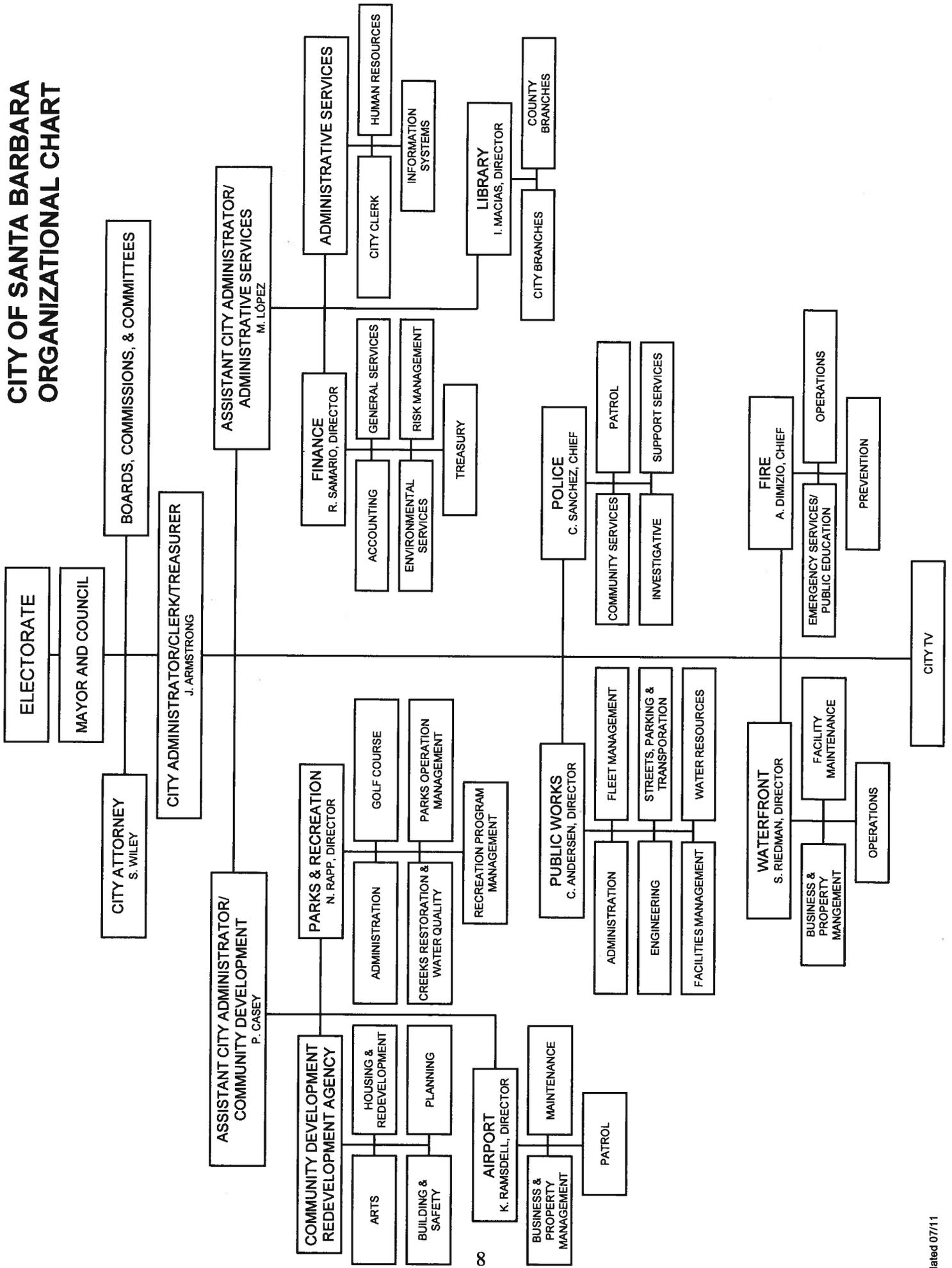
Committees and Commissions

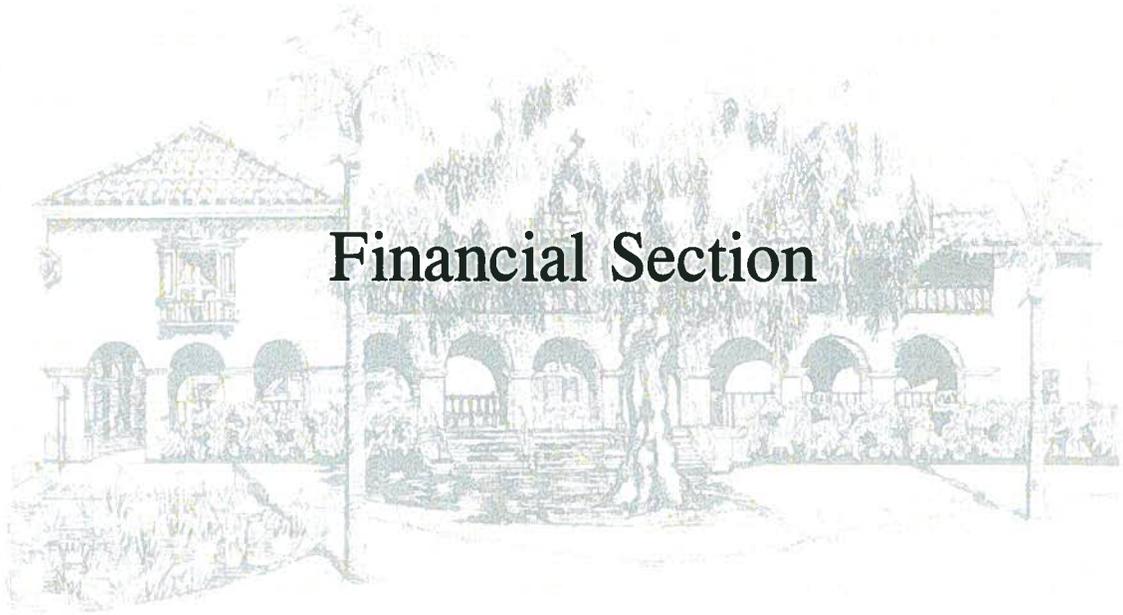
Access Advisory Committee	.....	7
Arts Advisory Committee	.....	7
Building and Fire Code Board of Appeals	.....	8
Community Development and Human Services Committee	.....	13
Community Events and Festivals Committee	.....	7
Creeks Advisory Committee	.....	7
Downtown Parking Committee	.....	7
Living Wage 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



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara (the City), California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 18 – "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the newly formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12 2012, on our consideration of the City of Santa Barbara, California'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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



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

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Lance, Soll & Lughard, LLP

Brea, California
December 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

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, 2012. 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

One of the key changes in fiscal year 2012 was the dissolution of the City's Redevelopment Agency (RDA) pursuant to AB1x26, which eliminated all redevelopment agencies statewide effective January 31, 2012. AB1x26 allowed the City, acting as the Successor Agency, to assume the remaining functions of the RDA. As such, net assets totaling \$91.2 million of the former RDA, previously reported in governmental funds were transferred to a Successor Agency Trust Fund on February 1, 2012. The Successor Agency will be allowed to continue projects and pay off outstanding liabilities that have been determined to be "enforceable obligations" as defined by state law. Unencumbered and unobligated funds as of June 30, 2012 will be paid in fiscal year 2013 to the County of Santa Barbara and will be allocated to taxing agencies in the county, including the City of Santa Barbara.

Other financial highlights include the following:

- At the end of fiscal year 2012, net assets of the City totaled \$803.2 million, a decrease of approximately \$68.9 million from the prior year. This reflects a transfer of net assets from the former RDA to the Successor Agency. But for this transfer, net assets increased by \$22.2 million.
- Of the total net assets, \$120.1 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, 2012, the City's governmental funds reported combined ending fund balances of \$101.5 million, a decrease of \$38.7 million from the prior year. This decrease was due to the shift of the former RDA's net assets to the Successor Agency Private Purpose Trust.

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, which 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 and wastewater), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Assets presents all City assets, including capital assets, and all related current liabilities and long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets," which serves as a measure of the financial health of the City. Over time, an increase in net assets generally indicates that the financial health of the City is improving.

The Statement of Activities provides the details of how the City's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses"; increases in net assets 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 enables the City to demonstrate compliance with legal or contractual requirements that may be associated with these funds. Thus, 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. 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. 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 Assets

Table 1 below summarizes the Statement of Net Assets for Governmental and Business Type Activities as of June 30, 2012, with comparative totals as of June 30, 2011. As previously stated, net assets may serve over time as a useful indicator of a City's financial position.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 133,486	\$ 180,535	\$ 115,675	\$ 113,935	\$ 249,161	\$ 294,470
Capital assets, net	306,417	366,331	427,003	439,987	733,420	806,318
Total Assets	439,903	546,866	542,678	553,922	982,581	1,100,788
Liabilities:						
Current and other liabilities	10,120	15,648	14,153	11,798	24,273	27,446
Non-current liabilities	20,792	72,437	134,299	128,714	155,091	201,151
Total Liabilities	30,912	88,085	148,452	140,512	179,364	228,597
Net Assets:						
Invested in capital assets, net of related debt	304,586	325,209	296,692	309,659	601,278	634,868
Restricted	63,244	110,947	18,565	17,223	81,809	128,170
Unrestricted	41,161	22,625	78,969	86,528	120,130	109,153
Total Net Assets	\$ 408,991	\$ 458,781	\$ 394,226	\$ 413,410	\$ 803,217	\$ 872,191

As shown in Table 1, at June 30, 2012 net assets totaled \$803.2 million. The largest portion consists of the City's investment in capital assets, net of related debt, in the amount of \$601.2 million. This amount represents the total funds invested to acquire the capital assets, reduced by the outstanding debt issued in connection with their construction or acquisition. Capital assets of the City are not available resources, as most assets are not revenue generating and generally are not liquidated to repay debt.

A portion of the City's net assets, \$81.8 million, is subject to restrictions imposed by external parties, and their use is determined by those restrictions and contractual agreements. The significant decrease in this category is due to dissolution of the RDA pursuant to state law. The remaining assets are now accounted for as a Private Purpose Trust Fund and, as such, are not included in the government-wide statements. The remaining amount of \$120.1 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 Assets 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 net assets changed from the prior year. Generally, it indicates whether the financial health of the City as a whole is better at June 30, 2012, in relation to a year earlier. For the fiscal year ended June 30, 2012, total net assets decreased by \$68.9 million. As previously noted, this marked decrease is related to the transfer of assets of the former RDA to a Private Purpose Trust Fund.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2012, with comparative totals for the fiscal year ended June 30, 2011.

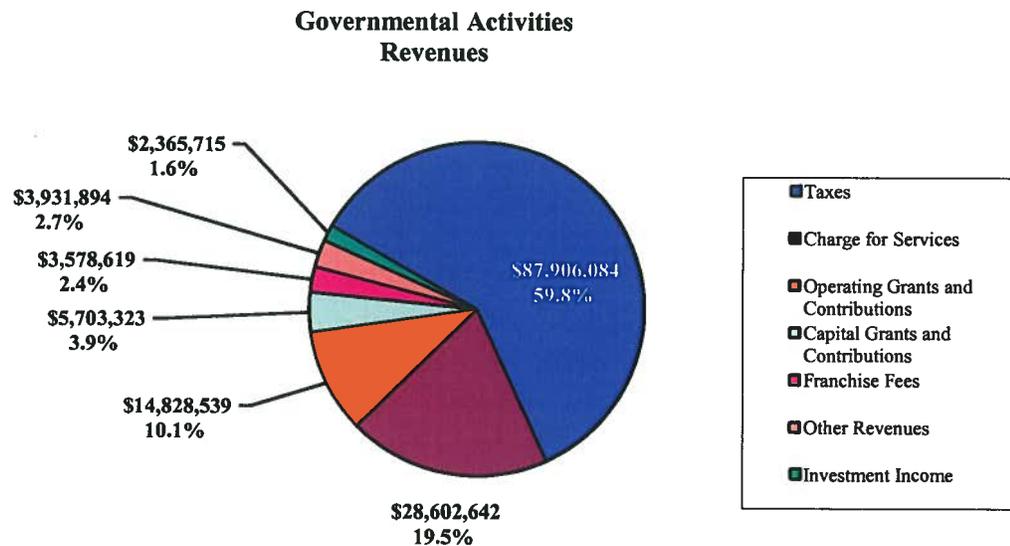
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for service	\$ 28,603	\$ 46,882	\$ 108,735	\$ 81,575	\$ 137,338	\$ 128,457
Operating grants and contributions	14,828	13,782	-	-	14,828	13,782
Capital grants and contributions	5,703	11,318	2,778	6,174	8,481	17,492
General Revenues:						
Taxes	87,906	92,047	-	-	87,906	92,047
Franchise fees	3,579	3,480	-	-	3,579	3,480
Motor vehicle license fees	6	478	-	-	6	478
Investment income	2,366	1,912	1,813	2,071	4,179	3,983
Other revenue	3,932	4,755	-	-	3,932	4,755
Total revenues	146,923	174,654	113,326	89,820	260,249	264,474
Expenses:						
Program Expenses:						
Administration	11,081	10,519	-	-	11,081	10,519
Public safety	57,457	56,095	-	-	57,457	56,095
Public works	25,878	44,408	-	-	25,878	44,408
Community services	19,969	20,157	-	-	19,969	20,157
Community development	17,017	21,020	-	-	17,017	21,020
Interest expense	572	2,876	-	-	572	2,876
Business Activities:						
Water	-	-	29,985	29,427	29,985	29,427
Wastewater	-	-	15,887	15,709	15,887	15,709
Airport	-	-	20,167	22,288	20,167	22,288
Waterfront	-	-	11,575	11,217	11,575	11,217
Solid Waste	-	-	18,773	-	18,773	-
Parking	-	-	6,849	6,666	6,849	6,666
Golf Course	-	-	1,923	1,972	1,923	1,972
Total expenses	131,974	155,074	105,159	87,279	237,133	242,353
Increase in Net Assets Before Transfers	14,949	19,580	8,167	2,541	23,116	22,121
Extraordinary loss on Dissolution of Redevelopment Agency	(91,210)	-	-	-	(91,210)	-
Transfers in (out)	27,861	(29,560)	(27,861)	29,560	-	-
Increase (Decrease) in Net Assets	(48,400)	(9,980)	(19,694)	32,101	(68,094)	22,121
Net Assets, July 1	458,781	468,761	413,410	381,309	872,191	850,070
Restatement (See Note 18)	(1,390)	-	510	-	(880)	-
Net Assets, June 30	\$ 408,991	\$ 458,781	\$ 394,226	\$ 413,410	\$ 803,217	\$ 872,191

Governmental Activities

Revenue Highlights

Total revenues for governmental activities were \$146.9 million. The largest component of total revenue is taxes at \$87.9 million, making up 59.8% 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:

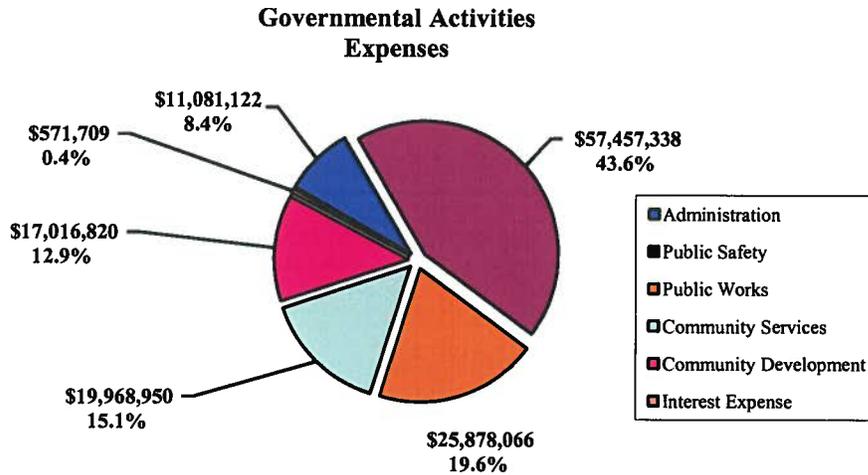
- Sales tax revenues increased by \$1.6 million compared to the prior year. After a few years of a downward trend, the City has seen a relatively strong recovery in this major revenue source. Most of the increase was generated from the restaurant, auto sales, furniture/appliances, and service station business sectors.
- Transient occupancy taxes increased by \$1.4 million compared to the prior year. The City saw healthy gains in the lodging industry beginning in Fiscal Year 2011 and continuing through Fiscal Year 2012.
- Charges for services decreased by \$18.3 million, almost entirely due to the reclassification of the Solid Waste Fund from a Special Revenue Fund (reported within the Governmental Activities category) to an Enterprise Fund (reported within the Business-Type Activities category).



Expense Highlights

Functional expenses for the year totaled approximately \$132.0 million, a decrease of \$23.1 million from the prior year. The decrease was largely due to the reclassification of the Solid Waste Fund from a Special Revenue Fund to an Enterprise Fund. As such, it is now included within the Business-Type Activities category. In addition, the decrease reflects the dissolution of the RDA, which is seen in a reduction in Community Development expenditures.

The largest component of total expenses was for Public Safety (fire and police), representing \$57.5 million (43.5%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$25.9 million, are funded largely from restricted revenues, including a ½ cent sales tax (Measure A), gas tax, utility user's taxes, and grants. These resources fund street maintenance and improvements, street sweeping, transportation planning, and other activities.



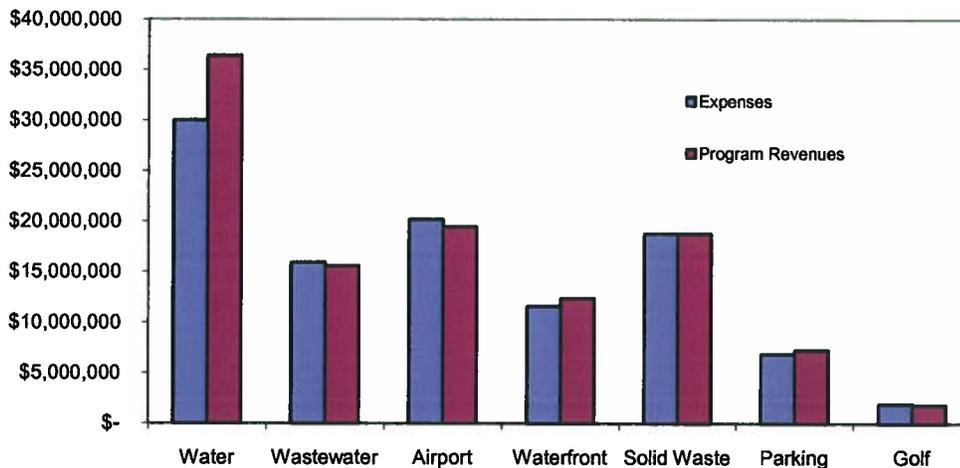
Note: Certain reclassifications were made to the Fiscal Year 2011 amounts in Table 2 to align with changes made in Fiscal Year 2012 in terms of how certain governmental fund-wide expenditures are allocated.

Business-Type Activities

The City's business-type activities realized a decrease in net assets of \$19.2 million. During fiscal year 2012, capital assets totaling \$29.8 million were transferred from the Downtown Parking Enterprise Fund to the Successor Agency of the RDA, which is reported separately as a Private Purpose Trust Fund. The capital assets included parking structures owned by the former RDA that now must be included as assets of the Successor Agency pending final decision by the State as to whether the City will be allowed to retain those structures. Excluding this transfer, net assets in the Business-Type Activities increased by \$10.6 million.

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

**Business-Type Activities
Expenses and Program Revenues
For the Year Ended June 30, 2012
(in thousands)**



Revenue Highlights

Total program revenues for the fiscal year ended June 30, 2012, were \$111.5 million, an increase of \$23.8 million from the prior year. The increase was primarily attributable to the following:

- Reclassification of the Solid Waste Fund from a special revenue fund to an enterprise fund, which added \$18.7 million in revenues.

- Reimbursements totaling \$2.5 million from the State for costs advanced by the Water Fund for a project that is now being funded through a state revolving fund loan.
- Rate increases in both the Water and Wastewater Funds totaling approximately \$1.6 million.

Expense Highlights

Expenses of the business-type activities for the fiscal year ended June 30, 2012, totaled \$105.2 million, a \$17.9 million increase from the prior year. This increase is entirely attributable to the reclassification of the Solid Waste Fund to an enterprise fund, as previously discussed. In fiscal year 2012, the Solid Waste Fund incurred \$18.9 million in expenses.

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 previously noted, governmental funds use the modified accrual basis of accounting. As of June 30, 2012, assets of the City's governmental funds totaled \$125.3 million. Of this total, \$38.2 million consisted of cash and investments, and \$561,210 consisted of cash and investments held with fiscal agents (bond trustees). An additional \$66.8 million represents outstanding loans receivable, which relate primarily to the City's affordable housing programs funded from the Community Development Block Grant Program and the former Redevelopment Agency Housing Fund.

The City Affordable Housing Fund is a newly created fund to account for the assets, primarily cash and investments and loans receivable, transferred from the former RDA Housing Fund. These assets were transferred as of February 1, 2012 pursuant to AB1x26. The City will continue to monitor low and moderate income housing covenants and other housing activities, with these activities being funded from repayments on outstanding loans receivable.

Fund balance (assets minus liabilities) of governmental funds totaled \$101.5 million at June 30, 2012. Of this total, \$13.6 million is restricted for specific programs, projects, and capital improvements. An amount corresponding to outstanding loans and advances receivable of \$58.3 million is reported as "Nonspendable" due to the long-term nature of the receivables and, therefore, unavailability to fund current operations.

The committed portion of fund balance primarily consists of funds set aside in the General Fund, 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 have fallen below the prescribed amount.

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.

Net assets 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 assets totaled \$394.2 million as of June 30, 2012, which decreased \$19.2 million from the prior year. The overall decrease in net assets is primarily attributable a reduction in net assets invested in capital assets (net of related debt). This is due to reversal in fiscal year 2012 of parking structures transferred from the former RDA to the Downtown Parking Fund in fiscal year 2011. The parking structures were

transferred in fiscal year 2011 in anticipation that the RDA might later be eliminated by state law. However, when AB1x26 was enacted in fiscal year 2012, it prohibited the transfer of RDA assets pending approval by the State Department of Finance. As a result, these parking structure assets are included as capital assets of the Successor Agency Trust 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	\$ 63,661,313	\$ 64,688,461	\$ 66,446,250	\$ 1,757,789
Franchise fees	3,593,200	3,593,200	3,578,619	(14,581)
Intergovernmental	702,650	502,650	323,311	(179,339)
Fines and forfeitures	3,109,916	3,109,916	2,939,504	(170,412)
Use of money and property	1,157,264	1,138,779	1,231,019	92,240
Charges for services	20,428,725	20,375,821	19,903,040	(472,781)
Other revenues	8,703,909	8,710,309	7,423,398	(1,286,911)
Total revenues	<u>101,356,977</u>	<u>102,119,136</u>	<u>101,845,141</u>	<u>(273,995)</u>
Transfers in	<u>1,850,577</u>	<u>1,850,577</u>	<u>1,774,527</u>	<u>(76,050)</u>
Total other financing sources (uses)	<u>1,850,577</u>	<u>1,850,577</u>	<u>1,774,527</u>	<u>(76,050)</u>
Total Revenues	<u><u>\$ 103,207,554</u></u>	<u><u>\$ 103,969,713</u></u>	<u><u>\$ 103,619,668</u></u>	<u><u>\$ (350,045)</u></u>

The amended fiscal year 2012 General Fund revenue budget reflects amendments that were approved by the City Council during the year. The most significant amendments included reductions to budgeted mutual aid revenues ("Intergovernmental") and increases to transient occupancy taxes ("Taxes").

As shown on Table 3, actual revenues totaled \$103.6 million, falling below the amended budget by \$350,045. Taxes exceeded the amended budget by almost \$1.8 million, reflecting bigger gains than projected in both sales and transient occupancy (bed) tax revenues. Other revenues, which were budgeted at \$8.7 million, ended the year at \$7.4 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. In fiscal year 2012, \$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 2012 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, 2011.

Table 4
SCHEDULE OF EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Expenditures:				
Current:				
Mayor and council	\$ 725,196	\$ 725,196	\$ 708,296	\$ 16,900
City attorney	1,930,640	1,950,640	1,922,715	27,925
City administration	1,904,751	2,040,589	1,985,430	55,159
Administrative services	1,947,674	1,947,674	1,769,908	177,766
Finance	4,392,750	4,392,750	4,312,453	80,297
Fire	21,086,991	21,038,667	20,901,298	137,369
Police	34,521,329	34,648,043	34,170,487	477,556
Public works	6,749,009	6,799,956	6,513,726	286,230
Parks and recreation	12,551,883	12,678,310	12,654,554	23,756
Library	3,930,476	4,032,487	3,820,223	212,264
Community development	9,917,346	10,116,901	8,946,275	1,170,626
Community promotions	2,373,058	2,117,712	1,991,153	126,559
Total expenditures	<u>102,031,103</u>	<u>102,488,925</u>	<u>99,696,518</u>	<u>2,792,407</u>
Transfers out	<u>1,176,451</u>	<u>3,035,659</u>	<u>2,992,663</u>	<u>42,996</u>
Total Expenditures	<u>\$ 103,207,554</u>	<u>\$ 105,524,584</u>	<u>\$ 102,689,181</u>	<u>\$ 2,835,403</u>

As shown on Table 4 above, actual expenditures totaled \$102.7 million, and were under budget by \$2.8 million. Expenditure savings were derived from a number of sources. Specifically, salary and benefit expenditures ended the year approximately \$1.2 million under budget, and materials, supplies and services were \$0.6 million under budget.

Each department ended the year within their respective spending authority to varying degrees. The Community Development Department realized the biggest savings; however, these were offset by a corresponding amount of revenue shortfall, both of which were the due to the elimination of the redevelopment agency (RDA) during the fiscal year. The RDA contracted with the Community Development Department for the use of staff. As such, the staff costs were reflected in the Department along with revenues for the amounts charged to the RDA.

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, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Non-depreciating assets:			
Construction in Progress	\$ 26,380,810	\$ 84,599,589	\$ 110,980,399
Land	11,317,917	19,201,133	30,519,050
Streets	160,101,179	-	160,101,179
Depreciating assets:			
Buildings	13,705,593	17,022,603	30,728,196
Building Improvements	5,914,872	6,117,086	12,031,958
Equipment	8,259,624	15,729,854	23,989,478
Other Improvements and drainage systems	11,843,005	197,626,004	209,469,009
Infrastructure	68,894,163	8,701,247	77,595,410
Underground Piping	-	78,005,545	78,005,545
TOTALS	<u><u>\$ 306,417,163</u></u>	<u><u>\$ 427,003,061</u></u>	<u><u>\$ 733,420,224</u></u>

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, 2012, infrastructure assets, including streets, totaled \$229 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 GASB Statement No. 34 in accounting for streets so these assets have been reported separately from other infrastructures in Table 5. The City has established a pavement condition assessment process where approximately one-third of the entire street system is assessed on a rotating basis each year. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCIs of 41 or higher are considered to be in "Fair" or better condition, and roads with PCIs of 56 or higher are considered to be in "Good" or better 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. At June 30, 2012, the average PCI for City streets was 63, which is defined as "good."

Key projects that were continuing and newly started, but still incomplete, in the Governmental Activities category include: various bridge replacements (\$4.9 million), storm drainage and creek improvements (\$2 million), sidewalks, bike lanes, street and intersection improvements (\$2.1 million), parks and facilities improvements (\$2.8 million). Other additions included vehicle purchases for \$436,000, mostly for the replacement of vehicles in the Police and Public Works departments.

Capital improvements within the Business-Type Activities category primarily relate to facilities used in connection with enterprise funds, such as 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, 2012, the City's business-type funds included \$22.7 million in capital asset additions and \$35.7 in capital deletions, net of accumulated depreciation. The deletions included \$29.8 million of parking structures transferred from the Downtown Parking Fund to

the Redevelopment Agency (RDA), which were later transferred to the City's Successor Agency in connection with the dissolution of the RDA. Construction in progress increased by a net of \$21.0 million in connection with various multi-year large projects that were not completed as of June 30, 2012, such as the airport terminal expansion and the Cater water treatment plant upgrade and rehabilitation projects. Capital projects completed in the year included: water facility improvements (\$5.1 million), water main replacements (\$2.6 million), wastewater improvements including sewer main replacements (\$3.8 million), and marina and wharf improvements (\$0.9 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 \$134.6 million in outstanding long-term debt at June 30, 2012, a net decrease of \$48.1 million from the prior year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Certificates of Participation	\$ 1,831,500	\$ 25,908,500	\$ 27,740,000
Revenue Bonds	-	65,020,000	65,020,000
Tax Allocation Bonds	-	-	-
Loans	-	41,885,356	41,885,356
	<u>\$ 1,831,500</u>	<u>\$ 132,813,856</u>	<u>\$ 134,645,356</u>

With respect to the Governmental Activities, the outstanding \$1.8 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 outstanding \$47.7 million tax allocation bonds are no longer reported within the governmental or business-type activities; with the dissolution of the RDA, these bonds are now reported as debt of the Successor Agency, which is reported as a Trust Fund. This includes the 2001, 2003A, and 2004A Tax Allocation Bonds issued in July 2001, December 2003, and July 2004, respectively, to fund the construction of the Granada Garage, senior affordable housing, and other redevelopment projects.

The Waterfront, Water and Golf Funds have outstanding COPs totaling \$13.9 million, \$11.1 million and \$0.9 million, respectively. As for revenue bonds outstanding, the Water Fund had \$2.1 million in 1994 Series A revenue bonds outstanding at June 30, 2012. The \$15.7 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. 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, all of which are still outstanding. Of the outstanding \$41.9 million in loans payable in the Business-Type Activities, \$36.9 million relates to the Water Fund. The Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR) to fund the Sheffield Reservoir Project, 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 Sheffield Reservoir Project and the Cater Water Treatment Plant Project.

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 City of Santa Barbara is a destination point for many regional, domestic, and international visitors attracted to the mild weather, local beaches, and many cultural and recreational opportunities offered in the region. As such, the local economy is affected by the health of the national and international economies. In the General Fund, the City's primary operating fund from which the traditional services associated with local government are provided (police, fire, recreation, libraries, etc.) is particularly affected by economic downturns. Key revenues, such as sales tax, transient occupancy tax, and property tax revenues, realized significant declines during fiscal years 2008 through 2010.

Despite the revenue declines, the City was able to keep General Fund revenues and expenditures in balance through a combination of cuts to spending and labor concessions. To the credit of the City Council and the leadership of City Administrative staff, as well as all City employees who realized cuts to their wages, no reserves were used during any part of the economic decline.

Fortunately, General Fund revenues are improving, with sales tax and transient occupancy tax revenues realizing strong gains starting in fiscal year 2011. Property tax revenues, however, are still flat, which we expect to see for a few years given the tepid housing market.

The fiscal year 2013 adopted budget was the first in four years that did not require employee wage and benefit concessions to balance. Several one-time measures and revenues were needed to balance the budget, but certainly the outlook is more favorable. In the near term, the City will need to keep cost increases in check given the continued uncertainty in the national and international economies.

One of the most significant changes to the state and local financial landscape is the recently enacted Public Employees Pension Reform Act ("PEPRA") of 2013. While PEPRA will have no immediate impact to current pension costs, the law will reduce pension costs of virtually all public employers in the long term. New employees hired after December 31, 2012 will be enrolled in a plan with substantially lower benefits. In addition, new employees will be required to pay at least 50% of the pension costs. The City of Santa Barbara, as with virtually all public agencies in California, still has an underfunded pension plan for existing employees. The new reform legislation will have no impact on this unfunded liability. Pension contribution rates for existing employees are expected rise over the medium term. The City will be working with labor groups to increase the amount paid by employees in order to mitigate impacts upon the City's overall financial condition.

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/government/finance/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 ASSETS
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,112,112	\$ 1,489,499	\$ 2,601,611
Investments	58,439,717	78,270,719	136,710,436
Accounts receivable, net	12,140,001	9,866,328	22,006,329
Accrued interest receivable	509,168	-	509,168
Due from fiduciary funds	581,287	-	581,287
Internal balances	(7,503,492)	7,503,492	-
Inventory	699,039	4,979	704,018
Prepaid assets and deposits	64,397	4,117,388	4,181,785
Deferred charges	62,439	1,025,883	1,088,322
Loans receivable	66,819,920	-	66,819,920
Non-Current assets:			
Restricted assets:			
Cash and investments with fiscal agents	561,210	13,396,848	13,958,058
Capital assets not being depreciated:			
Construction in progress	26,380,810	84,599,589	110,980,399
Land	11,317,917	19,201,133	30,519,050
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	13,705,593	17,022,603	30,728,196
Building improvements	5,914,872	6,117,086	12,031,958
Equipment	8,259,624	15,729,854	23,989,478
Infrastructure	68,894,163	8,701,247	77,595,410
Other improvements and drainage systems	11,843,005	197,626,004	209,469,009
Underground piping	-	78,005,545	78,005,545
Total capital assets	<u>306,417,163</u>	<u>427,003,061</u>	<u>733,420,224</u>
Total assets	<u>439,902,961</u>	<u>542,678,197</u>	<u>982,581,158</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,164,463	8,865,625	12,030,088
Accrued interest payable	82,872	1,851,582	1,934,454
Salaries and benefits payable	3,409,295	1,138,911	4,548,206
Deposits	1,768,161	1,679,628	3,447,789
Unearned revenue	1,695,543	617,850	2,313,393
Noncurrent liabilities:			
Due within one year	9,168,490	6,815,112	15,983,602
Due in more than one year	5,030,250	125,202,321	130,232,571
Net pension obligation	124,000	-	124,000
Other post employment benefits (OPEB) obligation	6,468,728	2,281,272	8,750,000
Total liabilities	<u>30,911,802</u>	<u>148,452,301</u>	<u>179,364,103</u>
NET ASSETS			
Invested in capital assets, net of related debt	304,585,663	296,692,485	601,278,148
Restricted for:			
Administration	8,325	-	8,325
Public safety	1,377,617	-	1,377,617
Public works	6,800,403	-	6,800,403
Community services	993,485	-	993,485
Community development	285,780	-	285,780
Capital improvements	2,209,587	9,176,997	11,386,584
Debt service reserve	561,210	9,387,416	9,948,626
Affordable housing	51,007,900	-	51,007,900
Unrestricted	41,161,189	78,968,998	120,130,187
Total net assets	<u>\$ 408,991,159</u>	<u>\$ 394,225,896</u>	<u>\$ 803,217,055</u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
Current:							
Administration	\$ 11,081,122	\$ 1,073,887	\$ 209,148	\$ -	\$ (9,798,087)	\$ -	\$ (9,798,087)
Public safety	57,457,338	9,365,580	1,439,478	-	(46,652,280)	-	(46,652,280)
Public works	25,878,066	8,470,779	6,291,645	5,663,323	(5,452,319)	-	(5,452,319)
Community services	19,968,950	5,022,521	2,982,375	40,000	(11,924,054)	-	(11,924,054)
Community development	17,016,820	4,669,875	3,905,893	-	(8,441,052)	-	(8,441,052)
Interest on long term debt	571,709	-	-	-	(571,709)	-	(571,709)
Total governmental activities	131,974,005	28,602,642	14,828,539	5,703,323	(82,839,501)	-	(82,839,501)
Business activities:							
Water	29,985,482	36,264,961	-	87,467	-	6,366,946	6,366,946
Wastewater	15,887,380	15,562,778	-	-	-	(324,602)	(324,602)
Airport	20,166,558	16,745,192	-	2,690,684	-	(730,682)	(730,682)
Waterfront	11,575,481	12,370,445	-	-	-	794,964	794,964
Solid Waste	18,773,312	18,740,603	-	-	-	(32,709)	(32,709)
Parking	6,848,618	7,230,858	-	-	-	382,240	382,240
Golf course	1,922,523	1,819,830	-	-	-	(102,693)	(102,693)
Total business-type activities	105,159,354	108,734,667	-	2,778,151	-	6,353,464	6,353,464
Total	\$ 237,133,359	\$ 137,337,309	\$ 14,828,539	\$ 8,481,474	(82,839,501)	6,353,464	(76,486,037)
General revenues:							
Taxes:							
Property					35,452,786	-	35,452,786
Sales & use					19,444,253	-	19,444,253
Transient occupancy					16,394,093	-	16,394,093
Utility users					13,973,932	-	13,973,932
Business license					2,202,400	-	2,202,400
Real property transfer					438,620	-	438,620
Franchise fees					3,578,619	-	3,578,619
Unrestricted motor vehicle license-in-lieu					5,638	-	5,638
Investment income					2,365,715	1,813,330	4,179,045
Other revenue					3,931,894	-	3,931,894
Extraordinary gain (loss) on dissolution of Redevelopment Agency (Note 19)					(91,209,518)	-	(91,209,518)
Transfers					27,861,313	(27,861,313)	-
Total general revenues, extraordinary items and transfers					34,439,745	(26,047,983)	8,391,762
Change in net assets					(48,399,756)	(19,694,519)	(68,094,275)
Net assets, beginning of fiscal year					458,781,301	413,409,995	872,191,296
Restatement of net assets					(1,390,386)	510,420	(879,966)
Net assets, end of fiscal year					\$ 408,991,159	\$ 394,225,896	\$ 803,217,055

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue Funds Affordable Housing	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 285,579	\$ 25,753	\$ 401,816	\$ 713,148
Investments	15,006,694	1,353,266	21,114,861	37,474,821
Cash and investments with fiscal agents	-	-	561,210	561,210
Accounts receivable	7,614,687	-	4,503,229	12,117,916
Accrued interest receivable	505,591	3,577	-	509,168
Loans receivable	3,979,226	49,641,492	13,199,202	66,819,920
Due from fiduciary funds	581,287	-	-	581,287
Interfund receivable	1,349,380	-	-	1,349,380
Advances to other funds	4,620,373	-	486,853	5,107,226
Prepaid assets and deposits	64,397	-	-	64,397
Total assets	<u>\$ 34,007,214</u>	<u>\$ 51,024,088</u>	<u>\$ 40,267,171</u>	<u>\$ 125,298,473</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 832,194	\$ 2,658	\$ 1,799,544	\$ 2,634,396
Salaries and benefits payable	2,841,676	13,530	284,666	3,139,872
Interest payable	-	-	55,836	55,836
Interfund payables	-	-	1,349,380	1,349,380
Deposits	1,579,780	-	188,381	1,768,161
Unearned revenue	1,277,097	-	418,446	1,695,543
Deferred revenue	-	-	13,199,202	13,199,202
Total liabilities	<u>6,530,747</u>	<u>16,188</u>	<u>17,295,455</u>	<u>23,842,390</u>
Fund balances:				
Nonspendable	8,663,996	49,641,492	-	58,305,488
Restricted	405,217	1,366,408	11,831,190	13,602,815
Committed	18,304,128	-	6,998,291	25,302,419
Assigned	103,126	-	4,165,410	4,268,536
Unassigned	-	-	(23,175)	(23,175)
Total fund balances	<u>27,476,467</u>	<u>51,007,900</u>	<u>22,971,716</u>	<u>101,456,083</u>
Total liabilities and fund balances	<u>\$ 34,007,214</u>	<u>\$ 51,024,088</u>	<u>\$ 40,267,171</u>	<u>\$ 125,298,473</u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
June 30, 2012

Total Governmental fund balances (page 26)		\$ 101,456,083
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		299,743,002
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets.		62,439
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (1,831,500)	
Unamortized bond premiums/discounts	3,624	
Unamortized loss on defeasance	59,105	
Compensated absences	<u>(6,616,564)</u>	(8,385,335)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(124,000)
OPEB obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(6,468,728)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred in the government-wide financial statements.		(27,036)
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 assets. activities in the (See Statement of Net Assets Proprietary Funds, p. 30)		
Internal Service Funds net assets	\$ 22,740,603	
Less business-type portion	<u>(13,205,071)</u>	9,535,532
Revenues reported as deferred revenue in the governmental funds and recognized in the statements of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>13,199,202</u>
Net assets of governmental activities (page 24)		<u><u>\$ 408,991,159</u></u>

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2012

	General Fund	Special	Other Governmental Funds	Total Governmental Funds
		Revenue Funds Affordable Housing		
Revenues:				
Taxes	\$ 66,446,250	\$ -	\$ 24,644,672	\$ 91,090,922
Franchise fees	3,578,619	-	-	3,578,619
Intergovernmental	323,311	-	15,398,900	15,722,211
Fines and forfeitures	2,939,504	-	1,226,743	4,166,247
Use of money and property	1,231,019	354,232	886,774	2,472,025
Charges for services	19,903,040	-	722,386	20,625,426
Program income	-	-	320,738	320,738
Other revenues	7,423,398	-	922,470	8,345,868
Total revenues	101,845,141	354,232	44,122,683	146,322,056
Expenditures:				
Current:				
Mayor and council	708,296	-	-	708,296
City attorney	1,922,715	-	-	1,922,715
City administration	1,985,430	-	-	1,985,430
Administrative services	1,769,908	-	-	1,769,908
Finance	4,312,453	-	-	4,312,453
Public safety	55,071,785	-	1,283,465	56,355,250
Public works	6,513,726	-	6,303,319	12,817,045
Community services	16,474,777	-	2,665,041	19,139,818
Community development	8,946,275	283,151	5,336,897	14,566,323
Community promotions	1,991,153	-	-	1,991,153
Capital improvements	-	-	22,580,001	22,580,001
Debt service:	-	-	-	-
Principal	-	-	754,000	754,000
Interest	-	-	1,396,237	1,396,237
Total expenditures	99,696,518	283,151	40,318,960	140,298,629
Excess (deficiency) of revenues over (under) expenditures	2,148,623	71,081	3,803,723	6,023,427
Other financing sources (uses):				
Transfers in	1,774,527	-	67,219,582	68,994,109
Transfers out	(2,992,663)	(2,221)	(65,786,745)	(68,781,629)
Total other financing sources (uses)	(1,218,136)	(2,221)	1,432,837	212,480
Extraordinary gain/(loss) on dissolution of RDA (Note 19)	-	50,939,040	(95,892,950)	(44,953,910)
Net change in fund balances	930,487	51,007,900	(90,656,390)	(38,718,003)
Fund balances, beginning of fiscal year	26,545,980	-	113,628,106	140,174,086
Fund balances, end of fiscal year	\$ 27,476,467	\$ 51,007,900	\$ 22,971,716	\$ 101,456,083

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
Fiscal Year Ended June 30, 2012**

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances - total governmental funds (page 28)	\$ (38,718,003)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay	\$ 14,606,895
Depreciation	<u>(6,069,859)</u>
	8,537,036
Transfer of capital assets from business-type to governmental-type activities is included in the statement of activities but not in the governmental funds.	29,828,849
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal repayments	\$ 754,000
Amortization of bond premiums/discounts	(604)
Loss on defeasance	<u>(9,851)</u>
	743,545
Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets.	(10,406)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	845,389
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.	(112,780)
Pension obligation change	9,000
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.	(2,445,698)
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	315,286
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 services funds is reported with governmental activities.	
Change in net assets - Internal service funds	\$ (653,840)
Less: amount related to enterprise funds	<u>482,526</u>
	(1,136,366)
Extraordinary gains (losses) relating to capital assets and long-term liabilities transferred to the Successor Agency and reported in the statement of activities do not require the use of current financial resources, and are not reported in governmental funds.	
Capital assets	\$ (98,347,431)
Long-term liabilities	53,000,683
Unamortized bond issuance costs	<u>(908,860)</u>
	(46,255,608)
Change in net assets of governmental activities (page 25)	<u>\$ (48,399,756)</u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
Current assets:			
Cash	\$ 767,790	\$ 211,213	\$ 216,467
Investments	40,346,141	11,098,921	11,374,984
Accounts receivable, net	5,214,600	1,563,485	823,543
Inventory	-	-	-
Prepaid assets	4,117,388	-	-
Total current assets	<u>50,445,919</u>	<u>12,873,619</u>	<u>12,414,994</u>
Non-current assets:			
Other assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,889,806	3,306,401	6,806,366
Unamortized bond issuance costs, net	202,633	169,691	305,236
Advances to other funds	1,625,136	521,905	-
Total other assets	<u>3,717,575</u>	<u>3,997,997</u>	<u>7,111,602</u>
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	7,414,694	13,953,411	12,295,464
Building improvements	1,954,330	741,616	2,945,645
Improvements other than building	134,078,514	49,574,700	129,839,500
Equipment	9,601,983	18,552,806	5,215,860
Underground piping	106,979,820	72,699,240	-
Other Infrastructure	-	-	16,251,997
Construction in progress	17,090,627	6,470,442	56,678,455
Less: accumulated depreciation	<u>(134,691,691)</u>	<u>(85,712,880)</u>	<u>(65,991,640)</u>
Total capital assets, net	<u>144,646,464</u>	<u>79,788,007</u>	<u>164,545,281</u>
Total non-current assets	<u>148,364,039</u>	<u>83,786,004</u>	<u>171,656,883</u>
Total assets	<u>198,809,958</u>	<u>96,659,623</u>	<u>184,071,877</u>
Liabilities			
Current liabilities:			
Accounts payable	4,007,665	1,896,038	560,597
Accrued interest payable	231,961	117,000	1,139,419
Salaries and benefits payable	277,602	205,769	194,712
Deposits	98,641	-	914,806
Unearned revenue	-	-	333,206
Compensated absences payable	471,335	251,589	247,847
Current portion claims payable	-	-	-
Current portion long term debt	2,890,741	655,000	985,621
Total current liabilities	<u>7,977,945</u>	<u>3,125,396</u>	<u>4,376,208</u>
Non-current liabilities:			
Long-term debt, net of current portion	46,398,341	14,880,109	47,269,670
Compensated absences payable	52,371	27,954	27,539
Other post employment benefits (OPEB) obligation	589,204	404,852	394,448
Advances from other funds	-	-	5,245,216
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	<u>47,039,916</u>	<u>15,312,915</u>	<u>52,936,873</u>
Total liabilities	<u>55,017,860</u>	<u>18,438,311</u>	<u>57,313,080</u>
Net Assets			
Invested in capital assets, net of related debt	95,357,382	64,252,898	116,289,990
Restricted for capital projects	-	1,938,709	7,238,288
Restricted for debt service	3,477,900	1,367,692	3,147,549
Unrestricted	44,956,816	10,662,013	82,970
Total net assets	<u>\$ 143,792,098</u>	<u>\$ 78,221,312</u>	<u>\$ 126,758,797</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Net assets of business-type activities

See accompanying notes to the basic financial statements

Waterfront	Solid Waste	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ 138,379	\$ 1,819	\$ 153,831	\$ 1,489,499	\$ 398,964
7,271,580	95,576	8,083,517	78,270,719	20,964,896
549	2,187,866	76,285	9,866,328	22,085
-	4,979	-	4,979	699,039
-	-	-	4,117,388	-
<u>7,410,508</u>	<u>2,290,240</u>	<u>8,313,633</u>	<u>93,748,913</u>	<u>22,084,984</u>
1,394,275	-	-	13,396,848	-
348,323	-	-	1,025,883	-
284,257	-	305,325	2,736,623	594,353
<u>2,026,855</u>	<u>-</u>	<u>305,325</u>	<u>17,159,354</u>	<u>594,353</u>
878,201	-	5,286,073	19,201,133	-
3,690,671	-	5,876,451	43,230,691	105,889
3,461,332	-	170,228	9,273,151	1,260,612
50,733,970	-	10,280,240	374,506,924	615,885
1,664,879	-	3,581,640	38,617,168	19,742,201
-	-	-	179,679,060	-
-	-	-	16,251,997	-
4,017,013	-	343,052	84,599,589	62,761
<u>(41,028,947)</u>	<u>-</u>	<u>(10,931,494)</u>	<u>(338,356,652)</u>	<u>(15,113,187)</u>
<u>23,417,119</u>	<u>-</u>	<u>14,606,190</u>	<u>427,003,061</u>	<u>6,674,161</u>
25,443,974	-	14,911,515	444,162,415	7,268,514
<u>32,854,482</u>	<u>2,290,240</u>	<u>23,225,148</u>	<u>537,911,328</u>	<u>29,353,498</u>
613,323	1,645,914	142,088	8,865,625	530,067
300,910	-	62,292	1,851,582	-
232,306	32,722	195,800	1,138,911	269,423
539,942	73,347	52,892	1,679,628	-
246,813	-	37,831	617,850	-
314,938	47,549	202,915	1,536,171	412,026
-	-	-	-	2,527,656
606,479	-	141,100	5,278,941	-
<u>2,854,711</u>	<u>1,799,532</u>	<u>834,918</u>	<u>20,968,708</u>	<u>3,739,172</u>
15,745,098	-	738,417	125,031,635	-
34,993	5,283	22,546	170,686	45,781
436,614	64,636	391,518	2,281,272	-
2,692,986	-	500,000	8,438,202	-
-	-	-	-	2,827,942
<u>18,909,691</u>	<u>69,919</u>	<u>1,652,481</u>	<u>135,921,795</u>	<u>2,873,723</u>
<u>21,764,402</u>	<u>1,869,451</u>	<u>2,487,399</u>	<u>156,890,503</u>	<u>6,612,895</u>
7,065,542	-	13,726,673	296,692,485	6,674,161
-	-	-	9,176,997	-
1,394,275	-	-	9,387,416	-
2,630,263	420,789	7,011,076	65,763,927	16,066,442
<u>\$ 11,090,080</u>	<u>\$ 420,789</u>	<u>\$ 20,737,749</u>	<u>381,020,825</u>	<u>\$ 22,740,603</u>
			13,205,071	
			<u>\$ 394,225,896</u>	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012

	Water	Wastewater	Airport
Operating Revenues:			
Charges for sales and services			
Sales	\$ 29,992,081	\$ 14,680,618	\$ -
Service charges	5,810,264	847,020	2,131,736
Leases and rents	-	-	13,988,158
Other revenues	462,616	35,140	625,298
Total operating revenues	36,264,961	15,562,778	16,745,192
Operating Expenses:			
Salaries, wages and benefits	6,923,280	4,911,983	4,693,953
Materials, supplies and services	14,988,857	5,965,966	7,611,016
Depreciation	6,559,738	4,376,041	5,097,253
Other expenses	-	-	44,617
Total operating expenses	28,471,875	15,253,990	17,446,839
Operating income (loss)	7,793,086	308,788	(701,647)
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	838,817	305,753	284,332
Interest expense	(1,559,010)	(719,213)	(2,797,161)
Other, net	(97,444)	(18,799)	-
Total non-operating revenues (expenses)	(817,637)	(432,259)	(2,512,829)
Income (loss) before contributions and transfers	6,975,449	(123,471)	(3,214,476)
Contribution from Successor Agency	-	-	-
Capital contributions	87,467	-	2,690,684
Transfers in	505,502	674,096	709,866
Transfers out	(159,416)	(92,559)	(97,188)
Change in net assets	7,409,002	458,066	88,886
Net assets, beginning of year as previously reported	136,383,096	77,763,246	126,669,911
Restatements	-	-	-
Net assets, beginning of year as restated	136,383,096	77,763,246	126,669,911
Net assets, end of year	\$ 143,792,098	\$ 78,221,312	\$ 126,758,797

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Change in net assets of business-type activities (page 25)

See accompanying notes to the basic financial statements

<u>Waterfront</u>	<u>Solid Waste</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ -	\$ 17,589,325	\$ -	\$ 62,262,024	\$ 542,409
7,584,999	-	7,848,967	24,222,986	16,992,511
4,240,675	-	297,892	18,526,725	-
544,771	1,151,278	4,088	2,823,191	210,119
<u>12,370,445</u>	<u>18,740,603</u>	<u>8,150,947</u>	<u>107,834,926</u>	<u>17,745,039</u>
5,461,280	855,010	4,931,228	27,776,734	6,270,749
3,776,529	17,938,407	2,941,952	53,222,727	8,849,659
1,318,906	-	889,998	18,241,936	1,383,567
19,563	-	-	64,180	-
<u>10,576,278</u>	<u>18,793,417</u>	<u>8,763,178</u>	<u>99,305,577</u>	<u>16,503,975</u>
<u>1,794,167</u>	<u>(52,814)</u>	<u>(612,231)</u>	<u>8,529,349</u>	<u>1,241,064</u>
-	-	899,741	899,741	-
206,833	-	177,595	1,813,330	267,275
(1,025,821)	-	(78,952)	(6,180,157)	-
(39,903)	-	-	(156,146)	-
<u>(858,891)</u>	<u>-</u>	<u>998,384</u>	<u>(3,623,232)</u>	<u>267,275</u>
935,276	(52,814)	386,153	4,906,117	1,508,339
-	-	-	-	17,837
-	-	-	2,778,151	-
453,481	23,686	457,481	2,824,112	1,513,934
<u>(84,483)</u>	<u>(60,503)</u>	<u>(30,191,276)</u>	<u>(30,685,425)</u>	<u>(3,693,950)</u>
1,304,274	(89,631)	(29,347,642)	(20,177,045)	(653,840)
9,785,806	1,390,386	50,085,391		23,394,443
-	(879,966)	-		-
<u>9,785,806</u>	<u>510,420</u>	<u>50,085,391</u>		<u>23,394,443</u>
<u>\$ 11,090,080</u>	<u>\$ 420,789</u>	<u>\$ 20,737,749</u>		<u>\$ 22,740,603</u>
			482,526	
			<u>\$ (19,694,519)</u>	

**CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012**

	Water	Wastewater	Airport	Waterfront
Cash flows from operating activities:				
Cash received from services	\$ 33,534,668	\$ 15,259,382	\$ 1,494,959	\$ 7,584,450
Cash received from rents and leases	-	-	13,910,884	4,341,690
Cash payments for goods and services	(11,118,245)	(4,703,652)	(11,050,469)	(4,069,008)
Cash payments to employees for services	(7,222,643)	(4,969,895)	(4,909,227)	(5,439,516)
Cash received (returned) for deposits	(45,872)	-	986	(49,559)
Other operating receipts	462,616	35,140	625,298	544,771
Other operating disbursements	-	-	-	(19,563)
Net cash provided (used) by operating activities	<u>15,610,524</u>	<u>5,620,975</u>	<u>72,431</u>	<u>2,893,265</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	505,502	674,096	709,866	453,481
Transfers to other funds	(159,416)	(92,559)	(97,188)	(84,483)
Received from (paid to) other funds	100,252	60,175	-	52,851
Contribution from Successor Agency	-	-	-	-
Cash received from taxes and assessments	-	-	-	-
Cash received (used) from other sources	(97,444)	(18,799)	-	(39,903)
Net cash provided (used) by non-capital financing activities	<u>348,894</u>	<u>622,913</u>	<u>612,678</u>	<u>381,946</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	8,695,381	-	-	1,268,651
Proceeds from capital grants and contributions	87,467	-	2,690,684	-
Payments on long term debt	(2,920,519)	(611,200)	(92,420)	(495,534)
Acquisition of capital assets	(17,790,001)	(6,894,793)	(7,574,987)	(2,367,808)
Disposition of capital assets	-	-	-	-
Interest paid on debt	(1,561,619)	(722,213)	(2,797,161)	(966,557)
Net cash used for capital and related financing activities	<u>(13,489,291)</u>	<u>(8,228,206)</u>	<u>(7,773,884)</u>	<u>(2,561,248)</u>
Cash flows from investing activities:				
Cash received on investments	838,817	305,753	284,332	206,833
Proceeds from sales and maturities of investments	36,849,004	12,418,861	14,441,892	6,325,136
Purchase of investments	(40,346,141)	(11,098,921)	(11,374,984)	(7,271,580)
Net cash provided (used) by investing activities	<u>(2,658,320)</u>	<u>1,625,693</u>	<u>3,351,240</u>	<u>(739,611)</u>
Net increase (decrease) in cash and cash equivalents	(188,193)	(358,625)	(3,737,535)	(25,648)
Cash and cash equivalents, beginning of fiscal year	<u>2,845,789</u>	<u>3,876,239</u>	<u>10,760,368</u>	<u>1,558,302</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,657,596</u>	<u>\$ 3,517,614</u>	<u>\$ 7,022,833</u>	<u>\$ 1,532,654</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 7,793,086	\$ 308,788	\$ (701,647)	\$ 1,794,167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	6,559,738	4,376,041	5,097,253	1,318,906
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(2,267,677)	(268,256)	(592,160)	(549)
(Increase) decrease in inventories	-	-	-	-
(Increase) decrease in prepaid assets	371,020	-	-	-
Increase (decrease) in accounts payable	3,499,592	1,262,315	(3,439,453)	(292,479)
Increase (decrease) in accrued salaries payable	(45,430)	(16,740)	(50,896)	(97,601)
Increase (decrease) in deferred revenue	-	-	(77,274)	101,015
Increase (decrease) in accrued compensated absences	27,588	(2,616)	(35,012)	(2,996)
Increase (decrease) in OPEB accrual	(281,521)	(38,556)	(129,366)	122,361
Increase (decrease) in accrued claims	-	-	-	-
Increase (decrease) in deposits	(45,872)	-	986	(49,559)
Net cash provided (used) by operating activities	<u>\$ 15,610,524</u>	<u>\$ 5,620,975</u>	<u>\$ 72,431</u>	<u>\$ 2,893,265</u>
Noncash investing, capital, and financing activities:				
Change in fair value of investments	\$ 46,366	\$ 14,888	\$ (63,886)	\$ 8,109

See accompanying notes to the basic financial statements

Solid Waste	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
\$ 17,267,734	\$ 7,830,247	\$ 82,971,440	\$ 16,970,426
-	297,892	18,550,466	-
(17,877,507)	(3,081,689)	(51,900,570)	(8,609,723)
(779,030)	(4,857,993)	(28,178,304)	(6,256,679)
-	-	(94,445)	-
1,151,278	5,241	2,824,344	752,528
-	4,088	(15,475)	-
<u>(237,525)</u>	<u>197,786</u>	<u>24,157,456</u>	<u>2,856,552</u>
23,686	457,481	2,824,112	1,513,934
(60,503)	(30,191,275)	(30,685,424)	(3,693,950)
-	38,594	251,872	171,306
-	-	-	17,837
-	899,741	899,741	-
-	-	(156,146)	-
<u>(36,817)</u>	<u>(28,795,459)</u>	<u>(26,865,845)</u>	<u>(1,990,873)</u>
-	-	9,964,032	-
-	-	2,778,151	-
-	(125,336)	(4,245,009)	-
-	29,369,740	(5,257,849)	(1,451,534)
-	-	-	-
-	(94,293)	(6,141,843)	-
<u>-</u>	<u>29,150,111</u>	<u>(2,902,518)</u>	<u>(1,451,534)</u>
-	177,595	1,813,330	267,275
362,333	7,317,401	77,714,627	21,133,933
(95,576)	(8,083,518)	(78,270,720)	(20,964,896)
<u>266,757</u>	<u>(588,522)</u>	<u>1,257,237</u>	<u>436,312</u>
(7,585)	(36,084)	(4,353,669)	(149,543)
9,404	189,915	19,240,017	548,507
<u>\$ 1,819</u>	<u>\$ 153,831</u>	<u>\$ 14,886,347</u>	<u>\$ 398,964</u>
\$ (52,814)	\$ (612,231)	8,529,349	\$ 1,241,064
-	889,998	18,241,936	1,383,567
(394,938)	(26,180)	(3,549,760)	(22,085)
(4,979)	-	(4,979)	(9,888)
-	-	371,020	-
65,879	(139,737)	956,117	162,092
(6,384)	(55,857)	(272,908)	(25,451)
-	7,460	31,201	-
17,728	(14,656)	(9,964)	39,521
64,636	143,748	(118,698)	-
-	5,241	5,241	87,732
73,347	-	(21,098)	-
<u>\$ (237,525)</u>	<u>\$ 197,786</u>	<u>\$ 24,157,457</u>	<u>\$ 2,856,552</u>
\$ (19,378)	\$ 8,682	\$ 3,463	\$ 16,959

**CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<u>Assets</u>			
Current assets:			
Cash	\$ -	\$ 479,452	\$ 26,258
Investments	-	25,194,472	1,379,793
Accounts receivable, net	-	-	34,852
Interest receivable	-	8,138	-
Loans receivable	-	3,500,000	1,931,977
Total current assets	-	29,182,062	3,372,880
Noncurrent assets:			
Cash and investments with fiscal agents:			
Cash and cash equivalents	-	11,444,166	-
Other investments	604,774	-	-
Deferred charges	-	795,253	-
Total other assets	604,774	12,239,419	-
Capital Assets:			
Land	-	40,429,911	-
Buildings	-	26,340,653	-
Building improvements	-	6,128,016	-
Improvements other than building	-	30,554,229	-
Equipment	-	603,500	-
Construction in progress	-	9,277,416	-
Infrastructure	-	12,351,554	-
Less: accumulated depreciation	-	(27,615,547)	-
Total capital assets, net	-	98,069,732	-
Total non-current assets	604,774	110,309,151	-
Total assets	604,774	139,491,213	\$ 3,372,880
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	-	272,209	3,240
Accrued benefits payable	5,133	4,683	-
Due to Other Governments	558,536	2,247,206	3,240
Current portion long-term debt	-	5,925,000	22,751
Total current liabilities	563,669	8,449,098	29,231
Noncurrent liabilities:			
Long-term debt, net of current portion	-	41,856,450	-
Trust liabilities	-	-	214,444
Contributions	-	-	3,132,445
Total noncurrent liabilities	-	41,856,450	3,346,889
Total liabilities	563,669	50,305,548	\$ 3,376,120
<u>Net Assets</u>			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	41,105	-	
Police	-	60,493	
Library	-	2,169,161	
Successor Agency of the Former RDA	-	86,956,011	
Total net assets	\$ 41,105	\$ 89,185,665	

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Fiscal Year Ended June 30, 2012

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Intergovernmental	\$ -	\$ 1,932,823
Donations	-	133,735
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	507	-
Interest	16,326	34,526
Dividends	8,901	-
Total investment earnings	<u>25,734</u>	<u>34,526</u>
Less investment expense	<u>(5,996)</u>	<u>-</u>
Net investment income	<u>19,738</u>	<u>34,526</u>
Total additions	<u>19,738</u>	<u>2,101,084</u>
Deductions		
Salaries, wages and benefits	-	4,683
Materials, supplies and services	-	579,679
Benefits	199,429	-
Community services	-	145,306
Contribution to City	-	17,837
Reimbursement of Taxes to County	-	2,247,206
Interest Expense	-	1,259,508
Depreciation Expense	<u>-</u>	<u>2,103,044</u>
Total deductions	<u>199,429</u>	<u>6,357,263</u>
Net increase (decrease)	(179,691)	(4,256,179)
Extraordinary gain (loss) on dissolution of Redevelopment Agency (Note 19)	<u>-</u>	<u>91,209,518</u>
Net assets, beginning of fiscal year	<u>220,796</u>	<u>2,232,326</u>
Net assets, end of fiscal year	<u>\$ 41,105</u>	<u>\$ 89,185,665</u>

See accompanying notes to the basic financial statements



**Notes To The
Basic Financial Statements**

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

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 Board (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), a blended component unit of the City, was established in 1968 and is 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.

The liabilities of the Agency are mutually exclusive from those of the City. The inclusions of the Agency's operations in the accompanying basic financial statements does not express or imply any assumption of liability by the City, either now or in the future. The City Council of the City of Santa Barbara and the Board of Directors of the Agency are legally separate boards; however, they share common membership. The Agency Board consists of members of the City Council. The City also provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement between the two entities. Accordingly, although it is legally separate from the City, the Agency is reported as if it were part of the City because its sole purpose is to provide for redevelopment activities within the City and it has the same governing body. California Community Redevelopment law provides that, upon adoption of a

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

redevelopment plan for a specific area, future incremental tax revenues attributable to increases in the tax base within the project area shall be paid to finance the project. Accordingly, for purposes of its comprehensive annual financial report, the City records the Agency's operating fund as a special revenue fund.

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. This action impacted the reporting entity of the City of Santa Barbara which had previously reported a redevelopment agency within the reporting entity of the City as a blended component unit. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The 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. See footnote 18.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 assets (i.e., fund balances) as presented in these statements to the net assets presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

- 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.

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 *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, and general liability insurance coverage.
- *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 are recorded as a receivable, and revenue is recognized because it is expected to be paid in accordance with grant contracts. Property and sales taxes, utility users'

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and 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.

For its *business-type activities* and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

D. 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.

E. 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, sidewalks, 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.

	<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

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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.

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 Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total 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.

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. 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.

J. 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.

K. 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.

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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 Investments 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, 2012, 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.

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, Agency fund rehab 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, solid waste, golf and parking. The estimate allowance is based on historical collections and a review of accounts receivable.

N. 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.

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O. 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.

P. 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, 2012, 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.

Q. 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 assets. Bond premiums and discounts, as well as issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

R. 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.

S. 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.

T. 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

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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 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, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash	\$ 2,601,611
Investments	136,710,436
Cash and investments with fiscal agents	13,958,058
Fiduciary funds:	
Cash	505,710
Investments	26,574,265
Cash and investments with fiscal agents	<u>12,048,940</u>
Total cash and investments	<u>\$ 192,399,020</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 49,415
Demand deposit accounts with financial institution:	3,057,906
Investments	<u>189,291,699</u>
Total cash and investments	<u>\$ 192,399,020</u>

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, 2012, the City maintains cash deposits that are partially insured by FDIC insurance. All uninsured cash deposited are fully collateralized.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary *unlimited* deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 through December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City does not maintain any noninterest-bearing accounts or cash deposits that are covered by this temporary provision.

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

The table below identifies the investment types that are authorized for the City by the California Government Code (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

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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.

<u>Investment Type</u>	<u>Maturity</u>	<u>of Portfolio*</u>	<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

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

** Per each account for the City and the Redevelopment Successor Agency.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	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.

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
U.S. Agency Securities	\$ 96,963,080	3
Corporate Medium Term Notes	10,255,760	1.5
Certificates of Deposit	2,000,000	1.4
State Investment Pool (LAIF)	54,065,861	N/A
Held by Trustees/Fiscal Agents:		
Money Market Funds	18,761,854	N/A
State Investment Pool (LAIF)	1,835,018	N/A
Corporate Bonds	266,245	
Investment Contracts	5,143,881	N/A
Total	\$ 189,291,699	

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>	Market Value of Investment	Min. Legal Rating	Not Required To Be Rated	Rating as of Year End						
				AAA	AA+	AA	AA-	A- and Above	Unrated	
U.S. Agency Securities	\$ 96,963,080	N/A	-	\$ 96,963,080	\$ -	\$ -	\$ -	\$ -	\$ -	
Corporate Med Term Notes	10,255,760	A	-	-	6,158,960	-	4,096,800	-	-	
Certificates of Deposit	2,000,000	Collateralized	-	-	-	-	-	-	2,000,000	
State Investment Pool (LAIF)	54,065,861	N/A	-	-	-	-	-	-	54,065,861	
Held by Trustees/Fiscal Agents:										
Money Market Funds	18,761,854	N/A	-	-	-	-	-	-	18,761,854	
State Investment Pool (LAIF)	1,835,018	N/A	-	-	-	-	-	-	1,835,018	
Corporate Bonds	266,245	A	-	-	-	98,874	-	167,371	-	
U.S. Agency Securities	-	N/A	-	-	-	-	-	-	-	
Investment Contracts	5,143,881	N/A	5,143,881	-	-	-	-	-	-	
Total	\$ 189,291,699		\$ 5,143,881	\$ 96,963,080	\$ 6,158,960	\$ 98,874	\$ 4,096,800	\$ 167,371	\$ 76,662,733	

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:

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<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
Federal Farm Credit Bank	U.S. Agency Securities	\$ 10,237,760	5.0
Federal Home Loan Bank	U.S. Agency Securities	25,117,790	12.7
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	28,241,660	14.7
Federal Natl Mortgage Assn	U.S. Agency Securities	33,365,870	17.2

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, 2012, \$7,158,180 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. DEFERRED AND 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 assets as well as governmental and proprietary funds defer 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. 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 deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

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At June 30, 2012, the various components of unearned and deferred revenue reported are as follows:

	Unearned	Deferred (Unavailable)
Governmental funds:		
General Fund:		
Deferred business license tax	\$ 1,093,085	\$ -
Early Retiree Reinsurance Program reimbursement	184,012	-
Nonmajor Governmental Funds:		
Advances on federal grants for low-income housing	79,061	13,199,202
Advances on grants for streets projects	339,385	-
Total governmental funds	\$ 1,695,543	\$ 13,199,202
Business-type activities:		
Airport Fund:		
Prepaid lease revenue	\$ 333,206	\$ -
Golf Course Fund:		
Golf gift cards	37,831	-
Waterfront Fund:		
Prepaid lease and slipholder revenue	246,813	-
Total business-type activities	\$ 617,850	\$ -

NOTE 4. SPECIAL ASSESSMENTS

On August 1, 1992, the City issued \$10,794,799 of seismic improvement special assessment bonds. The proceeds of the bonds were used to finance the construction and installation of seismic resistance improvements to certain commercial properties within the boundaries of the City of Santa Barbara Seismic Safety Assessment District No. 1. The bonds are limited obligations payable solely from annual assessments to be levied and collected in semi-annual installments on properties within the Assessment District. The City is not obligated to advance funds, other than the bond proceeds placed in a Reserve Fund, in the event of delinquencies in the payment of assessment installments.

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. The asset and liability is recorded in the Seismic Safety Assessment Agency Fund. As of June 30, 2012, the bonds were paid off and the amount of bonds outstanding was \$0.

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NOTE 5. CAPITAL ASSETS

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

	Beginning Balance July 1, 2011	Transferred to Former RDA	Increases	Decreases	Ending Balance June 30, 2012	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:							
Non-depreciating capital assets:							
Construction in progress	\$ 20,168,797	\$ (7,452,071)	\$ 14,388,812	\$ (787,489)	\$ 26,318,049	\$ 62,761	\$ 26,380,810
Land	46,050,006	(40,429,911)	5,697,822	-	11,317,917	-	11,317,917
Streets	160,101,179	-	-	-	160,101,179	-	160,101,179
Total non-depreciating capital assets	<u>226,319,982</u>	<u>(47,881,982)</u>	<u>20,086,634</u>	<u>(787,489)</u>	<u>197,737,145</u>	<u>62,761</u>	<u>197,799,906</u>
Depreciating capital assets:							
Buildings	26,261,304	(26,340,653)	25,982,911	-	25,903,562	105,889	26,009,451
Building improvements	14,104,216	(6,128,016)	354,493	-	8,330,693	1,260,612	9,591,305
Improvements other than buildings	34,502,285	(30,554,229)	14,567,879	-	18,515,935	615,885	19,131,820
Equipment	13,089,347	(603,500)	75,420	(18,488)	12,542,779	19,742,201	32,284,980
Infrastructure	141,566,395	(12,351,554)	-	-	129,214,841	-	129,214,841
Total depreciating capital assets	<u>229,523,547</u>	<u>(75,977,952)</u>	<u>40,980,703</u>	<u>(18,488)</u>	<u>194,507,810</u>	<u>21,724,587</u>	<u>216,232,397</u>
Less accumulated depreciation:							
Buildings	11,838,153	(3,671,029)	467,138	3,563,707	12,197,969	105,889	12,303,858
Building improvements	3,535,557	(154,056)	398,574	(151,740)	3,628,335	48,098	3,676,433
Improvements other than buildings	12,911,163	(19,813,117)	1,317,544	12,794,657	7,210,247	78,568	7,288,815
Equipment	8,201,085	(85,107)	1,060,327	(31,581)	9,144,724	14,880,632	24,025,356
Infrastructure	59,633,023	(1,789,194)	2,826,276	(349,427)	60,320,678	-	60,320,678
Total accumulated depreciation	<u>96,118,981</u>	<u>(25,512,503)</u>	<u>6,069,859</u>	<u>15,825,616</u>	<u>92,501,953</u>	<u>15,113,187</u>	<u>107,615,140</u>
Total capital assets, being depreciated, net	<u>133,404,566</u>	<u>(50,465,449)</u>	<u>34,910,844</u>	<u>(15,844,104)</u>	<u>102,005,857</u>	<u>6,611,400</u>	<u>108,617,257</u>
Governmental activities capital assets, net	<u>\$ 359,724,548</u>	<u>\$ (98,347,431)</u>	<u>\$ 54,997,478</u>	<u>\$ (16,631,593)</u>	<u>\$ 299,743,002</u>	<u>\$ 6,674,161</u>	<u>\$ 306,417,163</u>

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

Governmental activities:	
Administration	\$ 106,676
Public safety	160,002
Public works	4,984,846
Community services	624,803
Community development	<u>193,532</u>
General governmental depreciation	6,069,859
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>1,383,567</u>
Total depreciation expense - governmental activities	<u>\$ 7,453,426</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

	Beginning Balance July 1, 2011	Increases	Decreases	Ending Balance June 30, 2012
Business-Type Activities:				
Non-depreciating capital assets:				
Land	\$ 24,898,955	\$ -	\$ (5,697,822)	\$ 19,201,133
Construction in progress	63,606,536	28,080,997	(7,087,944)	84,599,589
Total non-depreciating capital assets	88,505,491	28,080,997	(12,785,766)	103,800,722
Depreciating capital assets:				
Buildings	69,213,603	-	(25,982,912)	43,230,691
Building improvements	9,273,151	-	-	9,273,151
Other improvements and drainage	379,950,926	8,545,557	(13,989,559)	374,506,924
Equipment	37,135,320	1,481,848	-	38,617,168
Underground piping	177,079,744	2,599,316	-	179,679,060
Infrastructure	15,980,481	271,516	-	16,251,997
Total depreciating capital assets	688,633,225	12,898,237	(39,972,471)	661,558,991
Less accumulated depreciation:				
Buildings	28,858,488	922,251	(3,572,651)	26,208,088
Building improvements	2,909,888	246,177	-	3,156,065
Other improvements and drainage	180,460,335	9,884,786	(13,464,201)	176,880,920
Equipment	20,123,521	2,763,793	-	22,887,314
Underground piping	97,577,526	4,095,989	-	101,673,515
Infrastructure	7,221,810	328,940	-	7,550,750
Total accumulated depreciation	337,151,568	18,241,936	(17,036,852)	338,356,652
Total capital assets, being depreciated, net	351,481,657	(5,343,699)	(22,935,619)	323,202,339
Business-type activities capital assets, net	\$ 439,987,148	\$ 22,737,298	\$ (35,721,385)	\$ 427,003,061
Depreciation expense was charged to functions/programs of the business-type activities as follows:				
Business-type activities:				
Water		\$ 6,559,738		
Wastewater		4,376,041		
Airport		5,097,253		
Waterfront		1,318,906		
Downtown parking		670,732		
Golf		219,266		
Total depreciation expense - business-type activities		\$ 18,241,936		

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2012, is as follows:

<u>Due to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,349,380
		<u>\$ 1,349,380</u>
 <u>Advances to/from other funds</u> 		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$ 500,000
General Fund	Waterfront	2,692,986
General Fund	Airport Fund	1,427,387
Creek Restoration		335,890
Transportation Development		11,896
County Library		15,631
Measure "D"		92,726
Measure "A"		30,710
Water		1,625,136
Wastewater		521,905
Downtown Parking		280,580
Golf Course		24,745
Waterfront		284,257
Self-Insurance		263,681
Vehicle Capital		330,672
		<u>5,245,216</u>
		<u>\$ 8,438,202</u>

The interfund balances at June 30, 2012, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling \$2,692,986 at June 30, 2012, 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. These advances bear interest at 6%, with payments due annually.

The City's General Fund advanced money to the Golf Course Enterprise Fund. These advances, totaling \$500,000 at June 30, 2012, were for the purposes of the Golf Safety Improvement Master Plan. The advance bears interest at 6%, 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. The advance bears an interest rate of 7% with annual payments of \$587,714. The final payment is due June 30, 2029.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

A summary of interfund transfers during the year follows:

<i>Fund Transferred From</i>	<i>Fund Transferred To</i>										<i>Total</i>
	General	Other		Waste-	Solid	Water-	Non-Major	Internal	Gov't		
	Fund	Funds	Water	water	Waste	Airport	front	Proprietary	Service	Activities	
Governmental Funds											
General Fund	\$ -	\$ 2,470,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,500	\$ 478,324	\$ -	\$ 2,992,663
Affordable Housing	-	-	-	-	-	-	-	-	2,221	-	2,221
Other Govt Funds	849,051	64,457,507	-	-	-	409,700	-	-	70,487	-	65,786,745
Internal Service Funds	578,355	291,236	505,502	674,096	23,686	300,166	453,481	413,981	453,447	-	3,693,950
Enterprise Funds											
Water	-	-	-	-	-	-	-	-	159,416	-	159,416
Wastewater	-	-	-	-	-	-	-	-	92,559	-	92,559
Solid Waste	50,000	-	-	-	-	-	-	-	10,503	-	60,503
Airport	-	-	-	-	-	-	-	-	97,188	-	97,188
Waterfront	-	-	-	-	-	-	-	-	84,483	-	84,483
Non-Major Proprietary	297,121	-	-	-	-	-	-	-	65,306	29,828,849	30,191,276
Total	<u>\$ 1,774,527</u>	<u>\$ 67,219,582</u>	<u>\$ 505,502</u>	<u>\$ 674,096</u>	<u>\$ 23,686</u>	<u>\$ 709,866</u>	<u>\$ 453,481</u>	<u>\$ 457,481</u>	<u>\$ 1,513,934</u>	<u>\$ 29,828,849</u>	<u>\$ 103,161,004</u>

The most significant interfund transfers related to the following:

1. Transfers from the Self-Insurance Internal Service Fund to the General Fund and Proprietary Funds represent a rebate of surplus workers' compensation programs reserves resulting from better than expected loss experience over the last several years.
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 were made from the City's Non-Major Proprietary Fund to the Redevelopment Agency (RDA) Operating Fund and Housing Fund. In fiscal year 2011, all assets of the former RDA were transferred to the City as a result of then possible state legislation that would take RDA assets for the benefit of the state. In the current year, legislation was enacted to dissolve RDAs statewide, effectively January 31, 2012. The legislation effectively disallowed the transfer of assets made in fiscal year 2011 by the City. Therefore, the transfers made last fiscal year were reversed. Proprietary funds and governmental funds are not presented using the same measurement focus, so when capital assets are moved between these fund types a difference exists on the fund level statements. The unbalanced transfers are resolved on the government-wide statements.

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 Redevelopment Agency are 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

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

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 11).

With the elimination of the Redevelopment Agency on January 31, 2012, the outstanding tax allocation bonds have been assumed by the City acting as 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 pursuant to these statues and will therefore continue to receive property taxes sufficient to meet the annual debt service payments.

Long-term liability activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Adjustments *	Transferred to Former RDA	Additions	Deductions	Balance June 30, 2012	Due Within One Year	More Than One Year
<i>Governmental Activities</i>								
Certificates of participation	\$ 2,095,500	\$ -	\$ -	\$ -	\$ 264,000	\$ 1,831,500	\$ 273,900	\$ 1,557,600
Tax allocation bonds	53,410,000	-	52,920,000	-	490,000	-	-	-
Unamortized debt premium	801,336	(216,308)	585,028	-	-	-	-	-
Unamortized debt discount	(216,308)	(4,228)	(216,308)	-	(604)	(3,624)	-	(3,624)
Loss on defeasance	-	(356,993)	(288,037)	-	(9,851)	(59,105)	-	(59,105)
Governmental funds debt issues	56,090,528	(577,529)	53,000,683	-	743,545	1,768,771	273,900	1,494,871
Compensated absences	6,922,071	(35,104)	-	5,281,728	5,094,324	7,074,371	6,366,934	707,437
Claims liability	5,267,866	-	-	2,678,714	2,590,982	5,355,598	2,527,656	2,827,942
Governmental activity								
Long-term liabilities	68,280,465	(612,633)	53,000,683	7,960,442	8,428,851	14,198,740	9,168,490	5,030,250
<i>Business-Type Activities</i>								
Revenue bonds	66,270,000	-	-	-	1,250,000	65,020,000	2,175,000	62,845,000
Certificates of participation	27,099,500	-	-	-	1,191,000	25,908,500	1,236,100	24,672,400
Loans	33,906,857	-	-	9,964,032	1,985,533	41,885,356	1,867,841	40,017,515
Unamortized debt premium	128,814	-	-	-	7,578	121,236	-	121,236
Unamortized debt discount	(1,227,749)	-	-	-	(47,902)	(1,179,847)	-	(1,179,847)
Loss on defeasance	(1,544,719)	-	-	-	(100,050)	(1,444,669)	-	(1,444,669)
	124,632,703	-	-	9,964,032	4,286,159	130,310,576	5,278,941	125,031,635
Compensated absences	1,681,716	35,104	-	1,259,977	1,269,940	1,706,857	1,536,171	170,686
Business-type activity								
Long-term liabilities	126,314,419	35,104	-	11,224,009	5,556,099	132,017,433	6,815,112	125,202,321
Total debt activity	\$ 194,594,884	\$ (577,529)	\$ 53,000,683	\$ 19,184,451	\$ 13,984,950	\$ 146,216,173	\$ 15,983,602	\$ 130,232,571

* Note: Adjustments show the restatement of Solid Waste Fund compensated absences from Governmental to Business-Type Activities in Fiscal Year 2012, and restatement of unamortized debt premium, debt discount and loss on defeasance for the tax allocation bonds and governmental certificates of participation.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

A description of long-term obligations outstanding at June 30, 2012, 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 \$273,900 to \$339,900 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

Amount
Outstanding
June 30, 2012

\$ 1,831,500

Total Governmental Activities

\$ 1,831,500

Business-Type Activities

Revenue Bonds

Water Fund:

\$9,780,000 - 1994A water revenue refunding serial bonds. Bonds issued to provide funds in order to refund the outstanding City of Santa Barbara Water Revenue and Refunding Bonds of 1979, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$655,000 to \$720,000 through September 1, 2014. Interest rates range from 4.3% to 4.8% payable semi-annually on March 1st and September 1st.

\$ 2,065,000

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 \$655,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.

15,685,000

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 \$865,000 to \$2,995,000 through July 1, 2039.

47,270,000

Total revenue bonds

65,020,000

Certificates of Participation

Waterfront Fund:

19,405,000 - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from \$575,000 to \$1,230,000 through October 1, 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually.

13,870,000

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 \$141,100 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

943,500

Water Fund:

\$15,535,000 - 2002 Refunding Water Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$520,000 to \$1,030,000 through September 1, 2026. Interest rates range from 3.0% to 4.75% payable semi-annually.

11,095,000

Total certificates of participation

25,908,500

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

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 semiannual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025. 12,622,653

\$19,997,929 - 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 semiannual payments of \$655,935. Interest is 2.7934% per annum. The final payment is due January 1, 2027. 15,553,279

\$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 principal and interest payments for 20 years. Interest is 2.5017% per annum. 8,695,381

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. 1,929,329

Waterfront Fund:

\$7,201,000 - 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. 3,084,714

Total loans payable 41,885,356

Total Business-Type Activities \$ 132,813,856

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

The annual requirements to amortize all long-term debt outstanding as of June 30, 2012 are as follows:

Fiscal Year Ending	Governmental Activities	Business-type Activities			Total	
	Principal Payments					
	Certificates of Participation	Revenue Bonds	Certificates of Participation	Other Loans		
2013	\$273,900	\$2,175,000	\$1,236,100	\$1,867,841	\$5,552,841	
2014	287,100	2,265,000	1,292,900	2,285,284	6,130,284	
2015	300,300	2,355,000	1,349,700	2,349,918	6,354,918	
2016	306,900	1,700,000	1,413,100	2,416,472	5,836,472	
2017	323,400	1,780,000	1,496,600	2,485,007	6,085,007	
2018 - 2022	339,900	10,110,000	7,890,100	13,526,940	31,866,940	
2023 - 2027	-	12,585,000	10,000,000	11,898,577	34,483,577	
2028 - 2032	-	11,735,000	1,230,000	3,101,321	16,066,321	
2033 - 2037	-	11,755,000	-	1,258,217	13,013,217	
2038 - 2042	-	8,560,000	-	695,779	9,255,779	
Total Principal	\$1,831,500	\$65,020,000	\$25,908,500	\$41,885,356	\$134,645,356	

Fiscal Year Ending	Interest Payments				Total
2013	\$75,225	\$3,028,430	\$1,292,019	\$1,177,196	\$5,572,870
2014	63,647	2,936,570	1,236,089	1,141,364	5,377,670
2015	50,976	2,840,355	1,172,540	1,076,729	5,140,600
2016	37,502	2,747,275	1,105,136	1,010,175	4,900,088
2017	23,159	2,677,275	1,033,259	941,640	4,675,333
2018 - 2022	7,860	12,127,473	3,974,924	3,606,296	19,716,553
2023 - 2027	-	9,555,040	1,625,194	1,634,088	12,814,322
2028 - 2032	-	6,235,250	30,750	657,765	6,923,765
2033 - 2037	-	3,372,750	-	269,376	3,642,126
2038 - 2040	-	442,000	-	79,997	521,997
Total Interest	\$258,369	\$45,962,418	\$11,469,911	\$11,594,626	\$69,285,324
Total Debt	\$2,089,869	\$110,982,418	\$37,378,411	\$53,479,982	\$203,930,680

GASB 48 Disclosure – Pledging of revenues:

Revenue Bonds:

Annual principal and interest payment on the water revenue bonds are expected to require approximately 10% of net available revenues. Total principal and interest remaining to be paid on the Bonds is \$2,216,800 as of June 30, 2012. For the current year, principal and interest paid on the Bonds was \$734,000 and total water net revenues were \$14,352,824. The Bonds required 5% of net revenues.

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 \$23,027,480 as of June 30, 2012. For the current year, principal and interest paid on the Bonds was \$1,352,213 and total wastewater net revenues were \$4,684,829. The Bonds required 29% of net revenues. The City has complied with all bond covenants.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

Tax Allocation Bonds:

For the current year, principal and interest paid on the Bonds was \$1,782,898, and property tax received in the Redevelopment Agency was \$11,740,474. With the elimination of the Redevelopment Agency on January 31, 2012, the outstanding tax allocation bonds have been assumed by the Successor Agency.

The City has complied with all bond covenants.

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.

Construction

Various construction projects were in progress at June 30, 2012 with an estimated cost to complete of approximately \$32,994,000 in all fund types.

The following material construction commitments existed at June 30, 2012:

<u>Project Name</u>	<u>Amount</u>	<u>Expenditures to date as of June 30, 2012</u>	<u>Commitments</u>
Street Overlay & Resurface Project	\$ 1,515,453	\$ 1,223,484	\$ 291,969
Sidewalk Access Ramps	137,808	76,286	61,522
Ortega Groundwater Treatment Plant Improvements	7,435,588	908,541	6,527,047
Lower West Downtown Street Lighting Project	301,660	248,984	52,676
Headworks Screening Replacement Project	4,943,457	1,254,864	3,688,593
Intersection Improv. at Anacapa & Carrillo Streets	367,895	-	367,895
Sidewalk Infill at 800 Block of E. Carrillo Street	906,763	187,119	719,644
Sidewalk Infill & Access Ramp - Westside	220,216	112,032	108,184
Launch Ramp Boating Trails Construction	413,625	164,463	249,162
Construction of the SBA Short-term Parking Lot Kiosk	119,485	-	119,485
Modoc & Portesuello Intersection Improvements	227,878	-	227,878
Replace Water Main-Sycamore Vista Waterline Project	500,753	-	500,753
Replace Ball Field Lighting at Dwight Murphy Field	196,800	-	196,800

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

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 special losses is isolated and amortized over a fixed and declining 30 year period. Finally, 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.

Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. 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, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 21.442%, the safety police plan rate is 34.468%, and the safety fire plan rate is 32.095% of payroll. Miscellaneous, non-safety, members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes a portion of the contributions required of City employees on their behalf and for their account. The City paid 0.448% of the miscellaneous, non-safety employees' required contribution in the fiscal year ended June 30, 2012, 6.50% of the police safety non-managerial employees' required contribution (increased to 6.734% after April 21, 2012), and 100% of the fire safety employees' and police safety managers required contribution. Additionally, the fire safety employees paid 2.982% of City's share of PERS costs. The contribution requirements of the City and plan members are established and may be amended by PERS.

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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, 2012, the City's annual pension costs for all of the retirement plans, in the amount of \$24,881,631 for PERS, was equal to the City's and employees' required and actual contributions. The required contribution for fiscal year 2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2009
(b) Amortization method	level percent of payroll
(c) Average remaining period	21 years (non-safety), 31 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.75% (net of administrative expenses)
-projected salary increases	3.55% to 13.15% depending on age, service and type of employment – safety
	3.55% to 14.45% depending on age, service, and type of employment – non-safety
-inflation	3.00%
-payroll growth	3.25% compounded annually
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 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:

Three-year Trend Information (all Plans):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	\$ 22,084,844	100%	\$ -
06/30/11	21,529,861	100%	-
06/30/12	24,881,631	100%	-

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, 2009 as provided by CalPERS.

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<u>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>							
2012	06/30/09	\$ 363,220,718	\$ 281,760,454	\$ 81,460,264	77.6%	\$ 52,816,930	154.2%
<u>Safety Fire Plan:</u>							
2012	06/30/09	131,297,827	106,045,827	25,252,000	80.8%	10,105,721	249.9%
<u>Safety Police Plan:</u>							
2012	06/30/09	173,581,671	135,805,999	37,775,672	78.2%	15,110,797	250.0%

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 Fire and Police Pension Plans

Plan Description

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 fifteen (15) 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, 2012, nine (9) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and six (6) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund. Separate audited financial statements are not issued for either plan.

Funding Policy

All of the pensioners are retirees. Plan assets diminished considerably as retirees are paid out of the plan. However, the City contributed \$493,626 in fiscal year 2011 to ensure adequate funds were available to meet the monthly pension commitments. At June 30, 2012, the City has a net pension obligation (NPO) of \$124,000. The City's annual pension cost and net pension obligation for both Plans are shown below.

Annual required contribution	\$ 102,000
Interest on net pension obligation	9,000
Adjustments to annual required contribution	<u>(18,000)</u>
Annual pension cost (expense)	93,000
Contributions made	<u>(102,000)</u>
Increase (decrease) in net pension obligation	(9,000)
Net pension obligation - beginning of year	<u>133,000</u>
Net pension obligation - end of year	<u><u>\$ 124,000</u></u>

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Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	July 1, 2011	July 1, 2011
Asset valuation	Fair value as measured by the market price of investments.	Fair value as measured by the market price of investments.
	This plan has an equity share in the City's investment pool	This plan has an equity share in the City's investment pool
Actuarial cost method*	Unit Credit	Unit Credit
Number of participants	9	6
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	No surviving participants are eligible for increases	
Mortality	RP-2000 projected to 2009 Annuitant Mortality Table for males and females	

*The unit credit actuarial cost method amortizes unfunded actuarial liabilities over the average remaining lifetime of participants.

Three Year Information on Net Pension Obligation and Annual OPEB Costs (in \$000's):

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2010	\$ 140	0%	\$ 624
2011	109	0%	133
2012	93	0%	124

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 July 1, 2011, plus the two prior years.

Safety Retirement Plan Funded Status (in \$000's)

Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status
2010	07/01/09	\$1,472	\$322	\$1,150	21.9%
2011	07/01/10	1,337	226	1,111	16.9%
2012	07/01/11	1,248	682	566	54.6%

The City did not perform separate valuation on the Safety Retirement and the Service Retirement Plan

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Financial Information of the Plans

Financial information of the plans is as follows:

	Safety Retirement	Service Retirement
Total Assets	\$ -	\$ 682,339
Total Liabilities	152,558	1,095,494
Total Net Assets Available	<u>(152,558)</u>	<u>(413,155)</u>
Contributions	106,775	493,626
Investment Earnings	-	61,904
Benefit Payments	<u>(106,775)</u>	<u>(99,070)</u>
Net Change in Net Assets	<u>\$ -</u>	<u>\$ 456,460</u>

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 \$15,500 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. CLASSIFICATION OF NET ASSETS

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets* – 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 Assets* – This category represents the net assets 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.

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- *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.
- *Unassigned* – Residual amounts that have not been restricted, committed, or assigned to specific purposes.

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.

The components of the City’s fund balances at June 30, 2012, consist of the following:

	General Fund	Special Revenue Fund Affordable Housing	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid assets and deposits	\$ 64,397	\$ -	\$ -	\$ 64,397
Loans receivable	3,979,226	49,641,492	-	53,620,718
Advances to other funds	4,620,373	-		4,620,373
Restricted for:				
Administration	8,325	-	-	8,325
Public safety	7,552	-	1,370,065	1,377,617
Public works	63,392	-	6,737,011	6,800,403
Community services	142,536	-	850,949	993,485
Community development	183,412	-	102,368	285,780
Capital improvements	-	-	2,209,587	2,209,587
Debt service reserve	-	-	561,210	561,210
Affordable housing	-	1,366,408	-	1,366,408
Committed for:				
Capital improvements	-	-	6,998,291	6,998,291
Disaster contingency	15,863,350	-	-	15,863,350
Contingencies	2,440,778	-	-	2,440,778
Assigned to:				
Administration	69,988	-	-	69,988
Public works	4,300	-	-	4,300
Community development	28,838	-	-	28,838
Capital improvements	-	-	4,165,410	4,165,410
Unassigned:	-	-	(23,175)	(23,175)
Total Fund Balances	<u>\$ 27,476,467</u>	<u>\$ 51,007,900</u>	<u>\$ 22,971,716</u>	<u>\$ 101,456,083</u>

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NOTE 11. 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 self-insured retention for workers' compensation is \$750,000. An indemnity policy provides statutory limits of in excess of the City's self-insured retention and a \$5 million pooled layer. Employers' Liability is also included with the limits of \$5 million. The City's self-insured retention for general and automobile liability is \$1,000,000. Excess liability coverage is purchased from the commercial market. Coverage provides limits of \$45 million in excess of the City's self-insured retention and a \$4 million pooled layer. 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. The City filed one claim against the faithful performance bond during fiscal year ending June 30, 2012. No other claims were filed against the other various insurance policies.

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-sixth program year July 2011 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. ACCEL settlements have not exceeded coverage 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.

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.

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, 2012, the estimated outstanding liabilities are \$4,091,901 for workers' compensation and \$1,263,697 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2010. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2012, the liability for unemployment claims was \$49,027.

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A summary of changes in claims liabilities is shown below:

	2012	2011	2010
Claims liabilities, July 1	\$ 5,267,866	\$ 5,352,223	\$ 5,920,987
Incurred claims	2,590,982	2,539,718	2,159,715
Actuarial adjustment	87,732	(84,357)	(568,764)
Payments on claims attributable to events of current and prior years	(2,590,982)	(2,539,718)	(2,159,715)
Claims liabilities, June 30	<u>\$ 5,355,598</u>	<u>\$ 5,267,866</u>	<u>\$ 5,352,223</u>

NOTE 12. 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.

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

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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:

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	
2012/13	\$ 2,202,691	\$ 102,661	\$ 236,043	\$ (149)	\$ 1,736,839	\$ 1,972,733	\$ 4,278,085
2013/14	2,618,550	89,084	255,311	(260)	1,730,803	1,985,854	4,693,488
2014/15	2,682,696	87,386	268,171	21	1,729,921	1,998,112	4,768,195
2015/16	2,740,010	89,458	281,416	21	1,727,612	2,009,049	4,838,516
2016/17	2,664,044	-	289,858	-	1,725,998	2,015,856	4,679,900
Thereafter	46,091,708	-	7,498,740	-	8,614,265	16,113,006	62,204,713
TOTAL:	\$ 58,999,698	\$ 368,589	\$ 8,829,539	\$ (366)	\$ 17,265,437	\$ 26,094,610	\$ 85,462,897

(1) Variable costs only shown through 2015/16 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 Water Fund has entered into a cost sharing agreement with the Carpinteria Valley Water District (Carpinteria) and the Montecito Water District (Montecito) for water treatment and distribution. 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 debt issued by the City to make improvements to the water treatment plant. The City currently has three loans outstanding with the California State Department of Water Resources for improvements to the plant (see Note 7) with principal balances outstanding totaling \$36,871,313.

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, 2025.

NOTE 13. 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.

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NOTE 14. 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 is 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 include establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program is 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 is 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 is limited to a purchase price of \$1,250,000. Therefore, the maximum second deed of trust loan available to an employee is \$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 will also pay 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.

As of June 30, 2012, the City has \$3,979,226 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

NOTE 15. DEFICIT FUND EQUITY

The Safety Retirement Pension Trust Fund has a deficit fund balance of (\$563,669) as of June 30, 2012. The deficit will be eliminated through contributions from the City’s General Fund.

The Disaster Recovery Initiative Fund has a deficit fund balance of (\$23,175) as of June 30, 2012. The deficit will be eliminated through reimbursements from the grantor.

NOTE 16. 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 15 or more years of classified or unclassified service; or
2. Retire from City with an industrial disability.

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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 has elected to continue funding 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 September 2012 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.

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)	\$ 3,354,000
Interest on Net OPEB Obligation	250,000
Adjustment to the ARC	<u>(228,000)</u>
 Annual OPEB Cost	 \$3,376,000
Contributions Made	<u>(1,104,000)</u>
Increase (Decrease) in Net OPEB Obligation	2,272,000
Net OPEB Obligation – Beginning of Year	<u>6,256,000</u>
Net OPEB Obligation – End of Year	<u>\$8,528,000</u>

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, 2012 and each of the preceding two years was as follows:

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Fiscal Year Ending	Annual Pension Cost (APC)	Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2010	\$ 3,131,000	\$ 942,000	30.1%	\$ 4,142,000
6/30/2011	\$ 3,290,000	\$1,176,000	35.7%	\$ 6,256,000
6/30/2012	\$ 3,376,000	\$1,104,000	32.7%	\$ 8,528,000

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

Fiscal Year	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2010	07/01/09	\$0	\$30,697	\$30,697	0%	\$76,267	40.2%
2011	07/01/10	\$0	\$33,009	\$33,009	0%	\$78,746	41.9%
2012	07/01/11	\$0	\$34,113	\$34,113	0%	\$74,178	46.0%

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 effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method - In the July 1, 2011 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

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

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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 1997-2002 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 retire directly from City employment and have accrued at least 500 of unused sick leave.

Funding Policy. The City is evaluating various options for funding the sick leave retiree benefits. The City has not set up a trust for purposes of funding the required sick leave retiree benefits but has elected to continue funding 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 September 2012 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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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)	\$ 456,000
Interest on Net OPEB Obligation	7,000
Adjustment to the ARC	<u>(6,000)</u>
Annual OPEB Cost	457,000
Contributions Made	<u>(402,000)</u>
Increase (Decrease) in Net OPEB Obligation	55,000
Net OPEB Obligation – Beginning of Year	<u>167,000</u>
Net OPEB Obligation – End of Year	<u><u>\$222,000</u></u>

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, 2012 was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2010	\$ 368,000	\$ 570,000	154.9%	\$ 45,000
6/30/2011	\$ 367,000	\$ 245,000	66.8%	\$ 167,000
6/30/2012	\$ 457,000	\$ 402,000	88.0%	\$ 222,000

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

Fiscal Year	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2010	07/01/09	\$0	\$3,805	\$3,805	0%	\$68,107	5.6%
2011	07/01/10	\$0	\$3,608	\$3,608	0%	\$70,321	5.1%
2012	07/01/11	\$0	\$4,910	\$4,910	0%	\$65,904	7.5%

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 effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF SANTA BARBARA
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Actuarial Cost Method - In the July 1, 2011 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

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.

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations in fiscal year 2012 are detailed as follows:

	<u>Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
Other governmental funds:			
County Library			
Community services	\$ 1,883,326	\$ 1,891,947	\$ (8,621)
Police-Supplemental Law Enforcement			
Public safety	100,000	183,691	(83,691)

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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NOTE 18. RESTATEMENT OF BEGINNING NET ASSETS

In fiscal year 2012, the Solid Waste Fund is being presented as an enterprise fund, while in fiscal year 2011 it was presented as a special revenue fund. The beginning fund balance has been restated to reflect the change from using the modified accrual basis to a full accrual basis.

Business-Type Activities

Enterprise Funds

Solid Waste Fund

Adjust for employee accrued leave liability	\$ (35,104)
Adjust for hauler expenses incurred in June 2012	(1,304,273)
Adjust for June 2012 revenue unbilled as of June 30, 2012	459,411
	(879,966)

Total Solid Waste Fund

Presented as Enterprise Fund, while in fiscal year 2011 it was presented as a special revenue fund	1,390,386
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Total Business-Type Activities	<u>\$ 510,420</u>
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Governmental Funds

Solid Waste Fund

Presented as Enterprise Fund, while in fiscal year 2011 it was presented as a special revenue fund	\$ (1,390,386)
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Total Governmental Activities	<u>\$ (1,390,386)</u>
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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.

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.

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

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

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

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successory Agency Trust Fund	\$ 44,953,910
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	98,347,431
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund:	
Bonds Payable	(52,920,000)
Unamortized premiums/discounts	(368,720)
Loss on defeasance	288,037
Unamortized deferred charges	908,860
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	\$ 91,209,518

a. Cash and investments

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

Cash and investments pooled with the City	\$ 23,443,870
Cash and investments with fiscal agent	11,444,166
	\$ 34,888,036

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Notes to the Basic Financial Statements
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b. Capital Assets

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

	Beginning Balance July 1, 2011	Transferred from Former RDA	Increases	Decreases	Ending Balance June 30, 2012
Fiduciary Activities:					
Non-depreciating capital assets:					
Construction in progress	\$ -	\$ 7,452,071	\$ 1,825,345	\$ -	\$ 9,277,416
Land	-	40,429,911	-	-	40,429,911
Total non-depreciating capital assets	-	47,881,982	1,825,345	-	49,707,327
Depreciating capital assets:					
Buildings	-	26,340,653	-	-	26,340,653
Building improvements	-	6,128,016	-	-	6,128,016
Improvements other than buildings	-	30,554,229	-	-	30,554,229
Equipment	-	603,500	-	-	603,500
Infrastructure	-	12,351,554	-	-	12,351,554
Total depreciating capital assets	-	75,977,952	-	-	75,977,952
Less accumulated depreciation:					
Buildings	-	3,671,029	528,602	-	4,199,631
Building improvements	-	154,056	151,740	-	305,796
Improvements other than buildings	-	19,813,117	1,060,182	-	20,873,299
Equipment	-	85,107	13,093	-	98,200
Infrastructure	-	1,789,194	349,427	-	2,138,621
Total accumulated depreciation	-	25,512,503	2,103,044	-	27,615,547
Total capital assets, being depreciated, net	-	50,465,449	(2,103,044)	-	48,362,405
Fiduciary activities capital assets, net	\$ -	\$ 98,347,431	\$ (277,699)	\$ -	\$ 98,069,732

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, 2012, follows:

	Balance July 1, 2011	Transferred from the former RDA	Additions	Deductions	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Fiduciary Funds:							
Tax allocation bonds	\$ -	\$ 52,920,000	\$ -	\$ 5,215,000	\$ 47,705,000	\$ 5,925,000	\$ 41,780,000
Unamortized debt premium	-	585,028	-	73,128	511,900	-	511,900
Unamortized debt discount	-	(216,308)	-	(27,038)	(189,270)	-	(189,270)
Loss on defeasance	-	(288,037)	-	(41,857)	(246,180)	-	(246,180)
Total Fiduciary Funds	\$ -	\$ 53,000,683	\$ -	\$ 5,219,233	\$ 47,781,450	\$ 5,925,000	\$ 41,856,450

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Outstanding
June 30, 2012

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 \$505,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.

\$3,915,000

\$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 \$2,140,000 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.

17,320,000

\$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 \$3,280,000 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.

26,470,000

Total tax allocation bonds

\$47,705,000

The annual requirements to amortize all long-term debt outstanding as of June 30, 2012 are as follows:

Tax Allocation Bonds	
Fiscal Year	
Ending	Principal Payments
2013	\$ 5,925,000
2014	6,195,000
2015	6,485,000
2016	6,790,000
2017	7,085,000
2018 - 2022	<u>15,225,000</u>
Total Principal	<u>\$ 47,705,000</u>
Fiscal Year	
Ending	Interest Payments
2013	\$ 2,220,460
2014	1,949,835
2015	1,662,175
2016	1,356,980
2017	1,057,830
2018 - 2022	<u>1,065,443</u>
Total Interest	<u>\$ 9,312,723</u>
Total Debt	<u>\$ 57,017,723</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

GASB 48 Disclosure – Pledging of revenues:

Tax Allocation Bonds:

The total principal and interest remaining to be paid on the Bonds is \$57,017,723 as of June 30, 2012. For the current year, principal and interest paid on the Bonds was \$6,365,133, and property tax received in the Successor Agency was \$1,932,823. 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.

On June 14, 2012, Moody’s Investors Service (“Moody’s”) downgraded all California tax allocation bonds rated ‘Baa3’ and above. As such, the Bonds’ insured rating was downgraded from ‘A3’ to ‘Ba1’ and underlying rating was downgraded from ‘A3’ to ‘Ba1’. According to Moody’s, all California tax allocation bond ratings remain on review for possible withdrawal.

d. Commitments and Contingencies

Various construction projects were in progress at June 30, 2012 with an estimated cost to complete of approximately \$772,000 in all fund types.

The following material construction commitments existed at June 30, 2012:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2012</u>	<u>Remaining Commitments</u>
Helena Parking Lot Development	\$ 289,304	\$ 245,080	\$ 44,225
West Beach Pedestrian Improvements	145,049	19,464	125,585
Plaza De La Guerra Infrastructure	233,746	178,689	55,057
Fire Department Administration Annex	298,601	283,593	15,008
Parking Structure Improvements	452,603	365,444	87,159
Library Plaza Renovation	130,685	55,216	75,469
PD Locker Room Upgrade	207,012	-	207,012
Lower West Downtown Street Lighting	127,878	101,222	26,656

e. Subsequent Events

Transfer of Housing Assets

On February 1, 2012, the Redevelopment Agency (RDA) of the City of Santa Barbara dissolved. On January 10, 2012, in accordance with California Health & Safety Code section 34176, the City Council adopted Resolution No. 12-003 declaring its election to retain and assume the housing assets and functions performed by the Redevelopment Agency of the City of Santa Barbara prior to its dissolution. In connection with the dissolution, and as allowed pursuant to AB 1x 26, the assets held by the former RDA Housing Fund were transferred as of January 31, 2012 to the City of Santa Barbara. Assembly Bill 1484, adopted by the State Legislature to implement AB 1X 26, defines “Housing Assets” to include real property, restrictions on real property such as restrictive covenants, encumbered low and moderate income housing funds, loans receivable and operating and rental payments. Housing staff was required under AB 1484 to compile a list, called the “Housing Asset Transfer Form”, comprised of all of the former RDA’s housing assets that met the definition of “Housing Assets”. On August 1, 2012, in accordance with Health and Safety Code Section 34176 (a) (2), the City of Santa Barbara submitted the “Housing Asset Transfer Form” to the California Department of Finance (DOF) for review. On August 29, 2012, the City received notice that the DOF

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2012

did not object to any assets listed or to the transfer and assignment of those Housing Assets to the City. Consequently, these assets are now accounted for in the City Affordable Housing Fund as of June 30, 2012.

Transfer of Governmental Purpose Capital Assets

Assembly Bill 1484 provides that an oversight board may, by resolution adopted at a duly noticed public hearing, direct a successor agency to transfer ownership of those assets that it finds were constructed and used for a governmental purpose to the appropriate public agency.

On September 20, 2012, the Oversight Board to the Successor Agency to the Redevelopment Agency of the City of Santa Barbara, at a duly noticed public hearing, adopted Resolution No. 005 directing the Successor Agency to transfer ownership of certain property constructed and used for governmental purposes to the City of Santa Barbara. The property recommended by the Oversight Board for transfer to the City includes the Bath Street properties, Chase Palm Park, Ortega Water Treatment Facility, several public parking lots and structures, and the historic Railroad Depot campus.

The remaining property owned by the former Redevelopment Agency of the City of Santa Barbara, including the property located at 125 Calle Cesar Chavez and the remainder interest in Paseo Nuevo Retail Center, will be included within the long-range property management plan to be prepared by the Successor Agency in early 2013. Oversight Board Resolution No. 005 was transmitted to the DOF on October 12, 2012. The DOF initiated review of the resolution and subsequently approved transfer of title to the Chase Palm Park expansion parcels and the Ortega Water Treatment facility parcel to the City. The transfer of all other parcels to the City was returned to the Oversight Board for reconsideration.

The governmental use capital assets reported as of June 30, 2012 belong to the Successor Agency. In fiscal year 2013, the capital assets approved for transfer (Chase Palm Park and Ortega Water Treatment facility) will be transferred to the City. The remaining governmental use capital assets are the subject of further discussion between the Successor Agency and the DOF.

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

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 Economic Development Fund and the 2002 Municipal Refunding Certificates Fund did not have a legally adopted budget during the current year. 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	\$ 103,207,554
Re-appropriated Prior Year Encumbrances	555,058
Amendments	<u>1,761,972</u>
Amended Budget	<u><u>\$ 105,524,584</u></u>

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 63,661,313	\$ 64,688,461	\$ 66,446,250	\$ 1,757,789
Franchise fees	3,593,200	3,593,200	3,578,619	(14,581)
Intergovernmental	702,650	502,650	323,311	(179,339)
Fines and forfeitures	3,109,916	3,109,916	2,939,504	(170,412)
Use of money and property	1,157,264	1,138,779	1,231,019	92,240
Charges for services	20,428,725	20,375,821	19,903,040	(472,781)
Other revenues	8,703,909	8,710,309	7,423,398	(1,286,911)
Total revenues	<u>101,356,977</u>	<u>102,119,136</u>	<u>101,845,141</u>	<u>(273,995)</u>
Expenditures:				
Current:				
Mayor and council	725,196	725,196	708,296	16,900
City attorney	1,930,640	1,950,640	1,922,715	27,925
City administration	1,904,751	2,040,589	1,985,430	55,159
Administrative services	1,947,674	1,947,674	1,769,908	177,766
Finance	4,392,750	4,392,750	4,312,453	80,297
Fire	21,086,991	21,038,667	20,901,298	137,369
Police	34,521,329	34,648,043	34,170,487	477,556
Public works	6,749,009	6,799,956	6,513,726	286,230
Parks and recreation	12,551,883	12,678,310	12,654,554	23,756
Library	3,930,476	4,032,487	3,820,223	212,264
Community development	9,917,346	10,116,901	8,946,275	1,170,626
Community promotions	2,373,058	2,117,712	1,991,153	126,559
Total expenditures	<u>102,031,103</u>	<u>102,488,925</u>	<u>99,696,518</u>	<u>2,792,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(674,126)</u>	<u>(369,789)</u>	<u>2,148,623</u>	<u>2,518,412</u>
Other financing sources (uses):				
Transfers in	1,850,577	1,850,577	1,774,527	(76,050)
Transfers out	(1,176,451)	(3,035,659)	(2,992,663)	42,996
Total other financing sources (uses)	<u>674,126</u>	<u>(1,185,082)</u>	<u>(1,218,136)</u>	<u>(33,054)</u>
Net change in fund balances	-	(1,554,871)	930,487	2,485,358
Fund balances, beginning of fiscal year	<u>26,545,980</u>	<u>26,545,980</u>	<u>26,545,980</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 26,545,980</u>	<u>\$ 24,991,109</u>	<u>\$ 27,476,467</u>	<u>\$ 2,485,358</u>

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AFFORDABLE HOUSING FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ 313,899	\$ 354,232	\$ 40,333
Total revenues	-	313,899	354,232	40,333
Expenditures:				
Community development	-	363,881	283,151	80,730
Total expenditures	-	363,881	283,151	80,730
Excess (deficiency) of revenues over (under) expenditures	-	(49,982)	71,081	121,063
Other financing uses:				
Transfers out	-	(2,221)	(2,221)	-
Total other financing uses	-	(2,221)	(2,221)	-
Extraordinary gain/(loss) on dissolution of RDA (Note 19)	-	-	50,939,040	50,939,040
Net change in fund balances	-	(52,203)	51,007,900	51,060,103
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ (52,203)	\$ 51,007,900	\$ 51,060,103

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

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.
- 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 238 miles of paved surfaces, comprised of 125 miles of residential streets, 40 miles of principal arterial and arterial streets, 71 miles of collector streets and 3 miles of alleys. This equates to almost 40,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition assessment of the City’s street network, including a pavement preservation program. Every two years the study is updated and identifies and records the updated condition assessment of all of the City’s streets. The streets, which are primarily concrete and asphalt pavement, were defined as the physical features associated with the operation of motorized vehicles that exist within the limits of the right of way. City owned streets are classified based on land use, access, and traffic utilization into the following four classifications: residential, principal arterial, arterial, and collector. It is anticipated the condition assessment will be performed every two years covering at least one-third of the City’s streets on a rotating basis. As part of the study, each street was assigned a physical condition based on a variety of potential defects. A Pavement Condition Index (PCI), a nationally recognized index, is assigned to each street and 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 conditions were assigned:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City’s preservation program and maintenance estimates were developed to maintain the current infrastructure of streets at or above the average actual condition levels of the streets at the time each of the studies was conducted in 2001, 2002, 2004, 2006, 2008, 2010, and 2012, which were 74, 75, 72, 71, 71, 69, and 63 (“Good”), respectively. This rating level 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 preservation levels is to maintain a minimum average rating of no less than 60 (“Good”) for all streets. During the past few years, the PCI has declined slightly due to budgetary constraints.

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

As of June 30, 2012, the City's street system was rated an average PCI index value of 63 ("Good") with the detail condition as follows:

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent to Good	73%
Fair	15%
Poor to Substandard	12%

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 \$4,102,160 on street maintenance for the fiscal year ended June 30, 2012. The City has estimated that the average amount of annual expenditures required for fiscal years 2013-2017 to maintain the City's streets at an average PCI rating of at least 70 is approximately \$12,400,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is \$23.4 million at June 30, 2012. 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>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
2007-2008	\$ 6,021,356	\$ 3,135,532	71
2008-2009	8,335,724	2,385,539	71
2009-2010	7,160,438	3,045,353	69
2010-2011	6,706,045	3,229,503	69
2011-2012	6,516,750	4,102,160	63

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.

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

Schedule of Funding Progress – PERS Defined Benefit Pension Plan

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>							
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%
<u>Safety Fire Plan:</u>							
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%
<u>Safety Police Plan:</u>							
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%

Schedule of Funding Progress – Safety & Service Defined Benefit Pension Plan

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
2005	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A
2007	07/01/05	\$ 1,962,848	\$ 836,932	\$ 1,125,916	42.6%
2008	07/01/05	1,962,848	836,932	1,125,916	42.6%
2009	07/01/05	1,962,848	836,932	1,125,916	42.6%
2010	07/01/09	1,472,000	322,000	1,150,000	21.9%
2011	07/01/10	1,337,000	226,000	1,111,000	16.9%
2012	07/01/11	1,248,000	682,000	566,000	54.6%

Note: Separate information for Safety and Service Retirement Plan is not available.

Schedule of Funding Progress – OPEB-Retiree Medical
Schedule of Funding Progress (000s Omitted)

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
2010	7/1/2009	\$ -	\$ 30,697	\$ 30,697	0%	\$ 76,267	40.2%
2011	7/1/2010	-	33,009	33,009	0%	78,746	41.9%
2012	7/1/2011	-	34,113	34,113	0%	74,178	46.0%

OPEB information is not available in preceding years as the City adopted GASB Statement No. 45 in 2008.

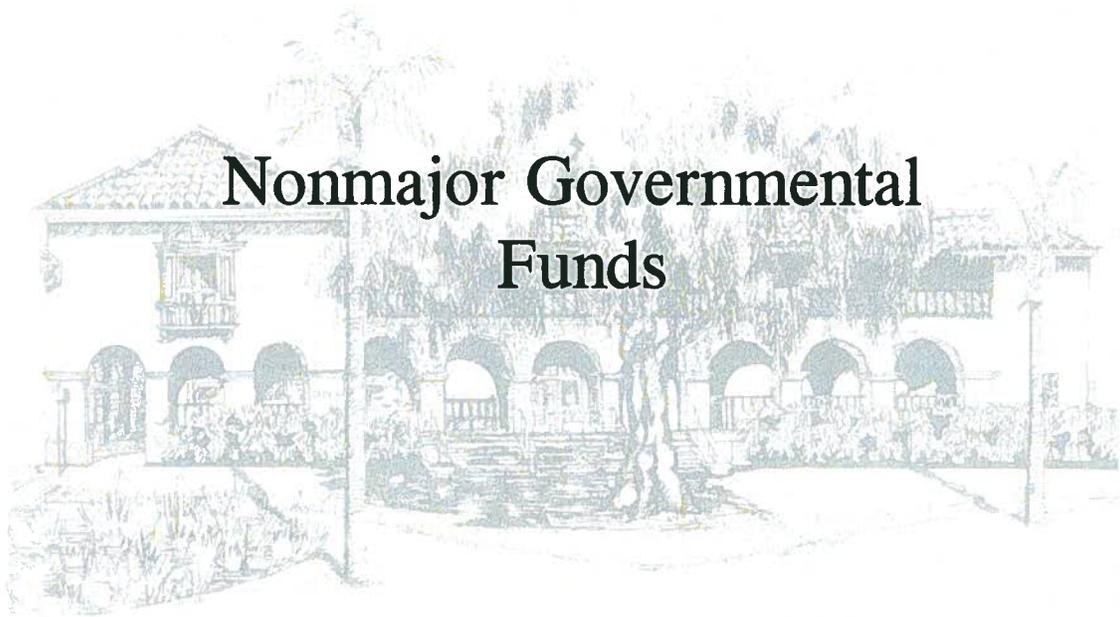
CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2012

Schedule of Funding Progress – OPEB-Sick Leave Retirement Benefits

Schedule of Funding Progress (000s Omitted)

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Annual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2010	\$ 368	\$ 570	154.9%	\$ 45
6/30/2011	367	245	66.8%	167
6/30/2012	457	402	88.0%	222

OPEB information is not available in preceding years as the City adopted GASB Statement No. 45 for this plan in 2010.



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.

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.

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

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.

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

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

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.

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

Undergrounding Utility Fund- To account for funds received and expended for undergrounding utility services.

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

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

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.

Police – Justice Assistance Grant Fund - To account for Federal grants funds received for local law enforcement activities.

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.

Redevelopment Agency Fund - To account for all financial operating activity of the redevelopment agency.

Economic Development Fund (Unbudgeted) - To account for economic development projects.

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.

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

Redevelopment Agency Capital Projects Fund - To account for all capital projects of the redevelopment agency.

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, 2012**

	Special Revenue							
<u>Assets</u>	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	Community Dev Block Grant	HOME Program	Disaster Recovery Initiative	County Library	Street Sweeping
Cash	\$ -	\$ 52,459	\$ 5,479	\$ -	\$ 1,499	\$ -	\$ 3,565	\$ 2,817
Investments	-	2,756,622	287,889	-	78,783	-	187,354	148,041
Accounts receivable	-	282,735	-	450,094	-	409,700	488,689	-
Loans receivable	-	-	-	5,725,081	7,474,121	-	-	-
Advance to other funds	-	335,890	11,896	-	-	-	15,631	-
Cash and investments with fiscal agents	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,427,706</u>	<u>\$ 305,264</u>	<u>\$ 6,175,175</u>	<u>\$ 7,554,403</u>	<u>\$ 409,700</u>	<u>\$ 695,239</u>	<u>\$ 150,858</u>
 Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 38,768	\$ -	\$ 144,442	\$ -	\$ 11,174	\$ 29,928	\$ 52,738
Salaries and benefits payable	-	38,693	-	3,807	1,221	-	48,547	2,229
Interest payable	-	-	-	-	-	-	-	-
Interfund payables	-	-	-	301,845	-	421,701	-	-
Deposits	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	79,061	-	-	-
Deferred revenue	-	-	-	5,725,081	7,474,121	-	-	-
Total liabilities	<u>-</u>	<u>77,461</u>	<u>-</u>	<u>6,175,175</u>	<u>7,554,403</u>	<u>432,875</u>	<u>78,475</u>	<u>54,967</u>
 Fund balances:								
Restricted	-	3,350,245	305,264	-	-	-	616,764	95,891
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(23,175)	-	-
Total fund balances	<u>-</u>	<u>3,350,245</u>	<u>305,264</u>	<u>-</u>	<u>-</u>	<u>(23,175)</u>	<u>616,764</u>	<u>95,891</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,427,706</u>	<u>\$ 305,264</u>	<u>\$ 6,175,175</u>	<u>\$ 7,554,403</u>	<u>\$ 409,700</u>	<u>\$ 695,239</u>	<u>\$ 150,858</u>

Special Revenue

Measure D Road Maintenance	Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement	Police - Justice Assistance Grant
\$ 34,154	\$ 2,406	\$ 2,021	\$ 21,580	\$ 10,198	\$ 1,172	\$ -	\$ -
1,794,736	126,421	106,223	1,134,007	535,913	61,610	-	-
-	-	-	198	291,406	-	20,194	-
-	-	-	-	-	-	-	-
92,726	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,921,616</u>	<u>\$ 128,827</u>	<u>\$ 108,244</u>	<u>\$ 1,155,785</u>	<u>\$ 837,517</u>	<u>\$ 62,782</u>	<u>\$ 20,194</u>	<u>\$ -</u>
\$ 146,909	\$ 33	\$ -	\$ 49,377	\$ 138,327	\$ 39,720	\$ -	\$ -
-	3,530	-	3,089	-	-	-	-
-	-	-	55,836	-	-	-	-
-	-	-	-	-	-	20,194	-
-	-	-	188,381	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>146,909</u>	<u>3,563</u>	<u>-</u>	<u>296,683</u>	<u>138,327</u>	<u>39,720</u>	<u>20,194</u>	<u>-</u>
1,774,707	125,264	108,244	859,102	699,190	23,062	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,774,707</u>	<u>125,264</u>	<u>108,244</u>	<u>859,102</u>	<u>699,190</u>	<u>23,062</u>	<u>-</u>	<u>-</u>
<u>\$ 1,921,616</u>	<u>\$ 128,827</u>	<u>\$ 108,244</u>	<u>\$ 1,155,785</u>	<u>\$ 837,517</u>	<u>\$ 62,782</u>	<u>\$ 20,194</u>	<u>\$ -</u>

(Continued)

**CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2012**

	Special Revenue			Capital Projects			
	Measure A	Redevelopment Agency	Economic Development	General Capital Improvements	Street Capital Improvements	Street Grant Capital	Redevelopment Agency
Assets							
Cash	\$ 18,827	\$ -	\$ -	\$ 51,130	\$ 86,057	\$ -	\$ -
Investments	989,324	-	-	2,686,805	4,522,158	-	-
Accounts receivable	213,540	-	-	-	695,503	1,651,170	-
Loans receivable	-	-	-	-	-	-	-
Advance to other funds	30,710	-	-	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Total assets	\$ 1,252,401	\$ -	\$ -	\$ 2,737,935	\$ 5,303,718	\$ 1,651,170	\$ -
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 107,397	\$ -	\$ -	\$ 162,916	\$ 451,402	\$ 333,601	\$ -
Salaries and benefits payable	42,344	-	-	-	141,206	-	-
Interest payable	-	-	-	-	-	-	-
Interfund payables	-	-	-	-	-	605,640	-
Deposits	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	339,385	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	149,741	-	-	162,916	592,608	1,278,626	-
Fund balances:							
Restricted	1,102,660	-	-	129,455	675,917	372,544	-
Committed	-	-	-	1,173,015	2,513,858	-	-
Assigned	-	-	-	1,272,549	1,521,335	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	1,102,660	-	-	2,575,019	4,711,110	372,544	-
Total liabilities and fund balances	\$ 1,252,401	\$ -	\$ -	\$ 2,737,935	\$ 5,303,718	\$ 1,651,170	\$ -

	Debt Service	
Creeks Restoration Capital Improvement	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
\$ 108,452	\$ -	\$ 401,816
5,698,975	-	21,114,861
-	-	4,503,229
-	-	13,199,202
-	-	486,853
-	561,210	561,210
<u>\$ 5,807,427</u>	<u>\$ 561,210</u>	<u>\$ 40,267,171</u>

\$ 92,812	\$ -	\$ 1,799,544
-	-	284,666
-	-	55,836
-	-	1,349,380
-	-	188,381
-	-	418,446
-	-	13,199,202
<u>92,812</u>	<u>-</u>	<u>17,295,455</u>

1,031,671	561,210	11,831,190
3,311,418	-	6,998,291
1,371,526	-	4,165,410
-	-	(23,175)
<u>5,714,615</u>	<u>561,210</u>	<u>22,971,716</u>
<u>\$ 5,807,427</u>	<u>\$ 561,210</u>	<u>\$ 40,267,171</u>

(Concluded)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2012

	Special Revenue							
	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	Community Dev Block Grant	HOME Program	Disaster Recovery Initiative	County Library	Street Sweeping
Revenues:								
Taxes	\$ -	\$ 2,732,394	\$ 56,484	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,554,078	608,970	409,700	1,398,058	-
Fines and forfeitures	433,735	1,728	-	-	-	-	158,885	632,395
Use of money and property	-	151,943	5,348	-	-	-	24,979	-
Charges for services	-	-	-	-	-	-	-	-
Program income	-	-	-	236,003	84,735	-	-	-
Other revenues	-	15,358	-	-	27,330	-	294,508	-
Total revenues	433,735	2,901,423	61,832	1,790,081	721,035	409,700	1,876,430	632,395
Expenditures:								
Current:								
Public safety	29,785	-	-	-	-	-	-	-
Public works	-	1,472,578	61,833	-	-	-	-	618,589
Community services	-	-	-	-	-	-	1,872,015	-
Community development	-	-	-	1,790,081	721,035	23,175	-	-
Capital Outlay:								
Capital improvements	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	29,785	1,472,578	61,833	1,790,081	721,035	23,175	1,872,015	618,589
Excess (deficiency) of revenues over (under) expenditures	403,950	1,428,845	(1)	-	-	386,525	4,415	13,806
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	48,008	335,979
Transfers out	(403,950)	(1,425,305)	-	-	-	(409,700)	(19,932)	(303,249)
Total other financing sources (uses)	(403,950)	(1,425,305)	-	-	-	(409,700)	28,076	32,730
Extraordinary gain/(loss) on dissolution of RDA (Note 19)	-	-	-	-	-	-	-	-
Net change in fund balances	-	3,540	(1)	-	-	(23,175)	32,491	46,536
Fund balances, beginning of fiscal year	-	3,346,705	305,265	-	-	-	584,273	49,355
Fund balances, end of fiscal year	\$ -	\$ 3,350,245	\$ 305,264	\$ -	\$ -	\$ (23,175)	\$ 616,764	\$ 95,891

Special Revenue

Measure D Road Maintenance	Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement	Police - Justice Assistance Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	79,901	1,549,263	-	183,528	-
-	-	-	-	-	-	-	-
42,722	-	-	2,098	-	-	163	-
-	-	13,562	-	247,408	9,286	-	-
-	-	-	-	-	-	-	-
-	231,033	-	85,341	147,485	-	-	-
42,722	231,033	13,562	167,340	1,944,156	9,286	183,691	-
-	199,488	-	170,845	587,483	-	183,691	112,173
1,163,615	-	86,915	-	-	41,306	-	-
-	-	-	-	793,026	-	-	-
-	-	-	-	683,455	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,163,615	199,488	86,915	170,845	2,063,964	41,306	183,691	112,173
(1,120,893)	31,545	(73,353)	(3,505)	(119,808)	(32,020)	-	(112,173)
-	-	-	-	133,557	-	-	-
-	-	(150,000)	-	-	-	-	-
-	-	(150,000)	-	133,557	-	-	-
-	-	-	-	-	-	-	-
(1,120,893)	31,545	(223,353)	(3,505)	13,749	(32,020)	-	(112,173)
2,895,600	93,719	331,597	862,607	685,441	55,082	-	112,173
\$ 1,774,707	\$ 125,264	\$ 108,244	\$ 859,102	\$ 699,190	\$ 23,062	\$ -	\$ -

(Continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2012

	Special Revenue			Capital Projects			
	Measure A	Redevelopment Agency	Economic Development	General Capital Improvements	Street Capital Improvements	Street Grant Capital	Redevelopment Agency
Revenues:							
Taxes	\$ 3,128,354	\$ 11,740,474	\$ -	\$ -	6,986,966	\$ -	\$ -
Intergovernmental	-	-	-	40,000	2,970,884	5,663,323	-
Fines and forfeitures	-	-	-	-	-	-	-
Use of money and property	13,998	615,573	-	-	-	-	1,243
Charges for services	-	-	-	-	452,130	-	-
Program income	-	-	-	-	-	-	-
Other revenues	-	850	-	1,142	119,423	-	-
Total revenues	3,142,352	12,356,897	-	41,142	10,529,403	5,663,323	1,243
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	-
Public works	2,858,483	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Community development	-	2,119,151	-	-	-	-	-
Capital Outlay:							
Capital improvements	-	-	-	1,332,294	10,976,521	4,951,088	3,516,433
Debt Service:							
Principal	-	490,000	-	-	-	-	-
Interest	-	142,765	-	-	-	-	1,150,133
Total expenditures	2,858,483	2,751,916	-	1,332,294	10,976,521	4,951,088	4,666,566
Excess (deficiency) of revenues over (under) expenditures	283,869	9,604,981	-	(1,291,152)	(447,118)	712,235	(4,665,323)
Other financing sources (uses):							
Transfers in	-	58,168,306	-	1,998,688	243,227	-	4,728,223
Transfers out	-	(4,756,303)	(58,168,306)	-	(150,000)	-	-
Total other financing sources (uses)	-	53,412,003	(58,168,306)	1,998,688	93,227	-	4,728,223
Extraordinary gain/(loss) on dissolution of RDA (Note 19)	-	(63,016,984)	-	-	-	-	(32,875,966)
Net change in fund balances	283,869	-	(58,168,306)	707,536	(353,891)	712,235	(32,813,066)
Fund balances, beginning of fiscal year	818,791	-	58,168,306	1,867,483	5,065,001	(339,691)	32,813,066
Fund balances, end of fiscal year	\$ 1,102,660	\$ -	\$ -	\$ 2,575,019	\$ 4,711,110	\$ 372,544	\$ -

Creeks Restoration Capital Improvements	Debt Service	Total Nonmajor Governmental Funds
	2002 Municipal Refunding Certificates	
\$ -	\$ -	\$ 24,644,672
941,195	-	15,398,900
-	-	1,226,743
-	28,707	886,774
-	-	722,386
-	-	320,738
-	-	922,470
<u>941,195</u>	<u>28,707</u>	<u>44,122,683</u>
-	-	1,283,465
-	-	6,303,319
-	-	2,665,041
-	-	5,336,897
1,803,665	-	22,580,001
-	264,000	754,000
-	103,339	1,396,237
<u>1,803,665</u>	<u>367,339</u>	<u>40,318,960</u>
<u>(862,470)</u>	<u>(338,632)</u>	<u>3,803,723</u>
1,225,000	338,594	67,219,582
-	-	(65,786,745)
<u>1,225,000</u>	<u>338,594</u>	<u>1,432,837</u>
-	-	(95,892,950)
362,530	(38)	(90,656,390)
<u>5,352,085</u>	<u>561,248</u>	<u>113,628,106</u>
<u>\$ 5,714,615</u>	<u>\$ 561,210</u>	<u>\$ 22,971,716</u>

(Concluded)

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRAFFIC SAFETY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 515,000	\$ 515,000	\$ 433,735	\$ (81,265)
Expenditures:				
Current:				
Public Safety	35,000	35,000	29,785	5,215
Excess of revenues over expenditures	480,000	480,000	403,950	(76,050)
Other financing uses:				
Transfers out	(480,000)	(480,000)	(403,950)	76,050
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ -	\$ -

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION/WATER QUALITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,638,200	\$ 2,638,200	\$ 2,732,394	\$ 94,194
Use of money and property	156,200	156,200	151,943	(4,257)
Fines and forfeitures	-	-	1,728	1,728
Other revenues	6,400	6,400	15,358	8,958
Total revenues	<u>2,800,800</u>	<u>2,800,800</u>	<u>2,901,423</u>	<u>100,623</u>
Expenditures:				
Current:				
Public works	<u>2,120,420</u>	<u>2,120,420</u>	<u>1,472,578</u>	<u>647,842</u>
Excess of revenues over expenditures	680,380	680,380	1,428,845	748,465
Other financing uses:				
Transfers out	<u>(1,425,305)</u>	<u>(1,425,305)</u>	<u>(1,425,305)</u>	<u>-</u>
Net change in fund balances	(744,925)	(744,925)	3,540	748,465
Fund balances, beginning of fiscal year	<u>3,346,705</u>	<u>3,346,705</u>	<u>3,346,705</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,601,780</u>	<u>\$ 2,601,780</u>	<u>\$ 3,350,245</u>	<u>\$ 748,465</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRANSPORTATION DEVELOPMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 54,308	\$ 56,484	\$ 56,484	\$ -
Use of money and property	7,800	5,600	5,348	(252)
Total revenues	<u>62,108</u>	<u>62,084</u>	<u>61,832</u>	<u>(252)</u>
Expenditures:				
Current:				
Public works	<u>62,108</u>	<u>264,660</u>	<u>61,833</u>	<u>202,827</u>
Deficiency of revenues under expenditures	-	(202,576)	(1)	202,575
Fund balances, beginning of fiscal year	<u>305,265</u>	<u>305,265</u>	<u>305,265</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 305,265</u>	<u>\$ 102,689</u>	<u>\$ 305,264</u>	<u>\$ 202,575</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,163,606	\$ 2,480,423	\$ 1,554,078	\$ (926,345)
Program income	250,000	250,000	236,003	(13,997)
Total revenues	<u>1,413,606</u>	<u>2,730,423</u>	<u>1,790,081</u>	<u>(940,342)</u>
Expenditures:				
Current:				
Community development	<u>1,413,606</u>	<u>2,730,423</u>	<u>1,790,081</u>	<u>940,342</u>
Excess of revenues over expenditures	-	-	-	-
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
HOME PROGRAM
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 822,600	\$ 720,000	\$ 608,970	\$ (111,030)
Program income	3,000	16,000	84,735	68,735
Other revenues	91,400	80,000	27,330	(52,670)
Total revenues	<u>917,000</u>	<u>816,000</u>	<u>721,035</u>	<u>(94,965)</u>
Expenditures:				
Current:				
Community development	<u>917,000</u>	<u>2,198,226</u>	<u>721,035</u>	<u>1,477,191</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,382,226)	-	1,382,226
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ (1,382,226)</u>	<u>\$ -</u>	<u>\$ 1,382,226</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
DISASTER RECOVERY INITIATIVE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 822,600	\$ 3,392,985	\$ 409,700	\$ (2,983,285)
Total revenues	<u>822,600</u>	<u>3,392,985</u>	<u>409,700</u>	<u>(2,983,285)</u>
Expenditures:				
Current:				
Community development	<u>917,000</u>	<u>2,198,226</u>	<u>23,175</u>	<u>2,175,051</u>
Excess (deficiency) of revenues over (under) expenditures	(94,400)	1,194,759	386,525	(808,234)
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(409,700)</u>	<u>(409,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(409,700)</u>	<u>(409,700)</u>	<u>-</u>
Net change in fund balances	(94,400)	785,059	(23,175)	(808,234)
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ (94,400)</u>	<u>\$ 785,059</u>	<u>\$ (23,175)</u>	<u>\$ (808,234)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
COUNTY LIBRARY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,338,622	\$ 1,390,164	\$ 1,398,058	\$ 7,894
Fines and forfeitures	121,200	178,645	158,885	(19,760)
Use of money and property	23,700	28,600	24,979	(3,621)
Other revenues	264,997	299,351	294,508	(4,843)
Total revenues	<u>1,748,519</u>	<u>1,896,760</u>	<u>1,876,430</u>	<u>(20,330)</u>
Expenditures:				
Current:				
Community services	<u>1,748,519</u>	<u>1,863,394</u>	<u>1,872,015</u>	<u>(8,621)</u>
Excess (deficiency) of revenues over (under) expenditures	-	33,366	4,415	(28,951)
Other financing sources (uses):				
Transfers in	-	48,009	48,008	(1)
Transfers out	-	(19,932)	(19,932)	-
Total other financing sources (uses)	<u>-</u>	<u>28,077</u>	<u>28,076</u>	<u>(1)</u>
Net change in fund balances	-	61,443	32,491	(28,952)
Fund balances, beginning of fiscal year	<u>584,273</u>	<u>584,273</u>	<u>584,273</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 584,273</u>	<u>\$ 645,716</u>	<u>\$ 616,764</u>	<u>\$ (28,952)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET SWEEPING
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 810,810	\$ 673,800	\$ 632,395	\$ (41,405)
Total revenues	<u>810,810</u>	<u>673,800</u>	<u>632,395</u>	<u>(41,405)</u>
Expenditures:				
Current:				
Public works	<u>899,836</u>	<u>742,303</u>	<u>618,589</u>	<u>123,714</u>
Deficiency of revenue under expenditures	<u>(89,026)</u>	<u>(68,503)</u>	<u>13,806</u>	<u>82,309</u>
Other financing sources (uses):				
Transfers in	330,562	335,979	335,979	-
Transfers out	<u>(286,336)</u>	<u>(303,249)</u>	<u>(303,249)</u>	<u>-</u>
Total other financing sources (uses)	<u>44,226</u>	<u>32,730</u>	<u>32,730</u>	<u>-</u>
Net change in fund balances	(44,800)	(35,773)	46,536	82,309
Fund balances, beginning of fiscal year	<u>49,355</u>	<u>49,355</u>	<u>49,355</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 4,555</u>	<u>\$ 13,582</u>	<u>\$ 95,891</u>	<u>\$ 82,309</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MEASURE D ROAD MAINTENANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 42,722	\$ 42,722
Total revenues	<u>-</u>	<u>-</u>	<u>42,722</u>	<u>42,722</u>
Expenditures:				
Current:				
Public works	<u>-</u>	<u>2,832,040</u>	<u>1,163,615</u>	<u>1,668,425</u>
Excess (deficiency) of revenues over (under) expenditures	-	(2,832,040)	(1,120,893)	1,711,147
Fund balances, beginning of fiscal year	<u>2,895,600</u>	<u>2,895,600</u>	<u>2,895,600</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,895,600</u>	<u>\$ 63,560</u>	<u>\$ 1,774,707</u>	<u>\$ 1,711,147</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
WILDLAND FIRE SUPPRESSION ASSESSMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ 214,895	\$ 220,450	\$ 231,033	\$ 10,583
Total revenues	<u>214,895</u>	<u>220,450</u>	<u>231,033</u>	<u>10,583</u>
Expenditures:				
Current:				
Public Safety	<u>214,895</u>	<u>235,613</u>	<u>199,488</u>	<u>36,125</u>
Excess (deficiency) of revenues over (under) expenditures	-	(15,163)	31,545	46,708
Fund balances, beginning of fiscal year	<u>93,719</u>	<u>93,719</u>	<u>93,719</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 93,719</u>	<u>\$ 78,556</u>	<u>\$ 125,264</u>	<u>\$ 46,708</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
UNDERGROUNDING UTILITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 13,562	\$ 13,562
Total revenues	<u>-</u>	<u>-</u>	<u>13,562</u>	<u>13,562</u>
Expenditures:				
Current:				
Public works	<u>-</u>	<u>111,152</u>	<u>86,915</u>	<u>24,237</u>
Excess (deficiency) of revenues over (under) expenditures	-	(111,152)	(73,353)	37,799
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balances	-	(261,152)	(223,353)	37,799
Fund balances, beginning of fiscal year	<u>331,597</u>	<u>331,597</u>	<u>331,597</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 331,597</u>	<u>\$ 70,445</u>	<u>\$ 108,244</u>	<u>\$ 37,799</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - ASSET FORFEITURE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 79,901	\$ (99)
Use of money and property	-	-	2,098	2,098
Other revenues	-	68,451	85,341	16,890
Total revenues	<u>80,000</u>	<u>148,451</u>	<u>167,340</u>	<u>18,889</u>
Expenditures:				
Current:				
Public Safety	<u>80,000</u>	<u>314,169</u>	<u>170,845</u>	<u>143,324</u>
Excess (deficiency) of revenues over (under) expenditures	-	(165,718)	(3,505)	162,213
Fund balances, beginning of fiscal year	<u>862,607</u>	<u>862,607</u>	<u>862,607</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 862,607</u>	<u>\$ 696,889</u>	<u>\$ 859,102</u>	<u>\$ 162,213</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MISCELLANEOUS GRANTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 53,000	\$ 1,965,286	\$ 1,549,263	\$ (416,023)
Charges for services	612,378	216,500	247,408	30,908
Other revenues	-	383,667	147,485	(236,182)
Total revenues	<u>665,378</u>	<u>2,565,453</u>	<u>1,944,156</u>	<u>(621,297)</u>
Expenditures:				
Current:				
Public safety	-	952,905	587,483	365,422
Public works	-	-	-	-
Community services	612,378	348,727	793,026	(444,299)
Community development	53,000	789,655	683,455	106,200
Total expenditures	<u>665,378</u>	<u>2,091,287</u>	<u>2,063,964</u>	<u>27,323</u>
Excess (deficiency) of				
Deficiency of revenues				
under expenditures	<u>-</u>	<u>474,166</u>	<u>(119,808)</u>	<u>(593,974)</u>
Other financing sources:				
Transfers in	-	153,963	133,557	(20,406)
Transfers out	-	-	-	-
Total other financing				
sources (uses)	<u>-</u>	<u>153,963</u>	<u>133,557</u>	<u>(20,406)</u>
Net change in fund balances	-	628,129	13,749	(614,380)
Fund balances, beginning of fiscal year	<u>685,441</u>	<u>685,441</u>	<u>685,441</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 685,441</u>	<u>\$ 1,313,570</u>	<u>\$ 699,190</u>	<u>\$ (614,380)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FEMA REIMBURSEMENT FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ 42,000	\$ 9,286	\$ (32,714)
Total revenues	<u>-</u>	<u>42,000</u>	<u>9,286</u>	<u>(32,714)</u>
Expenditures:				
Current:				
Public works	-	42,000	41,306	694
Excess (deficiency) of revenues over (under) expenditures	-	-	(32,020)	(32,020)
Fund balances, beginning of fiscal year	<u>55,082</u>	<u>55,082</u>	<u>55,082</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 55,082</u>	<u>\$ 55,082</u>	<u>\$ 23,062</u>	<u>\$ (32,020)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - SUPPLEMENTAL LAW ENFORCEMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 144,188	\$ 183,528	\$ 39,340
Use of money and property	-	-	163	163
Total revenues	<u>100,000</u>	<u>144,188</u>	<u>183,691</u>	<u>39,503</u>
Expenditures:				
Current:				
Public Safety	<u>100,000</u>	<u>100,000</u>	<u>183,691</u>	<u>(83,691)</u>
Excess (deficiency) of revenues over (under) expenditures	-	44,188	-	(44,188)
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 44,188</u>	<u>\$ -</u>	<u>\$ (44,188)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - JUSTICE ASSISTANCE GRANTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Public Safety	\$ -	\$ 428,934	\$ 112,173	\$ 316,761
Excess of revenues over expenditures	-	(428,934)	(112,173)	316,761
Fund balances, beginning of fiscal year	-	112,173	112,173	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ (316,761)</u>	<u>\$ -</u>	<u>\$ 316,761</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MEASURE A
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,790,259	\$ 2,761,034	\$ 3,128,354	\$ 367,320
Use of money and property	92,500	13,000	13,998	998
Total revenues	<u>2,882,759</u>	<u>2,774,034</u>	<u>3,142,352</u>	<u>368,318</u>
Expenditures:				
Current:				
Public works	<u>2,882,759</u>	<u>3,335,146</u>	<u>2,858,483</u>	<u>476,663</u>
Excess (deficiency) of revenues over (under) expenditures	-	(561,112)	283,869	844,981
Fund balances, beginning of fiscal year	<u>818,791</u>	<u>818,791</u>	<u>818,791</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 818,791</u>	<u>\$ 257,679</u>	<u>\$ 1,102,660</u>	<u>\$ 844,981</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
REDEVELOPMENT AGENCY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 20,254,600	\$ 20,254,600	\$ 11,740,474	\$ (8,514,126)
Use of money and property	533,500	533,500	615,573	82,073
Other revenues	2,000	2,000	850	(1,150)
Total revenues	<u>20,790,100</u>	<u>20,790,100</u>	<u>12,356,897</u>	<u>(8,433,203)</u>
Expenditures:				
Current:				
Community development	6,460,063	14,490,134	2,119,151	12,370,983
Debt service:				
Principal	490,000	490,000	490,000	-
Interest	142,765	142,765	142,765	-
Total expenditures	<u>7,092,828</u>	<u>15,122,899</u>	<u>2,751,916</u>	<u>12,370,983</u>
 Excess of revenues over expenditures	 13,697,272	 5,667,201	 9,604,981	 3,937,780
 Other financing uses:				
Transfers in	-	-	58,168,306	58,168,306
Transfers out	<u>(13,697,272)</u>	<u>(13,697,272)</u>	<u>(4,756,303)</u>	<u>8,940,969</u>
Total other financing uses sources (uses)	<u>(13,697,272)</u>	<u>(13,697,272)</u>	<u>53,412,003</u>	<u>67,109,275</u>
 Extraordinary gain/(loss) on dissolution of RDA (Note 19)	 -	 -	 (63,016,984)	 (63,016,984)
 Net change in fund balances	 -	 (8,030,071)	 -	 8,030,071
 Fund balances, beginning of fiscal year	 -	 -	 -	 -
 Fund balances, end of fiscal year	 <u>\$ -</u>	 <u>\$ (8,030,071)</u>	 <u>\$ -</u>	 <u>\$ 8,030,071</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
GENERAL CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 240,325	\$ 40,000	\$ (200,325)
Other revenues	250,000	152,670	1,142	(151,528)
Total revenues	<u>250,000</u>	<u>392,995</u>	<u>41,142</u>	<u>(351,853)</u>
Expenditures:				
Capital outlay:				
Capital improvements	758,170	2,266,559	1,332,294	934,265
Deficiency of revenues under expenditures	<u>(508,170)</u>	<u>(1,873,564)</u>	<u>(1,291,152)</u>	<u>582,412</u>
Other financing sources:				
Transfers in	558,470	1,617,419	1,998,688	381,269
Total other financing sources	<u>558,470</u>	<u>1,617,419</u>	<u>1,998,688</u>	<u>381,269</u>
Net change in fund balances	50,300	(256,145)	707,536	963,681
Fund balances, beginning of fiscal year	<u>1,867,483</u>	<u>1,867,483</u>	<u>1,867,483</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 1,917,783</u>	<u>\$ 1,611,338</u>	<u>\$ 2,575,019</u>	<u>\$ 963,681</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 7,040,000	\$ 7,142,800	\$ 6,986,966	\$ (155,834)
Intergovernmental	2,387,670	2,684,583	2,970,884	286,301
Charges for services	439,000	447,457	452,130	4,673
Other revenues	60,000	98,468	119,423	20,955
Total revenues	<u>9,926,670</u>	<u>10,373,308</u>	<u>10,529,403</u>	<u>156,095</u>
Expenditures:				
Capital outlay:				
Capital improvements	<u>9,776,670</u>	<u>14,514,829</u>	<u>10,976,521</u>	<u>3,538,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,000</u>	<u>(4,141,521)</u>	<u>(447,118)</u>	<u>3,694,403</u>
Other financing sources (uses):				
Transfers in	-	243,227	243,227	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>93,227</u>	<u>93,227</u>	<u>-</u>
Net change in fund balances	-	(4,048,294)	(353,891)	3,694,403
Fund balances, beginning of fiscal year	<u>5,065,001</u>	<u>5,065,001</u>	<u>5,065,001</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 5,065,001</u>	<u>\$ 1,016,707</u>	<u>\$ 4,711,110</u>	<u>\$ 3,694,403</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET GRANT CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

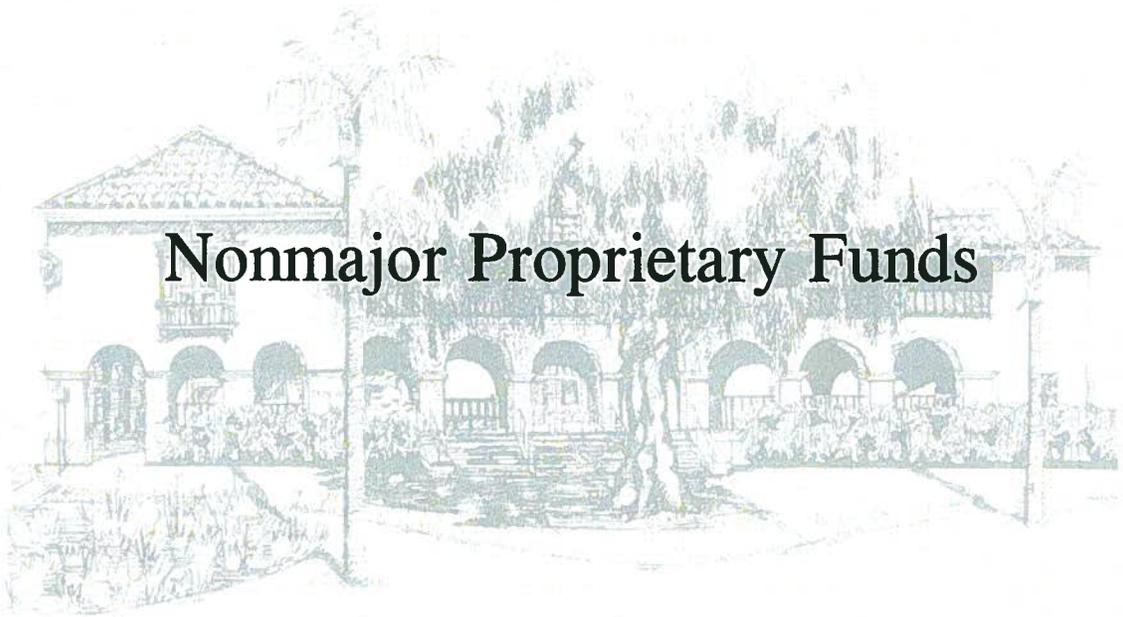
	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,155,700	\$ 13,864,107	\$ 5,663,323	\$ (8,200,784)
Total revenues	<u>1,155,700</u>	<u>13,864,107</u>	<u>5,663,323</u>	<u>(8,200,784)</u>
Expenditures:				
Capital outlay:				
Capital improvements	<u>1,155,700</u>	<u>13,621,283</u>	<u>4,951,088</u>	<u>8,670,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>242,824</u>	<u>712,235</u>	<u>469,411</u>
Fund balances, beginning of fiscal year	<u>(339,691)</u>	<u>(339,691)</u>	<u>(339,691)</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ (339,691)</u>	<u>\$ (96,867)</u>	<u>\$ 372,544</u>	<u>\$ 469,411</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
REDEVELOPMENT AGENCY CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 1,243	\$ 1,243
Total revenues	<u>-</u>	<u>-</u>	<u>1,243</u>	<u>1,243</u>
Expenditures:				
Current:				
Community development	6,133,868	29,420,060	3,516,433	25,903,627
Debt service:				
Interest	-	-	1,150,133	(1,150,133)
Total expenditures	<u>6,133,868</u>	<u>29,420,060</u>	<u>4,666,566</u>	<u>24,753,494</u>
Deficiency of revenues under expenditures	<u>(6,133,868)</u>	<u>(29,420,060)</u>	<u>(4,665,323)</u>	<u>24,754,737</u>
Other financing sources:				
Transfers in	<u>6,133,868</u>	<u>6,133,868</u>	<u>4,728,223</u>	<u>(1,405,645)</u>
Extraordinary gain/(loss) on dissolution of RDA (Note 19)	-	-	(32,875,966)	(32,875,966)
Net change in fund balances	-	(23,286,192)	(32,813,066)	(9,526,874)
Fund balances, beginning of fiscal year	<u>32,813,066</u>	<u>32,813,066</u>	<u>32,813,066</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 32,813,066</u>	<u>\$ 9,526,874</u>	<u>\$ -</u>	<u>\$ (9,526,874)</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 4,247,030	\$ 941,195	\$ (3,305,835)
Total revenues	<u>-</u>	<u>4,247,030</u>	<u>941,195</u>	<u>(3,305,835)</u>
Expenditures:				
Capital Outlay:				
Capital improvements	<u>1,900,000</u>	<u>9,954,171</u>	<u>1,803,665</u>	<u>8,150,506</u>
Excess (deficiency) of revenues over (under) expenditures	(1,900,000)	(5,707,141)	(862,470)	4,844,671
Other financing sources:				
Transfers in	<u>1,225,000</u>	<u>1,225,000</u>	<u>1,225,000</u>	<u>-</u>
Net change in fund balances	(675,000)	(4,482,141)	362,530	4,844,671
Fund balances, beginning of fiscal year	<u>5,352,085</u>	<u>5,352,085</u>	<u>5,352,085</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 4,677,085</u>	<u>\$ 869,944</u>	<u>\$ 5,714,615</u>	<u>\$ 4,844,671</u>



Nonmajor Proprietary Funds

NONMAJOR PROPRIETARY FUNDS

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.

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 ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2012

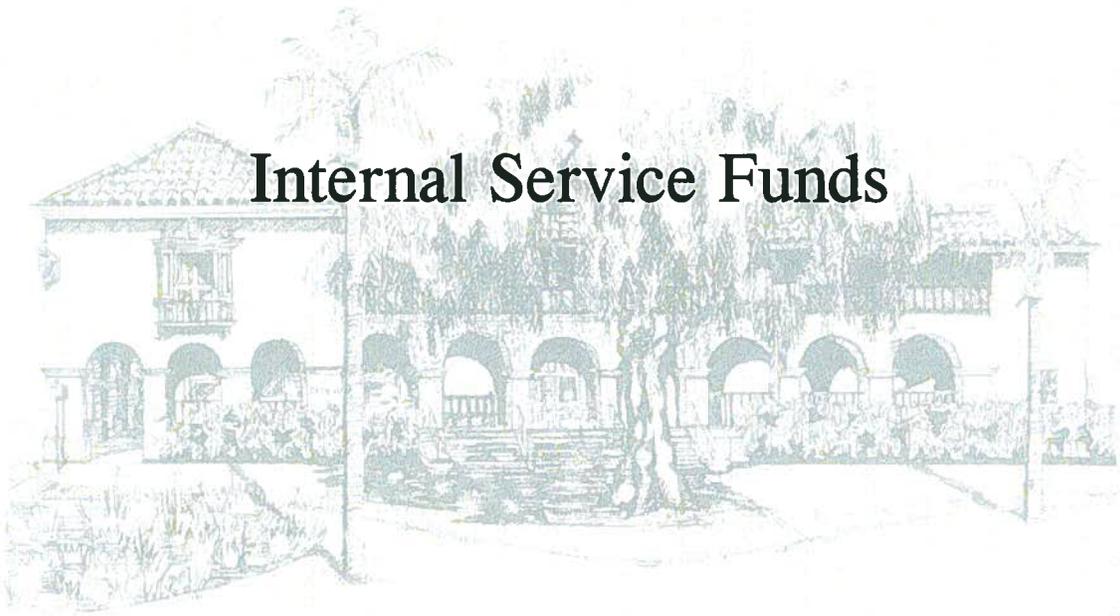
	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Assets			
Current Assets:			
Cash	\$ 139,245	\$ 14,586	\$ 153,831
Investment	7,317,047	766,470	8,083,517
Accounts receivable, net	57,528	18,757	76,285
Advances to other funds	280,580	24,745	305,325
Total current assets	<u>7,794,400</u>	<u>824,558</u>	<u>8,618,958</u>
Capital Assets:			
Capital Assets:			
Land	4,943,771	342,302	5,286,073
Buildings	4,677,851	1,198,600	5,876,451
Building improvements	-	170,228	170,228
Improvements other than buildings	6,054,963	4,225,277	10,280,240
Equipment	2,603,678	977,962	3,581,640
Construction in progress	343,052	-	343,052
Less accumulated depreciation	<u>(7,393,591)</u>	<u>(3,537,903)</u>	<u>(10,931,494)</u>
Total capital assets, (net)	<u>11,229,724</u>	<u>3,376,466</u>	<u>14,606,190</u>
Total assets	<u>19,024,124</u>	<u>4,201,024</u>	<u>23,225,148</u>
Liabilities			
Current liabilities:			
Accounts payable	96,882	45,206	142,088
Accrued interest payable	-	62,292	62,292
Salaries and benefits payable	153,305	42,495	195,800
Deposits	52,892	-	52,892
Deferred revenue	-	37,831	37,831
Compensated absences payable	143,137	59,778	202,915
Current portion long term debt	-	141,100	141,100
Total current liabilities	<u>446,216</u>	<u>388,702</u>	<u>834,918</u>
Non-current liabilities:			
Long-term debt, net of current portion	-	738,417	738,417
Advances from other funds	-	500,000	500,000
Compensated absences payable	15,904	6,642	22,546
Other post employment benefits (OPEB) obligation	303,585	87,933	391,518
Total liabilities	<u>319,489</u>	<u>1,332,992</u>	<u>1,652,481</u>
Total liabilities	<u>765,705</u>	<u>1,721,694</u>	<u>2,487,399</u>
Net Assets:			
Unreserved - designated:			
Invested in capital assets net of related debt	11,229,724	2,496,949	13,726,673
Unrestricted	7,028,695	(17,619)	7,011,076
Total net assets	<u>\$ 18,258,419</u>	<u>\$ 2,479,330</u>	<u>\$ 20,737,749</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012

	<u>Downtown Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating Revenues:			
Charges for sales and services:			
Service charges	\$ 6,327,243	\$ 1,521,724	\$ 7,848,967
Leases and rents	-	297,892	297,892
Other revenues	3,874	214	4,088
Total revenues	<u>6,331,117</u>	<u>1,819,830</u>	<u>8,150,947</u>
Operating Expenses:			
Salaries, wages and benefits	3,826,709	1,104,519	4,931,228
Materials, supplies and services	2,411,989	529,963	2,941,952
Depreciation	670,732	219,266	889,998
Total operating expenses	<u>6,909,430</u>	<u>1,853,748</u>	<u>8,763,178</u>
Operating income (loss)	<u>(578,313)</u>	<u>(33,918)</u>	<u>(612,231)</u>
Non-operating revenues (expenses):			
Taxes	899,741	-	899,741
Investment income	166,569	11,026	177,595
Interest expense	-	(78,952)	(78,952)
Total non-operating revenues (expenses)	<u>1,066,310</u>	<u>(67,926)</u>	<u>998,384</u>
Income (loss) before transfers	487,997	(101,844)	386,153
Transfers in	353,858	103,623	457,481
Transfers out	<u>(30,169,240)</u>	<u>(22,036)</u>	<u>(30,191,276)</u>
Change in net assets	(29,327,385)	(20,257)	(29,347,642)
Net Assets:			
Net assets, beginning of fiscal year	<u>47,585,804</u>	<u>2,499,587</u>	<u>50,085,391</u>
Net assets, end of fiscal year	<u>\$ 18,258,419</u>	<u>\$ 2,479,330</u>	<u>\$ 20,737,749</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Cash received from services	\$ 6,317,965	\$ 1,512,282	\$ 7,830,247
Cash received from rents and leases	-	297,892	297,892
Cash payments for goods and services	(2,582,751)	(498,938)	(3,081,689)
Cash payments to employees for services	(3,774,883)	(1,083,110)	(4,857,993)
Cash returned for deposits	5,241	-	5,241
Other operating receipts	3,874	214	4,088
Net cash provided (used) by operating activities	<u>(30,554)</u>	<u>228,340</u>	<u>197,786</u>
Cash flows from noncapital financing activities			
Transfers from other funds	353,858	103,623	457,481
Transfers to other funds	(30,169,239)	(22,036)	(30,191,275)
Received from (paid to) other funds	29,962	8,632	38,594
Cash received from taxes and assessments	899,741	-	899,741
Net cash provided (used) by noncapital financing activities	<u>(28,885,678)</u>	<u>90,219</u>	<u>(28,795,459)</u>
Cash flows from capital and related financing activities:			
Payments on long-term debt	-	(125,336)	(125,336)
Acquisition of capital assets	29,401,593	(31,853)	29,369,740
Interest paid on debt	-	(94,293)	(94,293)
Net cash provided (used) by capital and related financing activities	<u>29,401,593</u>	<u>(251,482)</u>	<u>29,150,111</u>
Cash flows from investing activities:			
Cash received on investments	166,569	11,026	177,595
Proceeds from sales and maturities of investments	6,632,230	685,171	7,317,401
Purchase of investments	(7,317,047)	(766,471)	(8,083,518)
Net cash provided (used) by investing activities	<u>(518,248)</u>	<u>(70,274)</u>	<u>(588,522)</u>
Net increase (decrease) in cash and cash equivalents	(32,887)	(3,197)	(36,084)
Cash and cash equivalents, beginning of fiscal year	172,132	17,783	189,915
Cash and cash equivalents, end of fiscal year	<u>\$ 139,245</u>	<u>\$ 14,586</u>	<u>\$ 153,831</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (578,313)	\$ (33,918)	\$ (612,231)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	670,732	219,266	889,998
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(9,278)	(16,902)	(26,180)
Increase (decrease) in accounts payable	(170,762)	31,025	(139,737)
Increase (decrease) in accrued salaries payable	(47,815)	(8,042)	(55,857)
Increase (decrease) in deferred revenue	-	7,460	7,460
Increase (decrease) in accrued compensated absences	(14,835)	179	(14,656)
Increase (decrease) in accrued OPEB	114,476	29,272	143,748
Increase (decrease) in deposits	5,241	-	5,241
Net cash provided (used) by operating activities	<u>\$ (30,554)</u>	<u>\$ 228,340</u>	<u>\$ 197,786</u>
Noncash investing, capital, and financing activities:			
Change in fair value of investments	\$ 7,982	\$ 700	\$ 8,682



Internal Service Funds

INTERNAL SERVICE FUNDS

Intra-City Service Fund – To account for the costs of operating an automotive maintenance facility and ensuring that vehicles used by all City departments are properly maintained. This fund also accounts for City-wide building maintenance operations, custodial services, and communications.

Self Insurance Fund - To account for the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage 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 purchasing new vehicles for use within the City-wide organization.

**CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012**

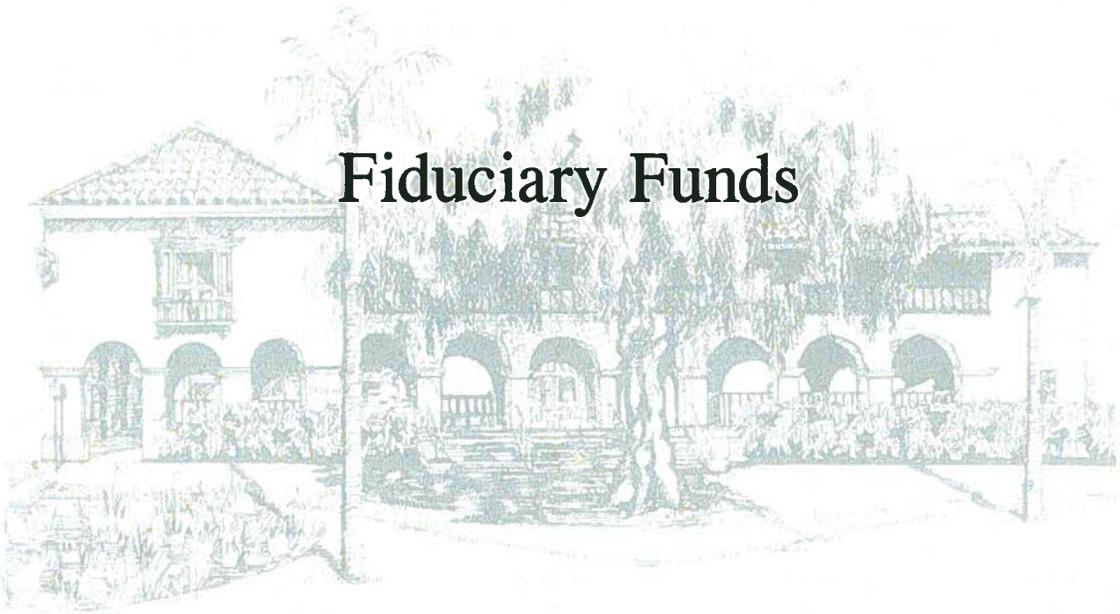
<u>Assets</u>	<u>Intra-City Service</u>	<u>Self- Insurance</u>	<u>Information Systems</u>	<u>Vehicle Capital</u>	<u>Total</u>
Current Assets:					
Cash	\$ 62,443	\$ 106,478	\$ 43,458	\$ 186,585	\$ 398,964
Investments	3,281,268	5,595,236	2,283,629	9,804,763	20,964,896
Accounts receivable	2,859	-	-	19,226	22,085
Advances to other funds	-	263,681	-	330,672	594,353
Inventory, at cost	487,731	-	-	211,308	699,039
Total current assets	<u>3,834,301</u>	<u>5,965,395</u>	<u>2,327,087</u>	<u>10,552,554</u>	<u>22,679,337</u>
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	1,260,612	-	-	-	1,260,612
Improvements other than building	615,885	-	-	-	615,885
Equipment	320,664	-	-	19,421,537	19,742,201
Construction in progress	62,761	-	-	-	62,761
Less accumulated depreciation	(359,620)	-	-	(14,753,567)	(15,113,187)
Total capital assets, net	<u>2,006,191</u>	<u>-</u>	<u>-</u>	<u>4,667,970</u>	<u>6,674,161</u>
Total assets	<u>5,840,492</u>	<u>5,965,395</u>	<u>2,327,087</u>	<u>15,220,524</u>	<u>29,353,498</u>
Liabilities					
Current Liabilities:					
Accounts payable	198,087	36,995	29,009	265,976	530,067
Salaries and benefits payable	159,733	22,955	63,070	23,665	269,423
Compensated absences payable	194,629	26,622	98,552	92,223	412,026
Current portion claims payable	-	2,527,656	-	-	2,527,656
Total current liabilities	<u>552,449</u>	<u>2,614,228</u>	<u>190,631</u>	<u>381,864</u>	<u>3,739,172</u>
Non-current Liabilities:					
Compensated absences, net of current portion	21,626	2,958	10,950	10,247	45,781
Estimated claims payable, net of current portion	-	2,827,942	-	-	2,827,942
Total liabilities	<u>574,075</u>	<u>5,445,128</u>	<u>201,581</u>	<u>392,111</u>	<u>6,612,895</u>
Net Assets					
Invested in net assets, net of related debt	2,006,191	-	-	4,667,970	6,674,161
Unrestricted	3,260,226	520,267	2,125,506	10,160,443	16,066,442
Total net assets	<u>\$ 5,266,417</u>	<u>\$ 520,267</u>	<u>\$ 2,125,506</u>	<u>\$ 14,828,413</u>	<u>\$ 22,740,603</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2012

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:					
Charges for sales and services:					
Intergovernmental	\$ 542,409	\$ -	\$ -	\$ -	\$ 542,409
Service charges	5,260,556	5,048,050	2,286,393	4,397,512	16,992,511
Other revenues	13,287	26,226	1,209	169,397	210,119
Total operating revenues	<u>5,816,252</u>	<u>5,074,276</u>	<u>2,287,602</u>	<u>4,566,909</u>	<u>17,745,039</u>
Operating Expenses:					
Salaries, wages and benefits	2,946,301	453,263	1,492,589	1,378,596	6,270,749
Materials, supplies and services	2,011,286	4,924,817	733,446	1,180,110	8,849,659
Depreciation	55,844	-	-	1,327,723	1,383,567
Total operating expenses	<u>5,013,431</u>	<u>5,378,080</u>	<u>2,226,035</u>	<u>3,886,429</u>	<u>16,503,975</u>
Operating income (loss)	<u>802,821</u>	<u>(303,804)</u>	<u>61,567</u>	<u>680,480</u>	<u>1,241,064</u>
Non-operating Revenues and Expenses:					
Investment income	-	119,893	-	147,382	267,275
Total non-operating revenues (expenses)	<u>-</u>	<u>119,893</u>	<u>-</u>	<u>147,382</u>	<u>267,275</u>
Income (loss) before transfers and contributions	802,821	(183,911)	61,567	827,862	1,508,339
Contribution from Successor Agency	-	-	17,837	-	17,837
Transfers In	383,226	-	1,031,903	98,805	1,513,934
Transfers Out	-	(3,693,950)	-	-	(3,693,950)
Change in net assets	1,186,047	(3,877,861)	1,111,307	926,667	(653,840)
Net assets, beginning of fiscal year	4,080,370	4,398,128	1,014,199	13,901,746	23,394,443
Net assets, end of fiscal year	<u>\$ 5,266,417</u>	<u>\$ 520,267</u>	<u>\$ 2,125,506</u>	<u>\$ 14,828,413</u>	<u>\$ 22,740,603</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2012

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:					
Cash received from services	\$ 5,257,697	\$ 5,048,050	\$ 2,286,393	\$ 4,378,286	\$ 16,970,426
Cash payments for goods and services	(1,825,162)	(4,878,649)	(706,216)	(1,199,696)	(8,609,723)
Cash payments to employees for services	(3,003,638)	(443,745)	(1,499,940)	(1,309,357)	(6,256,679)
Other operating receipts	555,696	26,226	1,209	169,397	752,528
Net cash provided (used) by operating activities	<u>984,594</u>	<u>(248,118)</u>	<u>81,446</u>	<u>2,038,630</u>	<u>2,856,552</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	383,226	-	1,031,903	98,805	1,513,934
Transfers to other funds	-	(3,693,950)	-	-	(3,693,950)
Contribution from Successor Agency	-	-	17,837	-	17,837
Received from (paid to) other funds	-	163,514	-	7,792	171,306
Net cash provided (used) by non-capital financing activities	<u>383,226</u>	<u>(3,530,436)</u>	<u>1,049,740</u>	<u>106,597</u>	<u>(1,990,873)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,066,607)	-	-	(384,927)	(1,451,534)
Net cash provided (used) by capital and related financing activities	<u>(1,066,607)</u>	<u>-</u>	<u>-</u>	<u>(384,927)</u>	<u>(1,451,534)</u>
Cash flows from investing activities:					
Cash received on investments	-	119,893	-	147,382	267,275
Proceeds from sales and maturities of investments	2,965,531	9,123,583	1,165,648	7,879,171	21,133,933
Purchase of investments	(3,281,268)	(5,595,236)	(2,283,629)	(9,804,763)	(20,964,896)
Net cash provided (used) by investing activities	<u>(315,737)</u>	<u>3,648,240</u>	<u>(1,117,981)</u>	<u>(1,778,210)</u>	<u>436,312</u>
Net increase (decrease) in cash	(14,524)	(130,314)	13,205	(17,910)	(149,543)
Cash, beginning of fiscal year	76,967	236,792	30,253	204,495	548,507
Cash, end of fiscal year	<u>\$ 62,443</u>	<u>\$ 106,478</u>	<u>\$ 43,458</u>	<u>\$ 186,585</u>	<u>\$ 398,964</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 802,821	\$ (303,804)	\$ 61,567	\$ 680,480	\$ 1,241,064
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	55,844	-	-	1,327,723	1,383,567
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(2,859)	-	-	(19,226)	(22,085)
(Increase) decrease in inventories	201,420	-	-	(211,308)	(9,888)
(Increase) decrease in prepaid assets	-	-	-	-	-
Increase (decrease) in accounts payable	(15,296)	(41,564)	27,230	191,722	162,092
Increase (decrease) in accrued claims	-	87,732	-	-	87,732
Increase (decrease) in accrued salaries payable	(13,128)	2,444	(7,043)	(7,724)	(25,451)
Increase (decrease) in accrued compensated absences	(44,209)	7,074	(308)	76,963	39,521
Net cash provided (used) by operating activities	<u>\$ 984,594</u>	<u>\$ (248,118)</u>	<u>\$ 81,446</u>	<u>\$ 2,038,630</u>	<u>\$ 2,856,552</u>
Noncash investing, capital, and financing activities:					
Change in fair value of investments	\$ -	\$ 7,594	\$ -	\$ 9,365	\$ 16,959



Fiduciary Funds

FIDUCIARY FUNDS

PENSION TRUST FUNDS

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.

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.

PRIVATE PURPOSE TRUST FUNDS

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.

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.

AGENCY FUNDS

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).

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

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

CITY OF SANTA BARBARA
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
June 30, 2012

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
Assets			
Cash and investments with fiscal agents:			
Other investments	\$ -	\$ 604,774	\$ 604,774
Total cash and investments with fiscal agents	<u>-</u>	<u>604,774</u>	<u>604,774</u>
Total assets	<u>-</u>	<u>604,774</u>	<u>604,774</u>
Liabilities			
Accrued benefits payable	5,133	-	5,133
Due to other Governments	<u>558,536</u>	<u>-</u>	<u>558,536</u>
Total Liabilities	<u>563,669</u>	<u>-</u>	<u>563,669</u>
Net assets			
Held in trust for pension benefits	<u>\$ (563,669)</u>	<u>\$ 604,774</u>	<u>\$ 41,105</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2012

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
Additions			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	\$ -	\$ 507	\$ 507
Interest	-	16,326	16,326
Dividends Earned	-	8,901	8,901
Total investment income	<u>-</u>	<u>25,734</u>	<u>25,734</u>
Less investment expenses:			
Banking, interest and fiscal agent expenses	<u>-</u>	<u>(5,996)</u>	<u>(5,996)</u>
Net investment income	<u>-</u>	<u>19,738</u>	<u>19,738</u>
Deductions			
Benefits	<u>102,126</u>	<u>97,303</u>	<u>199,429</u>
Total deductions	<u>102,126</u>	<u>97,303</u>	<u>199,429</u>
Net increase (decrease)	(102,126)	(77,565)	(179,691)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	<u>(461,543)</u>	<u>682,339</u>	<u>220,796</u>
End of fiscal year	<u>\$ (563,669)</u>	<u>\$ 604,774</u>	<u>\$ 41,105</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2012

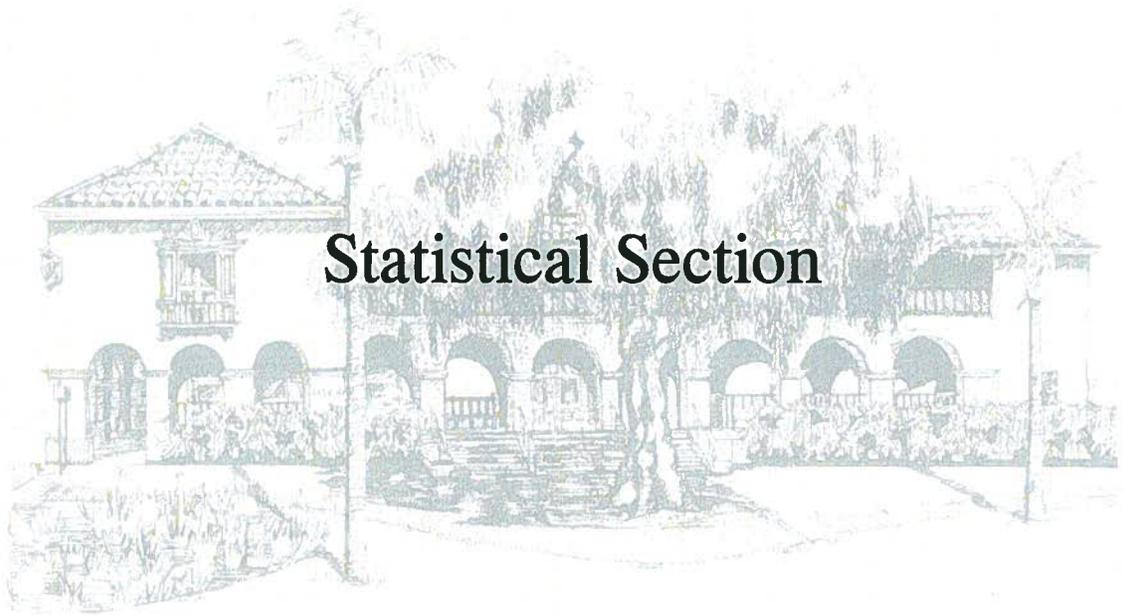
	Library Gifts	Canine Unit	Successor Agency of the Former RDA	Total
Assets				
Cash and investments	\$ 2,169,161	\$ 60,893	\$ 23,443,870	\$ 25,673,924
Cash and investments with fiscal agent	-	-	11,444,166	11,444,166
Interest receivable	-	-	8,138	8,138
Loans receivable	-	-	3,500,000	3,500,000
Deferred charges	-	-	795,253	795,253
Capital Assets	-	-	125,685,279	125,685,279
Less: accumulated depreciation	-	-	(27,615,547)	(27,615,547)
	<u>2,169,161</u>	<u>60,893</u>	<u>137,261,159</u>	<u>139,491,213</u>
Liabilities				
Accounts payable	-	400	271,809	272,209
Salaries and benefits payable	-	-	4,683	4,683
Due to other Governments	-	-	2,247,206	2,247,206
Long-term liabilities:				
Due in one year	-	-	5,925,000	5,925,000
Due in more than one year	-	-	41,856,450	41,856,450
	<u>-</u>	<u>400</u>	<u>50,305,148</u>	<u>50,305,548</u>
Net Assets				
Held in trust:				
Police	-	60,493	-	60,493
Library	2,169,161	-	-	2,169,161
Successor Agency of the Former RDA	-	-	86,956,011	86,956,011
Total net assets	<u>\$ 2,169,161</u>	<u>\$ 60,493</u>	<u>\$ 86,956,011</u>	<u>\$ 89,185,665</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2012

	Library Gifts	Canine Unit	Successor Agency of the Former RDA	Total
Additions				
Use of money and property	\$ 8,653	\$ 246	\$ 25,627	\$ 34,526
Intergovernmental	-	-	1,932,823	1,932,823
Contributions	124,718	9,017	-	133,735
Total additions	<u>133,371</u>	<u>9,263</u>	<u>1,958,450</u>	<u>2,101,084</u>
Deductions				
Salaries, wages, and benefits	-	-	4,683	4,683
Materials, supplies and services	-	-	579,679	579,679
Contribution to City	-	-	17,837	17,837
Reimbursement of taxes to County	-	-	2,247,206	2,247,206
Interest expense	-	-	1,259,508	1,259,508
Depreciation expense	-	-	2,103,044	2,103,044
Community services	130,268	15,038	-	145,306
Total deductions	<u>130,268</u>	<u>15,038</u>	<u>6,211,957</u>	<u>6,357,263</u>
Extraordinary gain/(loss) on dissolution of Redevelopment Agency (Note 19)	-	-	91,209,518	91,209,518
Net increase (decrease)	3,103	(5,775)	86,956,011	86,953,339
Net assets, beginning of fiscal year	2,166,058	66,268	-	2,232,326
Net assets, end of fiscal year	<u>\$ 2,169,161</u>	<u>\$ 60,493</u>	<u>\$ 86,956,011</u>	<u>\$ 89,185,665</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Cash and investments	\$ -	\$ 190,717	\$ 190,717	\$ -
Accounts receivable	26,345	34,852	26,345	34,852
Total assets	<u>\$ 26,345</u>	<u>\$ 225,569</u>	<u>\$ 217,062</u>	<u>\$ 34,852</u>
Liabilities:				
Accounts payable	\$ 1,044	\$ 1,674	\$ 1,044	\$ 1,674
Due to the City of Santa Barbara	12,956	22,751	12,956	22,751
Trust liability	12,345	141,621	143,539	10,427
Total liabilities	<u>\$ 26,345</u>	<u>\$ 166,046</u>	<u>\$ 157,539</u>	<u>\$ 34,852</u>
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	\$ 1,109,493	\$ 92,541	\$ -	\$ 1,202,034
Loans receivable	1,949,977	-	18,000	1,931,977
Total assets	<u>\$ 3,059,470</u>	<u>\$ 92,541</u>	<u>\$ 18,000</u>	<u>\$ 3,134,011</u>
Liabilities:				
Accounts payable	\$ 1,563	\$ 3	\$ -	\$ 1,566
Contributions	3,057,907	74,538	-	3,132,445
Total liabilities	<u>\$ 3,059,470</u>	<u>\$ 74,541</u>	<u>\$ -</u>	<u>\$ 3,134,011</u>
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	\$ 259,893	\$ 2,195	\$ 58,071	\$ 204,017
Special assessment receivable	130,000	-	130,000	-
Cash and investments held by fiscal agent	87,465	-	87,465	-
Total assets	<u>\$ 477,358</u>	<u>\$ 2,195</u>	<u>\$ 275,536</u>	<u>\$ 204,017</u>
Liabilities:				
Due to bondholders	130,000	-	130,000	-
Trust liability	347,358	-	143,341	204,017
Total liabilities	<u>\$ 477,358</u>	<u>\$ -</u>	<u>\$ 273,341</u>	<u>\$ 204,017</u>
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	\$ 1,369,386	\$ 285,453	\$ 248,788	\$ 1,406,051
Accounts receivable	26,345	34,852	26,345	34,852
Special assessment receivable	130,000	-	130,000	-
Loans receivable	1,949,977	-	18,000	1,931,977
Cash and investments held by fiscal agent	87,465	-	87,465	-
Total assets	<u>\$ 3,563,173</u>	<u>\$ 320,305</u>	<u>\$ 510,598</u>	<u>\$ 3,372,880</u>
Liabilities:				
Accounts payable	\$ 2,607	\$ 1,677	\$ 1,044	\$ 3,240
Due to other Governments	12,956	22,751	12,956	22,751
Due to bondholders	130,000	-	130,000	-
Trust liability	359,703	141,621	286,880	214,444
Contributions	3,057,907	74,538	-	3,132,445
Total liabilities	<u>\$ 3,563,173</u>	<u>\$ 240,587</u>	<u>\$ 430,880</u>	<u>\$ 3,372,880</u>



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 government's overall financial health.

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Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	138
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Source: 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 assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
Invested in capital assets, net of related debt	\$63,294	\$73,738	\$80,483	\$301,827	\$305,449	\$319,070	\$331,171	\$340,824	\$325,209	\$304,586
Restricted	62,650	59,941	70,888	77,906	85,569	89,964	99,248	94,789	110,947	63,244
Unrestricted	33,516	31,314	24,228	33,815	36,228	36,948	32,329	33,148	22,625	41,161
Total governmental activities net assets	<u>\$159,460</u>	<u>\$164,993</u>	<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>
Business-type activities										
Invested in capital assets, net of related debt	\$138,066	\$139,780	\$135,336	\$245,095	\$255,451	\$275,594	\$285,547	\$290,085	\$309,659	\$296,692
Restricted	-	-	4,704	4,266	12,303	9,784	8,377	7,618	17,223	18,565
Unrestricted	59,199	64,564	75,088	78,148	84,159	87,716	83,993	83,606	86,528	78,969
Total business-type activities net assets	<u>\$197,265</u>	<u>\$204,344</u>	<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>
Primary government										
Invested in capital assets, net of related debt	\$201,360	\$213,518	\$215,819	\$546,922	\$560,900	\$594,664	\$616,718	\$630,909	\$634,868	\$601,278
Restricted	62,650	59,941	75,592	82,172	97,872	99,748	107,625	102,407	128,170	81,809
Unrestricted	92,715	95,878	99,316	111,963	120,387	124,664	116,322	116,754	109,153	120,130
Total primary government net assets	<u>\$356,725</u>	<u>\$369,337</u>	<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>

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

Expenses	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:									
Administration	\$10,094	\$10,139	\$11,385	\$12,329	\$12,197	\$12,217	\$11,255	\$10,519	\$11,081
Public safety	42,653	45,653	48,836	51,186	54,395	55,394	55,564	54,707	57,457
Public works	18,235	19,915	39,887	45,284	44,528	46,914	43,082	44,407	25,878
Community services	20,778	19,607	20,959	22,032	22,983	23,610	21,657	21,251	19,969
Community development	16,528	17,002	20,804	17,939	19,948	19,676	29,336	21,314	17,017
Interest on long-term debt	3,506	4,081	4,069	3,810	3,408	3,186	3,040	2,876	572
Total governmental activities expenses	111,794	116,397	145,940	152,580	157,459	160,997	163,934	155,074	131,974
Business-type activities:									
Water	22,842	23,169	25,937	27,311	27,415	29,642	29,575	29,427	29,985
Wastewater	9,902	10,909	12,618	13,253	14,560	15,938	15,312	15,709	15,887
Airport	12,812	11,786	13,499	14,862	16,307	19,013	20,349	22,288	20,167
Waterfront	10,921	10,164	10,778	11,004	11,054	11,561	11,075	11,217	11,575
Solid Waste	-	-	-	-	-	-	-	-	18,773
Parking	4,582	4,925	5,839	6,018	6,262	6,949	6,219	6,666	6,849
Golf course	1,825	1,877	1,924	2,033	2,086	2,118	2,028	1,972	1,923
Total business-type activities expenses	62,884	62,830	70,595	74,481	77,684	85,221	84,558	87,279	105,159
Total primary government expenses	\$174,678	\$179,227	\$216,535	\$227,061	\$235,143	\$246,218	\$248,492	\$242,353	\$237,133
Program Revenues									
Governmental activities:									
Charges for services:									
Administration	\$1,349	\$1,600	\$1,825	\$1,982	\$1,845	\$1,836	\$1,120	\$1,042	\$1,074
Public safety	7,313	8,092	9,186	9,195	9,401	9,448	9,807	9,610	9,365
Public works	5,707	7,822	21,781	22,255	23,902	25,683	26,444	25,949	8,471
Community services	4,552	4,699	4,784	4,945	5,211	5,369	5,078	4,854	5,022
Community development	4,094	4,259	5,670	5,548	5,608	5,403	5,251	5,427	4,670
Operating grants and contributions	11,064	10,006	12,447	15,979	15,099	13,576	17,150	13,782	14,829
Capital grants and contributions	2,821	3,599	2,313	4,178	8,733	11,102	5,469	11,318	5,703
Total governmental activities program revenues	36,900	40,077	58,006	64,082	69,799	72,417	70,319	71,982	49,134
Business-type activities:									
Charges for services:									
Water	25,153	26,492	27,410	30,477	32,610	32,263	32,359	31,158	36,265
Wastewater	10,120	11,379	12,096	12,559	13,449	13,896	14,140	14,770	15,563
Airport	12,268	13,187	13,939	14,861	15,451	15,298	14,621	15,863	16,745
Waterfront	9,625	9,899	10,253	10,894	11,177	10,754	11,275	11,313	12,370
Solid Waste	-	-	-	-	-	-	-	-	18,741
Parking	4,844	4,968	5,859	6,592	6,669	6,615	6,661	6,579	7,231
Golf course	2,046	1,976	2,060	2,231	2,245	2,221	1,715	1,892	1,820
Operating grants and contributions	9	13	57	115	145	135	328	-	-
Capital grants and contributions	5,163	3,440	12,382	17,155	11,861	5,049	4,217	6,174	2,778
Total business-type activities program revenues	69,228	71,354	84,056	94,884	93,607	86,231	85,316	87,749	111,513
Total primary government program revenues	\$106,128	\$111,431	\$142,062	\$158,966	\$163,406	\$158,648	\$155,635	\$159,731	\$160,647

(Continued)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue									
Governmental activities	(\$74,894)	(\$76,320)	(\$87,934)	(\$88,498)	(\$87,660)	(\$88,581)	(\$93,615)	(\$83,092)	(\$82,840)
Business-type activities	6,344	8,524	13,461	20,403	15,923	1,010	758	470	6,354
Total primary government net expense	<u>(\$68,550)</u>	<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>
General Revenues and Other Changes in									
Net Assets									
Governmental activities:									
Taxes									
Property	\$24,142	\$30,022	\$34,078	\$37,871	\$40,520	\$43,275	\$43,164	\$42,739	\$35,453
Sales & use	18,420	18,949	19,968	19,927	20,838	17,876	16,990	17,892	19,444
Transient occupancy	12,439	13,298	14,439	15,409	15,523	14,469	13,758	14,951	16,394
Utility users	11,325	11,977	12,422	13,133	12,525	12,654	11,711	13,887	13,974
Business license	1,926	2,037	2,169	2,214	2,252	2,302	2,245	2,207	2,202
Real property transfer	709	719	685	646	452	278	389	372	439
Franchise fees	2,056	2,124	3,260	3,583	3,181	3,284	3,351	3,480	3,579
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853	418	320	276	478	6
Investment income	2,888	3,410	3,955	4,762	6,643	4,846	2,275	1,912	2,366
Other revenue	1,953	2,024	4,384	3,111	3,862	5,952	5,199	4,755	3,932
Extraordinary gain/loss of dissolution of RDA	-	-	-	-	-	-	-	-	(91,210)
Transfers	-	70	12	687	182	91	269	(29,560)	27,861
Total governmental activities	<u>80,427</u>	<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>
Business-type activities:									
Investment earnings	735	2,329	2,836	4,687	5,440	3,904	2,904	2,070	1,813
Transfers	-	(70)	(12)	(687)	(182)	(91)	(269)	29,560	(27,861)
Total business-type activities	<u>735</u>	<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>
Total primary government	<u>\$81,162</u>	<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>
Change in Net Assets									
Governmental activities	\$5,533	\$10,607	\$8,097	\$13,698	\$18,736	\$16,766	\$6,012	(\$9,979)	(\$48,400)
Business-type activities	7,079	10,783	16,285	24,403	21,181	4,823	3,393	32,100	(19,694)
Total primary government	<u>\$12,612</u>	<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>

Note:

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

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	Transportation Tax	Business License Tax	Real Property Transfer Tax	Total
2003	\$23,224	\$17,904	\$11,837	\$11,166	\$4,173	\$1,832	\$875	\$71,011
2004	24,142	18,420	12,439	11,325	4,621	1,926	709	73,582
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

Source: FY 12, CRIS 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 *	2012
General Fund										
Reserved	\$ 6,120	\$ 4,720	\$ 4,395	\$ 4,866	\$ 5,175	\$ 7,060	\$ 6,249	\$ 8,959	\$ -	\$ -
Unreserved	29,859	28,147	25,428	24,949	23,033	17,965	17,973	15,686	-	-
Nonspendable	-	-	-	-	-	-	-	-	8,313	8,664
Restricted	-	-	-	-	-	-	-	-	463	405
Committed	-	-	-	-	-	-	-	-	-	18,304
Assigned	-	-	-	-	-	-	-	-	-	103
Unassigned	-	-	-	-	-	-	-	-	17,770	-
Total general fund	\$ 35,979	\$ 32,867	\$ 29,823	\$ 29,815	\$ 28,208	\$ 25,025	\$ 24,222	\$ 24,645	\$ 26,546	\$ 27,476
All other governmental funds										
Reserved	\$ 92,211	\$ 123,964	\$ 130,317	\$ 117,371	\$ 114,672	\$ 118,960	\$ 122,736	\$ 113,565	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	511	90	(1,390)	(977)	1,346	2,582	3,015	1,419	-	-
Capital projects funds	7,416	4,032	539	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	49,642
Restricted	-	-	-	-	-	-	-	-	110,484	13,198
Committed	-	-	-	-	-	-	-	-	2,666	6,998
Assigned	-	-	-	-	-	-	-	-	2,208	4,165
Unassigned	-	-	-	-	-	-	-	-	(340)	(23)
Total all other governmental funds	\$ 100,138	\$ 128,086	\$ 129,466	\$ 116,394	\$ 116,018	\$ 121,542	\$ 125,751	\$ 114,984	\$ 115,018	\$ 73,980

* 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$71,011	\$73,583	\$81,504	\$88,493	\$94,361	\$96,917	\$95,134	\$92,697	\$94,933	\$91,091
Franchise fees	2,050	2,383	2,497	3,260	3,583	3,181	3,284	3,351	3,480	3,579
Intergovernmental	14,265	11,957	9,744	9,061	14,599	18,296	19,328	16,724	20,603	15,722
Fines and forfeitures	2,924	3,792	4,072	4,547	4,016	4,335	4,167	4,392	4,331	4,166
Use of money and property	5,019	3,297	3,758	4,361	5,173	6,632	4,944	2,502	2,258	2,472
Charges for services	11,915	13,998	15,562	32,365	33,399	35,478	37,649	38,689	38,722	20,625
Program income	663	746	845	420	512	283	321	661	835	321
Other revenues	5,759	6,713	6,590	10,046	8,610	9,234	11,156	10,858	9,982	8,346
Total revenues	113,606	116,469	124,572	152,553	164,253	174,356	175,983	169,874	175,144	146,322
Expenditures										
General government/administration	9,663	9,656	9,806	11,025	12,008	12,007	11,931	10,941	10,008	10,699
Public safety	37,334	42,081	45,035	47,772	50,349	54,109	54,990	54,313	55,020	56,355
Public works	14,764	17,233	19,025	31,278	37,677	38,615	40,058	31,743	30,301	12,817
Community services	16,356	18,880	18,077	18,870	20,044	21,420	21,549	19,317	18,763	19,140
Community development	13,762	13,507	14,224	17,599	16,144	18,014	17,140	24,546	18,110	14,567
Capital outlay	11,960	7,334	15,775	28,434	19,217	17,169	19,855	29,279	30,875	22,580
Community promotions	2,252	2,267	2,439	2,253	2,373	1,884	1,824	1,824	1,868	1,991
Debt service										
Principal	4,239	5,415	4,750	5,411	5,571	5,076	5,341	6,282	5,724	754
Interest	3,350	3,259	3,935	3,904	3,687	3,459	3,126	2,981	2,776	1,396
Other charges	-	941	305	-	-	-	-	-	-	-
Total expenditures	113,680	120,573	133,371	166,546	167,070	171,753	175,814	181,226	173,445	140,299
Excess of revenues over (under) expenditures	(74)	(4,104)	(8,799)	(13,993)	(2,817)	2,603	169	(11,352)	1,699	6,023

(Continued)

Source: FY03-12, CAFR-Balance Sheet, Governmental Funds.

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses)										
Transfers in	\$16,993	\$14,387	\$14,115	\$11,563	\$19,202	\$16,291	\$25,002	\$15,126	\$75,713	\$68,994
Transfers out	(16,638)	(13,846)	(14,164)	(11,400)	(18,368)	(16,553)	(21,765)	(14,118)	(75,477)	(68,782)
Proceeds from bond issuance	-	28,399	7,184	-	-	-	-	-	-	-
Total other financing sources (uses)	355	28,940	7,135	163	834	(262)	3,237	1,008	236	212
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-	-	-	-	-	(44,954)
Net change in fund balances	\$281	\$24,836	(\$1,664)	(\$13,830)	(\$1,983)	\$2,341	\$3,406	(\$10,344)	\$1,935	(\$38,719)
Debt service as a percentage of noncapital expenditures	6.84%	7.51%	7.30%	6.35%	6.06%	5.45%	5.31%	5.71%	5.50%	1.71%

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 License portation Tax	Total
	2003	\$17,904	\$11,166	\$23,224	\$875	\$11,837	\$1,832	\$4,173	$71,011
2004	18,420	11,325	24,142	709	12,439	1,926	4,621	73,582
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

* 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		
2003	\$9,262,486	\$703,068	(\$663,027)	\$9,302,527	\$1,164,940	\$237,653	(\$55,639)	\$1,346,954	1.00%
2004	9,986,688	741,575	(714,976)	10,013,287	1,218,914	248,409	(77,833)	1,389,490	1.00%
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%

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.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Direct Rates:</u>										
City Direct Rate ¹	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
<u>Overlapping Rates:</u> ²										
SB Elementary Bonds 1995 Inv/Redem	0.01605%	0.01575%	0.01131%	0.01397%	0.00271%	0.00217%	0.00217%	0.00230%	0.00230%	0.00230%
SB Unified School District High School Bonds 2000	0.01102%	0.00955%	0.00955%	0.01189%	0.01248%	0.01248%	0.01248%	0.01248%	0.01248%	0.01273%
SB Elementary Bonds 1998 Inv/Redem	-	-	-	-	0.01112%	0.01168%	0.01168%	0.01168%	0.01168%	0.01168%
SB City College - Bond 2008	-	-	-	-	-	-	0.00850%	0.00850%	0.00850%	0.00850%
SB Unified School District High School Bonds 2010 Meas Q	-	-	-	-	-	-	-	-	-	0.00093%
SB Unified School District Elem School Bonds 2010 Meas R	-	-	-	-	-	-	-	-	-	0.00005%
	0.02707%	0.02530%	0.02086%	0.02586%	0.02631%	0.02633%	0.03483%	0.03496%	0.03496%	0.03619%
Total Direct and Overlapping Rates:	1.02707%	1.02530%	1.02086%	1.02586%	1.02631%	1.02633%	1.03483%	1.03496%	1.03496%	1.03619%

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 2012		Fiscal Year 2003	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association ⁽¹⁾	\$86,953	0.58%	\$74,865	0.80%
Parker Fess Doubletree Hotel	82,696	0.56%	71,207	0.77%
FW CA-Five Points Shopping Center, LLC	50,921	0.34%	-	0.00%
Hitchcock Holdings, LLC	50,291	0.34%	-	0.00%
Levon Investments, LLC	46,756	0.31%	-	0.00%
I & G Direct Real Estate 3, LP	43,140	0.29%	-	0.00%
Nettleship, Patricia S Trust	42,241	0.28%	26,677	0.29%
MCC BB Property, LLC	42,152	0.28%	-	0.00%
Due West, LLC	31,854	0.21%	-	0.00%
CLPL, Inc.	30,000	0.20%	-	0.00%
HDG Associates	29,308	0.20%	23,761	0.26%
BPP Retail, LLC	-	0.00%	31,152	0.33%
Chapala Street Investors	-	0.00%	22,624	0.24%
Riviera Dairy Products	26,652	0.18%	17,600	0.19%
ESJ Centers	19,575	0.13%	23,916	0.26%
Heiner, Gerald A Trust	-	0.00%	17,508	0.19%
Ampersand Publishing, LLC	-	0.00%	15,398	0.17%
	<u>\$582,539</u>	<u>3.91%</u>	<u>\$324,708</u>	<u>3.49%</u>

(1) The Successor Agency owns the property and leases the property to the Paseo Nuevo Mall Association which is responsible for the payment of property taxes related thereto.

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
2003	\$23,224	\$23,224	100%	\$ -	\$23,224	100%
2004	24,143	24,143	100%	-	24,143	100%
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%

*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			
2003	\$3,930	\$59,675	\$ -	\$7,125	\$35,710	\$8,464	\$114,904	0.88%	\$1,270
2004	3,726	82,035	-	6,255	34,734	21,899	148,649	1.09%	1,641
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

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 on page 154 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
2003	\$3,930	\$59,675	\$ -	\$5,342	\$58,263	0.63%	\$644
2004	3,726	82,035	-	1,247	84,514	0.84%	933
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

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 on page 145 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 154.

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, 2012
(amounts expressed in thousands)

2011-12 Assessed Valuation	\$16,405,822
Redevelopment Agency Incremental Valuation	2,291,366
Adjusted Assessed Valuation	<u>\$14,114,456</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	\$39,096	95%	\$37,219
Santa Barbara Unified - High School Bonds	95,793	41%	39,697
Cold Spring Elementary Bonds	4,664	5%	250
Hope District Elementary Bonds	7,315	34%	2,491
Montecito Union Elementary Bonds	3,435	2%	56
Santa Barbara City College Bonds	44,805	36%	16,314
Total overlapping debt repaid with property taxes	<u>\$195,108</u>		<u>\$96,027</u>
Overlapping General Obligation Debt			
Santa Barbara County Certificates of Participation	\$73,830	21%	\$15,393
Total overlapping general obligation debt	<u>73,830</u>		<u>15,393</u>
Total overlapping debt	<u>\$268,938</u>		<u>\$111,420</u>
Direct General Obligation Debt			
City of Santa Barbara Certificates of Participation	\$2,775	100%	\$2,775
Total direct general obligation debt	<u>2,775</u>		<u>2,775</u>
Total direct debt	<u>\$2,775</u>		<u>\$2,775</u>
Total direct and overlapping debt			<u>\$114,195</u>
<u>Ratio to 2011-12 Assessed Valuation</u>			
Total direct and overlapping debt			0.70%

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 427,267 population, 21% (or 89,082) reside within the city's boundaries.

Sources: County of Santa Barbara.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed valuation	\$9,965,554	\$10,728,263	\$11,506,947	\$12,659,948	\$13,763,215	\$14,771,839	\$15,805,423	\$16,059,758	\$16,133,703	\$16,405,822
Coverage percentage	<u>25%</u>	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$2,491,389	\$2,682,066	\$2,876,737	\$3,164,987	\$3,440,804	\$3,692,960	\$3,951,356	\$4,014,940	\$4,033,426	\$4,101,456
Debt limit percentage	<u>15%</u>	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$373,708	\$402,310	\$431,511	\$474,748	\$516,121	\$553,944	\$592,703	\$602,241	\$605,014	\$615,218
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$373,708</u>	<u>\$402,310</u>	<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>
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					
	Less		Net		Waste-		Net		Tax		Debt Service			
	Water Revenue	Operating Expenses	Available Revenue	Debt Service Interest	Water Revenue	Operating Expenses	Available Revenue	Debt Service Interest	Tax Increment	Tax	Principal	Interest	Coverage	
2003	\$23,172	\$18,149	\$5,023	\$395	\$9,495	\$8,423	\$1,072	\$435	\$21	2.35	\$12,851	\$3,985	\$3,239	1.78
2004	25,153	18,194	6,959	420	10,120	7,920	2,200	450	-	4.89	12,945	5,210	3,075	1.56
2005	26,492	18,547	7,945	435	11,379	8,284	3,095	675	680	2.28	13,946	4,535	3,701	1.69
2006	27,410	19,770	7,640	460	12,096	8,828	3,268	525	829	2.41	15,273	5,190	3,733	1.71
2007	30,477	20,170	10,307	480	12,559	9,320	3,239	545	808	2.39	16,831	5,350	3,522	1.90
2008	32,610	21,351	11,259	510	13,471	10,718	2,753	565	789	2.03	18,081	4,845	3,302	2.22
2009	32,263	22,694	9,569	535	13,915	11,493	2,422	580	775	1.79	20,038	5,100	3,053	2.46
2010	32,359	22,601	9,758	560	14,141	10,746	3,395	595	760	2.51	20,124	5,285	2,869	2.47
2011	31,158	21,996	9,162	590	14,771	10,920	3,851	610	742	2.85	19,957	5,470	2,680	2.45
2012	36,265	21,912	14,353	620	15,563	10,878	4,685	630	722	3.47	11,740	490	1,293	6.58

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. The tax increment and debt service reported on this schedule is only the activity in the Redevelopment Agency, prior to the dissolution.

**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⁾
2003	90,464	\$13,059	\$32,496	5.0%
2004	90,569	13,677	33,942	4.6%
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%

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**

<u>As of June 30, 2012</u>			<u>As of June 30, 2003</u>		
<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>
University of California, Santa Barbara	10,063	18.20%	University of California, Santa Barbara	9,528	18.32%
County of Santa Barbara	4,383	7.93%	County of Santa Barbara	4,467	8.59%
Cottage Health System	3,440	6.22%	Raytheon Electronic Systems	1,939	3.73%
Santa Barbara Unified School District	2,500	4.52%	Cottage Hospital	1,927	3.71%
Santa Barbara City College	2,252	4.07%	Santa Barbara School District Administration	1,708	3.28%
Raytheon Electronic Systems	1,450	2.62%	Santa Barbara City College	1,700	3.27%
Pacific Capital Bancorp	1,078	1.95%	Santa Barbara Bank & Trust	1,699	3.27%
City of Santa Barbara	1,011	1.83%	US Postal Service	1,183	2.28%
Santa Barbara County Education Office	1,010	1.83%	Sansum Medical Foundation Clinic	1,150	2.21%
Sansum Medical Foundation Clinic	886	1.60%	Santa Barbara Elementary School District	1,132	2.18%
Ten largest companies or organizations	<u>28,073</u>	<u>50.76%</u>		<u>26,433</u>	<u>50.83%</u>

Sources: Santa Barbara Chamber of Commerce, County of Santa Barbara, City of Santa Barbara, Pacific Coast Business Times.

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

Function	Full-time Equivalent Employees as of June 30								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	111	111	107	110	113	113	106	103	102
Public safety	343	343	333	329	328	327	323	311	317
Public works	135	138	142	142	143	154	152	139	138
Community services	135	135	134	137	141	144	129	121	115
Community development	84	85	88	88	89	88	79	75	74
Water	59	56	60	64	68	62	62	68	68
Wastewater	55	55	53	53	53	50	49	49	49
Airport	50	51	53	53	54	54	53	54	54
Waterfront	46	46	46	46	46	46	46	46	46
Parking	31	31	32	34	36	38	34	34	34
Golf course	12	12	13	13	13	13	13	13	13
Total	<u>1,061</u>	<u>1,063</u>	<u>1,061</u>	<u>1,069</u>	<u>1,084</u>	<u>1,089</u>	<u>1,046</u>	<u>1,013</u>	<u>1,011</u>

Note:

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

Source: City's Human Resources Department

**City of Santa Barbara
Operating Indicators by Function
Last Seven Fiscal Years**

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Police							
Criminal citations issued	1,990	2,209	2,013	2,898	1,642	1,847	1,407
Parking citations	64,300	54,928	60,984	54,692	54,377	50,252	45,055
Street sweeping citations	35,392	32,065	33,017	30,184	27,400	25,989	25,660
Fire							
Number of calls received	7,302	7,441	7,500	13,768	15,632	15,249	14,984
Engine company fire inspections	946	1,334	1,417	2,668	1,340	2,611	2,650
Public works							
Street resurfacing (miles)	75	70	60	64.5	34.5	38	85
Tons of debris collected by street sweepers	1,056	1,545	1,673	2,122	2,399	2,210	1,846
Community services							
Facility permits processed	870	982	1,026	1,029	N/A	N/A	N/A
Library items checked out	726,375	740,703	730,598	758,046	689,391	656,488	703,639
Community development							
Building inspections completed	14,400	12,909	11,047	11,598	10,815	11,257	11,395
Total permits issued	3,000	2,478	2,704	2,696	2,425	2,308	2,282
Water							
Million gallons water treated	7,790	7,424	7,909	6,757	6,528	6,581	6,409
Percent of drinking water regulations met	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
Miles of wastewater collection system pipes cleaned	200	202	206	173	214	256	186
Percent of discharge requirements met	100.0%	99.9%	100.0%	99.9%	99.9%	99.99%	99.7%
Airport							
Total number of annual passengers	858,352	832,396	833,164	772,718	745,167	747,531	716,625
Annual tons of airfreight	3,019	3,053	2,948	2,436	2,132	2,138	2,007
Waterfront							
Number of lease contracts managed	58	60	67	64	62	64	64
Number of parking permits distributed	677,731	720,184	756,377	772,588	697,788	652,923	682,111
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
Golf course							
Rounds of golf	76,600	78,532	74,484	70,546	59,091	62,800	63,620

Note:

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

Source: Various City Departments

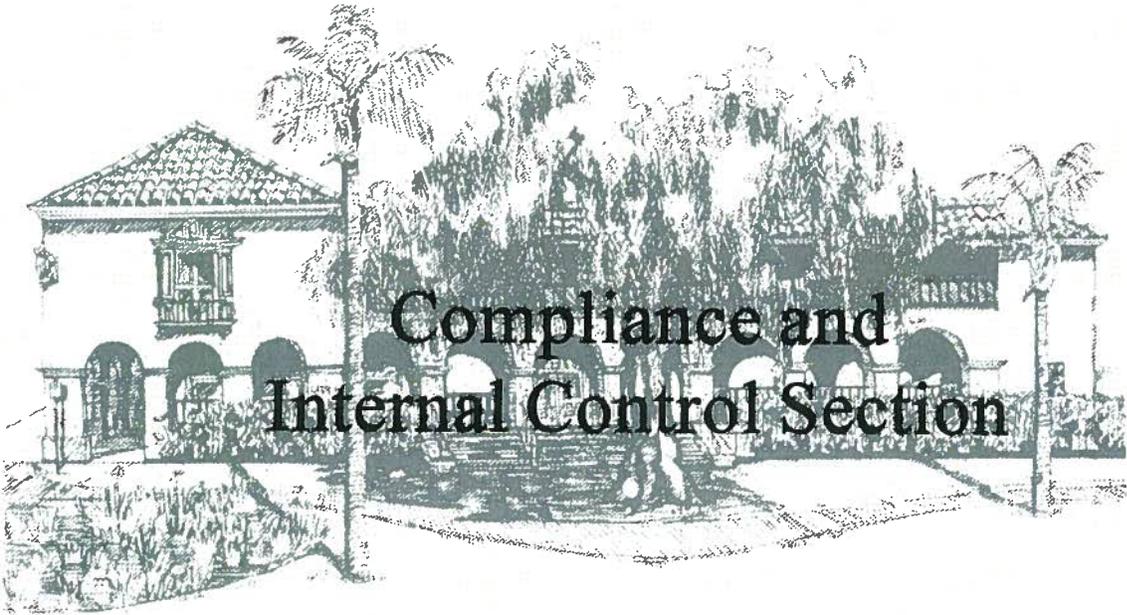
**City of Santa Barbara
Capital Asset Statistics by Function
Last Seven Fiscal Years**

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Police							
Stations	1	1	1	1	1	1	1
Fire							
Stations	8	8	8	8	8	8	8
Public works							
Streets (miles)	238	238	238	238	238	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661	25,661	24,455	54,196	21,474
Community services							
Parks acreage	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
Swimming	2	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34	34
Community buildings	8	8	8	8	12	12	12
Libraries	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
Water							
Number of distribution system reservoirs	14	14	13	13	13	13	13
Number of water supply reservoirs				1	1	1	1
Number of pump stations	12	12	12	12	12	12	12
Number of treatment plants	2	2	2	2	2	2	2
Number of wells	9	9	9	9	9	9	9
Wastewater							
Number of treatment plants	1	1	1	1	1	1	1
Number of lift stations	10	10	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
Waterfront							
Number of harbor slips	1,133	1,133	1,133	1,133	1,133	1,137	1,137
Parking							
Number of parking structures and lots	14	14	14	14	14	14	14
Number of parking spaces	3,595	3,595	3,595	3,595	3,591	3,591	3,591

Note:

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

Source: Various City Departments



Compliance and Internal Control Section

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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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



CERTIFIED PUBLIC ACCOUNTANTS

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

In addition, we noted certain matters that we reported to management of the City in a separate letter dated December 12, 2012.

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

Lane, Soll & Luyhard, LLP

Brea, California
December 12, 2012