City of Santa Barbara
California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006

Prepared Under the Supervision of

Robert D. Peirson
Finance Director

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Introductory Section

Introductory Section

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal 1-5
Government Finance Officers Association Certificate of Achievement 6
California Society of Municipal Finance Officers Certificate of Award 7
Directory of City Officials 8
Advisory Boards and Commissions 9
City of Santa Barbara Organization Chart 10

FINANCIAL SECTION

Independent Auditor's Report 11-12
Management's Discussion and Analysis (Required Supplementary Information) 13-28
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 30
Statement of Activities 31
Fund Financial Statements:
Balance Sheet – Governmental Funds 32
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets 33
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities 35
Statement of Net Assets – Proprietary Funds 36-37
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 38-39
Statement of Cash Flows – Proprietary Funds 40-41
Statement of Net Assets – Fiduciary Funds 42
Statement of Changes in Net Assets – Fiduciary Funds 43
Notes to the Basic Financial Statements 46-78
Required Supplementary Information (Other Than MD&A) 79-84
Combining and Individual Fund Statements and Schedules:
Nonmajor Governmental Funds Listing 85-86

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006

Table of Contents

Combining Balance Sheet – Nonmajor Governmental Funds 88-90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 92-94
Budgetary Comparison Schedules – Nonmajor Governmental Funds
Traffic Safety 95
Community Development Block Grant 96
Creeks Restoration/Water Quality 97
Transportation Development 98
Home Program 99
County Library 100
Street Sweeping 101
Measure D Road Maintenance 102
Police – Supplemental Law Enforcement 103
Police – Local Law Enforcement Block Grant 104
General Capital Improvements 105
Streets Capital Improvements 106
Creeks Restoration Capital Improvements 107
Nonmajor Proprietary Funds Listing 109
Combining Statement of Net Assets – Nonmajor Proprietary Funds 110
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Nonmajor Proprietary Funds 111
Combining Statement of Cash Flows – Nonmajor Proprietary Funds 112
Internal Service Funds Listing 113
Combining Statement of Net Assets – Internal Service Funds 114
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds 115
Combining Statement of Cash Flows – Internal Service Funds 116
Fiduciary Funds Listing 117
Combining Statement of Plan Net Assets – Pension Trust Funds 118
Combining Statement of Changes in Plan Net Assets – Pension Trust Funds 119
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds 120
Combining Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds 121
Combining Statement of Changes in Assets and Liabilities – All Agency Funds 122

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006

Table of Contents

Capital Assets Used in the Operations of Governmental Funds:

Schedule by Source 123
Schedule by Function and Activity 124-125
Schedule of Changes by Function and Activity 126

STATISTICAL SECTION (unaudited)

Statistical Section Table of Contents 127
Net Assets by Component 128
Changes in Net Assets 129-130
Governmental Activities Tax Revenues by Source 131
Fund Balances of Governmental Funds 132
Changes in Fund Balances of Governmental Funds 133
General Governmental Tax Revenues by Source 134
Assessed Value and Estimated Actual Value of Taxable Property 135
Direct and Overlapping Property Tax Rates 136
Principal Property Tax Payers 137
Property Tax Levies and Collections 138
Ratios of Outstanding Debt by Type 139
Ratios of General Bonded Debt Outstanding 140
Direct and Overlapping Governmental Activities Debt 141
Legal Debt Margin Information 142
Pledged-revenue Coverage 143
Demographic and Economic Statistics 144
Principal Employers 145
Full-time Equivalent City Government Employees by Function 146
Operating Indicators by Function 147
Capital Asset Statistics by Function 148

City of Santa Barbara
Finance Department
www.ci.santa-barbara.ca.us

September 8, 2006

Accounting
805.564.5340

Administration
805.564.5334

Duplications/Mailroom
805.564.5360

Licenses & Permits
805.564.5346

Payroll
805.564.5357

Risk Management
805.564.5347

Treasury
805.564.5337

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

Fax
805.897.1977

310 E. Ortega St.
PO Box 1990
Santa Barbara, CA
93102-1990

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara (City) for the fiscal year ended June 30, 2006, 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 enclosed information 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 finances of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is 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. Caporicci & Larson, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2006. The independent auditors' report is located on pages 11-12 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). GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 13.

The CAFR is organized into three main sections:

1. Introductory Section – Includes the Letter of Transmittal with comments on the operations of the City, the City's organizational chart, and a list of City officials;

2. Basic Financial Statements and Required Supplementary Information Section – Includes the independent auditors' report, MD&A, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and Required Supplementary Information; and

3. Statistical Section – Includes selected financial and demographic information, generally presented on a multi-year basis.

PROFILE OF THE CITY OF SANTA BARBARA

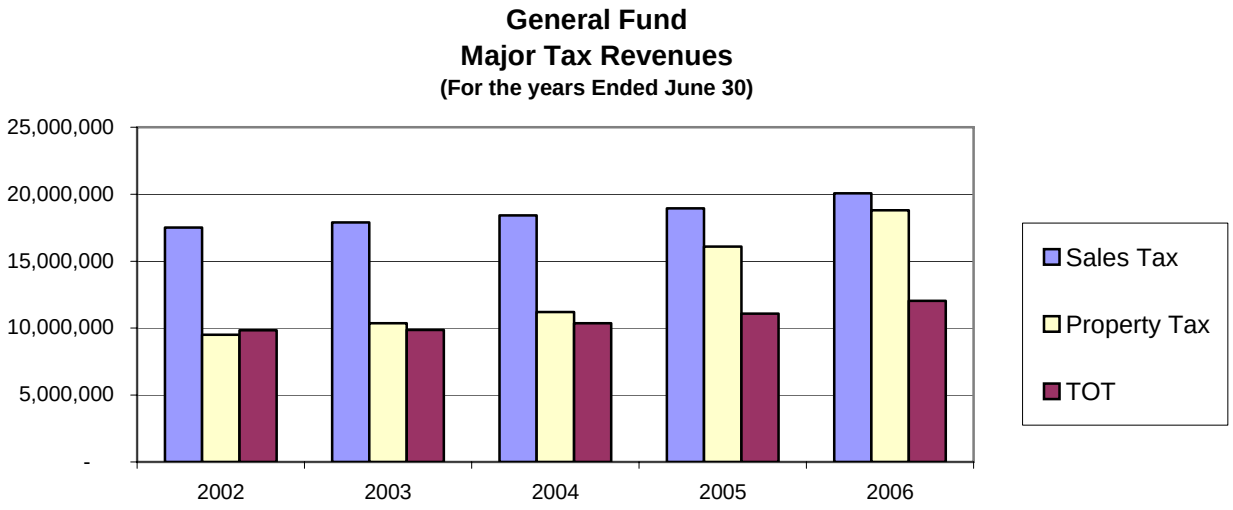
The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks; it is often referred to as the American Riviera. The City was incorporated in August of 1850 and today serves a population of 89,548. The City provides a wide range of services to its citizens. These services include

police and fire protection; the construction and maintenance of highways, streets, traffic signals and infrastructure; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; golf course; community development; and general administration.

The City also provides services through the Redevelopment Agency (RDA), which is a blended component unit of the City. Therefore, the RDA is included in the overall reporting entity presented in the accompanying CAFR. However, the RDA remains separate from the City for all legal purposes and also issues its own separate annual financial report. No express or implied assumption by the City of any liability for the RDA is to be inferred by its inclusion in the CAFR. The RDA's separately issued CAFR is available on the City's web site at: www.SantaBarbaraCa.gov/government/finance.

LOCAL ECONOMY

The City offers a wide range of cultural, recreational and leisure events and activities, set between a beautiful mountain range and spectacular beaches. It also offers a wide range of dining experiences and accommodations. As such, the City is a popular destination point for local, domestic and international tourists.



The General Fund's largest revenue source is sales tax, making up approximately 20% of total General Fund revenues. The third largest revenue is derived from the 12% transient occupancy tax (TOT), of which 10% goes to the General Fund and the remaining 2% is accounted for in a special revenue fund restricted for restoring City creeks. Historically, these two revenues have been sensitive to swings in the State and local economies. For example, the recession of the early 1990's had a material impact on sales tax, TOT and property revenues. One-time revenues and reserves above policy requirements were used to balance the budgets. Then the economic downturn that began in 2001 and exacerbated by the attacks on the World Trade Center on September 11, 2001, once again impacted TOT and sales tax revenues.

Despite the economic recession from 2001-03 that moved through virtually the entire country, real estate values in Santa Barbara grew at historical rates. From 2001 to 2006, property tax revenues grew on an average of almost 9%. These growth rates have lifted property tax revenues to an estimated $20.6 million in fiscal year 2007, only slightly behind sales tax revenues at $20.9 million. While we remain "bullish" on property tax revenues, there is evidence that real estate values are easing and the turnover rate is slowing, which would impact revenues over the next few years.

Unfortunately, the strong growth in real estate values has worsened the lack of affordable housing in the City. The RDA, in partnership with local non-profit housing developers, has been extremely successful in adding

affordable housing units to the housing stock. However, with the median home price in the South Coast near $1 million, this is an issue that is not easily solved. The extraordinarily high cost of housing is also affecting the City's ability to attract – and retain - qualified professional, supervisory and management level staff. As a large percentage of City staff is expected to reach retirement age in the next five years, this will become an even greater dilemma in the near term.

The high cost of housing is also having an impact on traffic along the 101 Freeway coming into Santa Barbara as more workers are commuting from as far north as San Luis Obispo and as far south as Camarillo. The Santa Barbara County Association of Governments has added a measure in the November 2006 ballot to extend the county-wide ½ cent sales tax imposed by Measure D, which is due to sunset in 2009, and to add ¼ cent sales tax. The funds will be used to continue the funding that goes towards maintaining and improving streets in the County, as well as provide funding for light rail, the Metropolitan Transit District, and a new lane on the 101 Freeway between the Santa Barbara and the Ventura County lines to the south.

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 are compiled to allow for the preparation of financial statements in conformity with GAAP. The City's system of internal control 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 federal 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 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 are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are re-appropriated in the following fiscal year.

OTHER INFORMATION

Cash Management

Cash temporarily idle during the year was invested in demand deposits, money market funds, certificates of deposit, corporate notes, federal agencies, treasuries, and the State of California's Local Agency Investment Fund (LAIF). On June 30, 2006, the City's investments had an average maturity of approximately 1.07 years and a book yield of 3.8%. As interest rates increased, the market value of investments held declined; however, because the City holds all securities to maturity, interim gains and losses are not realized as the securities are redeemed at par upon maturity.

Risk Management

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. Insurable property is covered for all risks by policies with a pooled aggregate limit of $750 million per occurrence. An earthquake and flood limit of $50 million per occurrence is included as well. Various unique risks such as airport liability, marine hull protection and indemnity, fidelity, and boiler and machinery are insured as well.

The City is a member of the Authority of California Cities Excess Liability (ACCEL) for the purpose of pooling various risks. The City's self-insured retention (SIR) for liability is $1 million. ACCEL pools the next $4 million and members now jointly purchase $30 million of coverage above their respective SIR's from the commercial market. The City's self-insured retention for workers' compensation is $750,000. An indemnity policy provides limits of $45 million in excess of the City's self-insured retention and a $5 million pooled layer. Employers' Liability is also included with limits of $5 million.

City management evaluates rates charged to user departments and adjusts them annually to fully accumulate the funds needed in the City's Self-Insurance Fund to meet catastrophic losses that may potentially arise.

Spending Limitation

Article XIIIB 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, 2006, the City had not reached its Article XIIIB 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, 2005. This was the third 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 City also received a Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers for the fiscal year 2005 CAFR.

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the

Finance Department. We would like to express appreciation to the Finance Department and other City departments that provided assistance and support.

Respectfully submitted,

James L. Armstrong
City Administrator/
Clerk-Treasurer

Robert D. Peirson
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, 2005

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.

President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Santa Barbara

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 24, 2006

William J. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2006

Marty Blum
Mayor

Grant R. House
Councilmember

Helene Schneider
Councilmember

Roger L. Horton
Councilmember

Das Williams
Councilmember

Iya G. Falcone
Councilmember

Brian B. Barnwell
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Stephen P. Wiley
City Attorney

Robert D. Peirson
Finance Director

Karen S. Ramsdell
Airport Director

Nancy L. Rapp
Parks and Recreation Director

Carol L. Keator
Library Director

Camerino Sanchez
Police Chief

Ron A. Prince
Fire Chief

Paul A. Casey
Community Development Director

Anthony J. Nisich
Public Works Director

Joan M. Kent
Assistant City Administrator

John N. Bridley
Waterfront Director

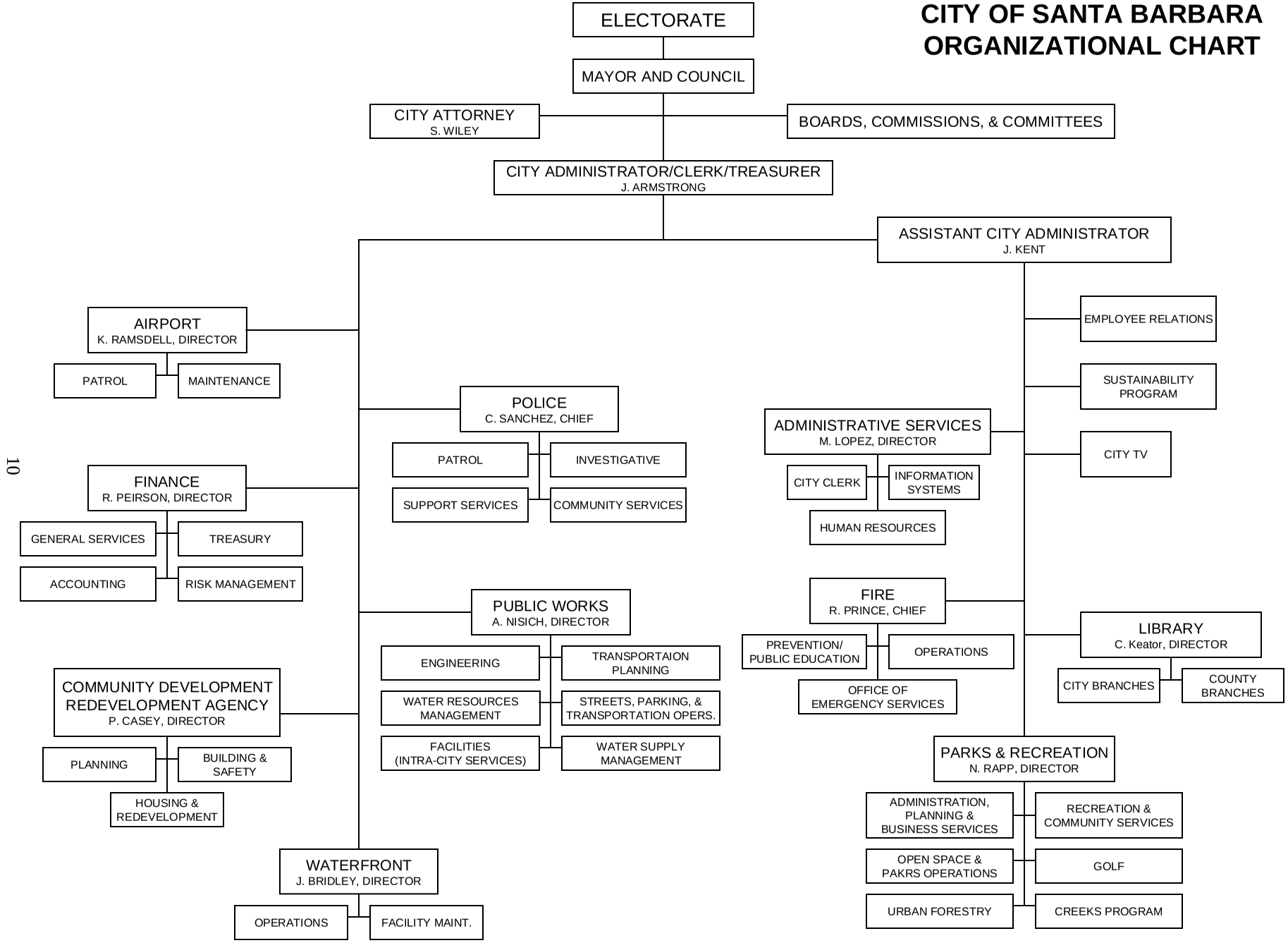
CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2006

Charter Boards and Commissions	**Membership**
Airport Commission	7
Architectural Board of Review	9
Civil Service Commission	5
Fire and Police Commission	5
Fire and Police Pension Commission	5
Harbor Commission	5
Historic Landmarks Commission	9
Library Board	5
Park Commission	5
Planning Commission	7
Recreation Commission	5
Water Commission	5

Committees and Commissions	
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 (voting)	9
(non-voting)	4
Downtown Parking Committee	7
Franklin Center Advisory Committee	7
Living Wage Advisory Committee	7
Lower Westside Center Advisory Committee	7
Rental Housing Mediation Task Force	15
Sign Committee	5
Sister Cities Board	3
Transportation and Circulation Committee	7
Westside Center Advisory 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	1

CITY OF SANTA BARBARA
ORGANIZATIONAL CHART



Financial Section

C&L
Caporicci & Larson
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Santa Barbara
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, California (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted the Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1), No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits.*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Toll Free Ph: (877) 862-2200 Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Caporicci & Larson

Irvine, California
September 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2006

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, 2006. 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 1-5 of this report.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2006, net assets of the City totaled $741.1 million, an increase of approximately $350.3 million from the prior year. Approximately $316 million of the increase is attributable to the capitalization of infrastructure assets (see Notes 4 and 18 to the financial statements) this year in compliance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). Of the total net assets, $112 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of $146.2 million, a decrease of $13.1 million from prior year.
- Approximately 16.4% of the combined fund balance of the governmental funds is unreserved and therefore available for spending at the City's discretion.
- As of June 30, 2006, unreserved fund balance in the General Fund was $24.9 million, equating to approximately 27.3% of total General Fund expenditures.

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 sections 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 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 and/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 the most significant (i.e., "major") funds. 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, whereby revenues are generally recognized when measurable and available to finance current operating costs, and expenditures are recognized when the related liability is incurred. In addition, the focus is on inflow (revenue) and outflow (expenditures) *of current financial resources.* As such, the balance sheets of governmental funds are intended to 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 "nonmajor" 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 Comprehensive Annual Financial 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*. 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, Airport, Golf, Downtown Parking, and Waterfront/harbor operations. Internal service funds are used by the City to account for its intra-city services (motor pool, building maintenance, custodial, and communications), information systems, and self-insurance.

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 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 GASB 34. The City adopted the provisions of GASB 34 in the fiscal year ended June 30, 2002. Pursuant to GASB 34, the City was required to begin capitalizing infrastructure in the year of adoption but the City was allowed four additional

years to retroactively capitalize infrastructure that was acquired prior to July 1, 2001. This year's financial statements reflect the retroactive capitalization of infrastructure totaling $316 million. Since this infrastructure capitalization relates to assets acquired or constructed in prior years, this addition is recognized in the financial statements as a prior period adjustment to capital assets and net assets. Accordingly, prior year totals have been restated to reflect the impact of the prior period adjustments. Further information on this adjustment can be found in notes 4 and 18 to the financial statements.

The following analysis of the Government-Wide statements includes a comparison between current and prior year results of operations and year-end balances.

Governmental Activities

Statement of Net Assets

Table 1 below summarizes the Statement of Net Assets for Governmental Activities as of June 30, 2006, with comparative totals as of June 30, 2005.

Table 1
Statement of Net Assets
Governmental Activities
As of June 30, 2006 and 2005

	2006	2005*
Assets:		
Current and other assets	$ 182,305,393	$ 194,669,949
Capital assets (net of depreciation)	341,246,291	324,076,791
Total Assets	523,551,684	518,746,740
Liabilities:		
Current and other liabilities	16,005,231	14,180,244
Long-term liabilities	93,998,219	99,115,329
Total Liabilities	110,003,450	113,295,573
Net Assets:		
Invested in capital assets, net of related debt	301,826,749	300,403,837
Restricted	77,906,821	70,887,775
Unrestricted	33,814,664	34,159,555
Total Net Assets	$ 413,548,234	$ 405,451,167

* As restated for prior period adjustment (see notes 4 & 18)

As shown in Table 1, total assets of Governmental Activities were $523.6 million at June 30, 2006, including $341.2 million in capital assets (net of depreciation). Of the total $182.3 million in current assets, $121.7 million consists of pooled cash and investments, as well as cash and investments with fiscal agents. All pooled cash is invested in accordance with State law and the City's investment policy, and includes funds legally and/or contractually restricted as to their use.

Long-term liabilities at June 30, 2006, include tax allocation bonds issued by the City's Redevelopment Agency, certificates of participation issued by the City, and estimated self-insurance claims (see the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). Long-term liabilities decreased by $5.1 million this year. This includes an increase of $436,000 in claims and a reduction of $5.4 million from scheduled principal payments made on outstanding debt during the year.

Net assets totaling $413.5 million include $77.9 million subject to external restrictions. Net assets also include $33.8 million in unrestricted net assets that are available for discretionary spending although a portion is designated for emergencies and economic uncertainties pursuant to a resolution adopted by City Council in 1996.

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). The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year. Thus, it indicates whether the City as a whole is better off at June 30, 2006, than it was at June 30, 2005. For the fiscal year ended June 30, 2006, total net assets increased by approximately $18 million.

Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2006, with comparative totals for the fiscal year ended June 30, 2005.

Table 2
STATEMENT OF ACTIVITIES
Governmental Activities
Fiscal Years Ended June 30, 2006 and 2005

	2006	2005
REVENUES:		
Program Revenues:		
Charges for Service	$ 43,245,872	$ 26,472,712
Operating Grants and Contributions	12,446,731	12,565,407
Capital Grants and Contributions	2,313,000	3,599,168
General Revenues:		
Taxes	83,760,741	74,441,251
Franchise fees	3,260,062	2,124,151
Motor Vehicle License Fees	658,911	2,297,056
Investment Income	3,955,387	3,409,647
Other Revenue	4,383,511	2,024,564
TOTAL REVENUES	154,024,215	126,933,956
EXPENSES:		
Program Expenses:		
Administration	11,385,345	10,139,932
Public Safety	48,836,119	45,721,424
Public Works	39,887,069	20,500,104
Community Services	20,958,542	19,622,073
Community Development	20,804,068	17,011,767
Interest expense	4,068,458	4,080,594
TOTAL EXPENSES	145,939,601	117,075,894
Increase in Net Assets Before Transfers	8,084,614	9,858,062
Transfers in	12,453	69,836
Increase in Net Assets	8,097,067	9,927,898
Net Assets, July 1	405,451,167	164,992,576
Prior Period Adjustment (Note 18)	-	230,530,693
Net Assets, June 30	$ 413,548,234	$ 405,451,167

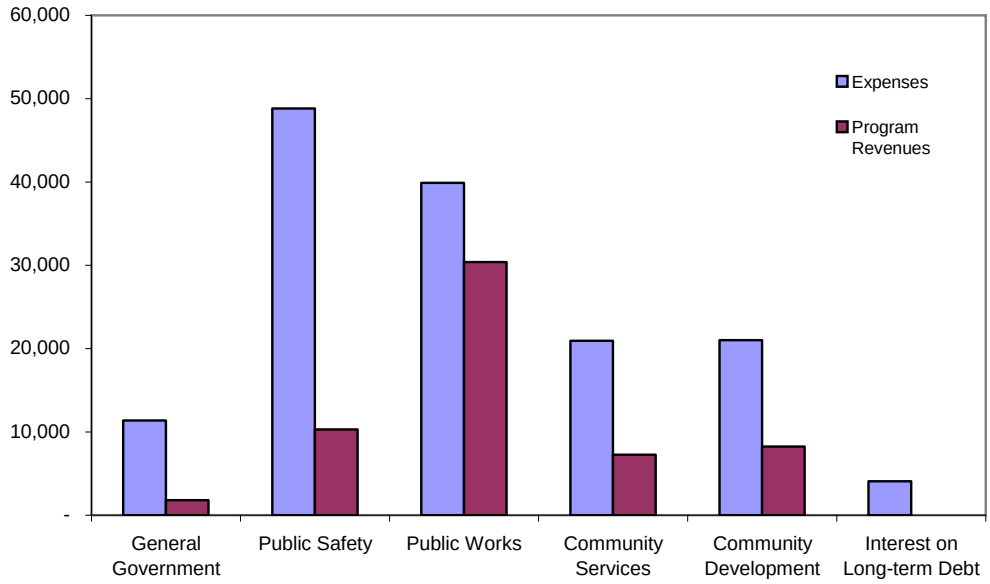
Comparison of this year's revenues and expenditures to those of the prior fiscal year is affected by a change in the way that the City accounts for solid waste revenues and payments to trash haulers in the Solid Waste Fund. The City collects all solid waste payments from customers, retains the City's portion of the revenues, and remits the appropriate share of the revenues to each of the trash companies that service City customers (i.e. haulers). In prior years, only the City's portion of the revenues and franchise fees were recognized in the financial statements. This fiscal year, the City recognized all payments received from customers as revenue and all

payments made to the haulers as expenses. This change had the effect of increasing revenues and expenses reported in the governmental activities by $15 million and $13 million, respectively. The effect of this change should be considered when analyzing revenues and expenses.

Revenues of Governmental Activities totaled $154 million for the fiscal year ended June 30, 2006. Of this total, $83.8 million (54.4%) was derived from taxes, including sales tax, transient occupancy tax, utility user's tax, and property tax revenues. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. Approximately $43.2 million (28%) of total revenues were derived from charges for services, representing fees charged for various services, such as recreation, planning, building, library, solid waste, and engineering, as well as services provided by General Fund departments to other funds. Revenues derived from fees and charges help support programs largely subsidized from general tax revenues and, thus, reduce the burden on these limited resources.

Total revenues increased by approximately $27.1 million (21.3%) from the prior year, from $126.9 million to $154 million. Approximately $15 million of this increase is related to the change in the Solid Waste Fund as previously discussed. Excluding the solid waste fees, revenues increased $12.1 million (9.5%) from the prior year. As discussed in more detail in connection with the analysis of the General Fund later in this report, tax revenues realized the largest growth of all revenues from the prior year.

Expenses and Program Revenues - Governmental Activities
(in thousands)



Expenses for the year totaled approximately $145.9 million, with the aforementioned change in accounting for solid waste fees representing $13 million of the total. The largest component of total expenses was for public safety (fire and police), representing $48.8 million or 33.4% of the total. Community Services expenses, which include parks, recreation, and library services, totaled $21 million, and Public Works expenses (including the Solid Waste Fund) totaled $ 39.9 million. Depreciation on infrastructure that was capitalized in the current year contributed approximately $1.8 million to total Public Works expenses.

Overall expenses increased by approximately $18.9 million from the prior year. As previously noted, $13 million of the increase is due to the change in the Solid Waste Fund and $1.8 million is due to depreciation on capitalized infrastructure. The remaining $15 million increase is primarily the result of: 1) A $7.1 million grant from the Redevelopment Agency to the St. Vincent's Senior Housing project; 2) $4.6 million in salary and benefits cost increases due to negotiated salary increases, increased group medical insurance, and increased retirement costs; and 3) $1.5 million in loans receivable for low income and transitional housing that was forgiven during the year.

Business-Type Activities

Statement of Net Assets

Table 3 below summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2006, with comparative totals as of June 30, 2005.

Table 3
Statement of Net Assets
Business-Type Activities
As of June 30, 2006 and 2005

	2006	2005*
Assets:		
Current and other assets	$ 114,436,537	$ 115,805,282
Capital assets (net of depreciation)	325,467,493	305,879,340
Total Assets	439,904,030	421,684,622
Liabilities:		
Current and other liabilities	17,719,057	16,390,824
Long-term liabilities	94,675,969	94,069,429
Total Liabilities	112,395,026	110,460,253
Net Assets:		
Invested in capital assets, net of related debt	245,094,946	231,432,418
Restricted for debt service	4,265,973	4,704,123
Unrestricted	78,148,085	75,087,828
Total net Assets	$ 327,509,004	$ 311,224,369

* As restated for prior period adjustment (see notes 4 & 18)

As previously indicated, business-type activities include the City's operations in the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Enterprise Funds. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets in relation to funds included within the Government Activities category shown in Table 1. In fact, of the $439.9 million in total assets at June 30, 2006, approximately $325.5 million (74%) relate to capital assets. The increase of $18.2 million is a result of capital acquisitions and improvements made during the year that were funded from low interest state loans, capital grants, operating revenues, and/or accumulated reserves for several major projects including: the Cater Water Treatment Plant, Sheffield Reservoir Project, renovations to the wastewater treatment & collection system, airport terminal expansion & runway improvements and relocation, and the Granada Garage.

In total, net assets increased by $16.3 million for the year ended June 30, 2006. All categories of net assets have a positive balance, which means that, as a whole, the individual funds comprising the business-type activities have sufficient current assets to satisfy both current and long-term liabilities, and still have assets remaining for discretionary spending. In short, the funds included within this category are in excellent financial condition. Overall, unrestricted net assets increased $3.1 million during this fiscal year. While the unrestricted net asset change varies between funds, the increase is primarily due to activities in the Airport and Waterfront Funds. Airport Fund net assets increased $13 million due to strong operating results and capital grants reimbursing the

Airport for capital improvements made in prior years. The capital improvements were originally funded from unrestricted net assets and the capital grants restored the net assets used in prior years. Waterfront Fund net assets increased $1.8 million, mostly due to the $1.7 million advance from the General Fund for construction of the Waterfront offices and renovation of the Chandlery building. The fund used unrestricted reserves to pay for the construction; the reimbursement (in the form of an advance from the General Fund) is included in the computation of net assets invested in capital assets, net of related debt and unrestricted net assets have been restored.

Statement of Activities

Table 4 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2006 and June 30, 2005.

Table 4
STATEMENT OF ACTIVITIES
Business-Type Activities
Fiscal Years Ended June 30, 2006 and 2005

	2006	2005
REVENUES:		
Program Revenues:		
Charges for Service	$ 71,616,012	$ 67,900,622
Operating Grants and Contributions	57,167	13,190
Capital Grants and Contributions	12,382,745	3,440,054
General Revenues:		
Investment Income	2,836,817	2,329,141
TOTAL REVENUES	86,892,741	73,683,007
EXPENSES:		
Business Activities:		
Water	25,937,430	23,932,663
Wastewater	12,618,010	11,728,397
Airport	13,498,679	12,287,933
Waterfront	10,778,044	10,169,069
Other Non-Major Funds	7,763,490	6,845,869
TOTAL EXPENSES	70,595,653	64,963,931
Change in Net Assets Before Transfers	16,297,088	8,719,076
Transfers	(12,453)	(69,836)
Change in Net Assets	16,284,635	8,649,240
Net Assets, July 1 (restated)	311,224,369	302,575,129
Net Assets, June 30	$ 327,509,004	$ 311,224,369

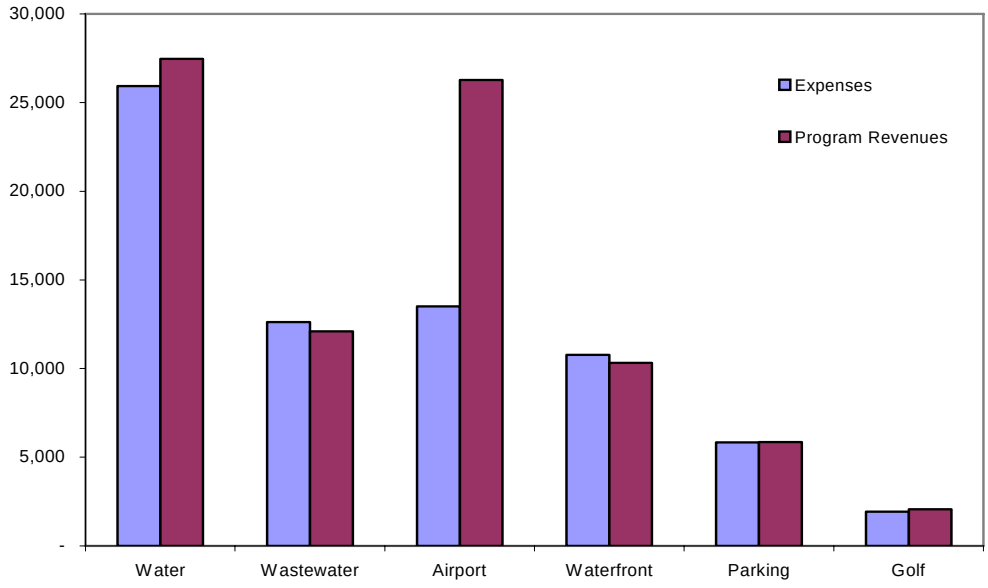
Total revenues for the fiscal year ended June 30, 2006, were $86.9 million, an increase of $13.2 million (17.9%) from the prior year. Charges for services, by far the largest source of revenue, increased $3.7 million (5.4%) while revenues from operating grants and contributions increased $8.9 million. Charges for services include fees and charges for utilities, such as Water and Wastewater, as well as charges relating to the Airport, Waterfront, Downtown Parking and Golf enterprise funds. The increase of $3.7 million from prior year results from a combination of fee increases and increased activity throughout the various funds. For example, the Water and the Wastewater Funds raised their rates in fiscal year 2006 by 3.5% and 4%, respectively. The rate increase and customer usage combined to generate additional revenues of $917,000 and 717,000, respectively in these two funds. The Airport Fund's program of keeping commercial lease property rented at market rates, coupled with a record number of passengers using the airport, resulted in $752,000 of additional revenues. Downtown Parking Fund revenues increased $890,000 primarily to a rate increase that went into effect on January 1, 2006. Capital grant revenue includes $12.3 million from the Federal Aviation Administration for several large capital projects at the airport, including the terminal expansion, runway relocation and improvements, and airport safety projects.

Investment income showed a $508,000 increase from the prior year; however, $183,000 of the increase is due to a change in the adjustment required by GASB Statement No. 31 (GASB 31) to adjust the City's portfolio to fair market value from $441,000 in fiscal year 2005 to $259,000 this year. The actual increase in investment earnings of $325,000 was primarily due to an increased investment yield in the current fiscal year. The City pools the cash of all funds, except bond funds held by fiscal agents, for investment purposes.

All investments are subject to State Law and the City's investment policy. The Federal Reserve continued its policy of steadily raising interest rates throughout this past year and the yield on the City's portfolio has risen accordingly, yet at a slower rate. A large portion of the City's investment portfolio is comprised of securities that were purchased when interest rates were lower. As these lower yield investments mature and are reinvested in higher yielding securities, interest earnings will increase. The City's average yield on investments rose from 2.9% at June 30, 2005 to 3.8% at June 30, 2006. As noted in the previous paragraph, investment earnings were reduced $259,000 to reflect the decline in fair market value of the City's proprietary funds' portfolio at June 30, 2006, pursuant to GASB 31. This decline in market value represents only a "paper" loss, as the City holds all investments to maturity at which time they are redeemed at full par value.

Expenses for the fiscal year ended June 30, 2006 totaled $70.6 million, a $5.6 million increase from the prior year. The increase is the net of varying increases in each fund and will be discussed in more detail later in the analysis of individual funds in this report. The business-type funds experienced approximately $2.2 million increased salary and benefits costs due to negotiated salary increases, increased health care costs, and increased retirement costs. Additionally, these funds have a combined $2.3 million increase in depreciation expense, with a significant portion of that resulting from adjustments to infrastructure assets as part of the infrastructure inventory that was performed this year.

Expenses and Program Revenues - Business-type Activities
(in thousands)



FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As previously noted, 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

Analysis of Year-End Balances

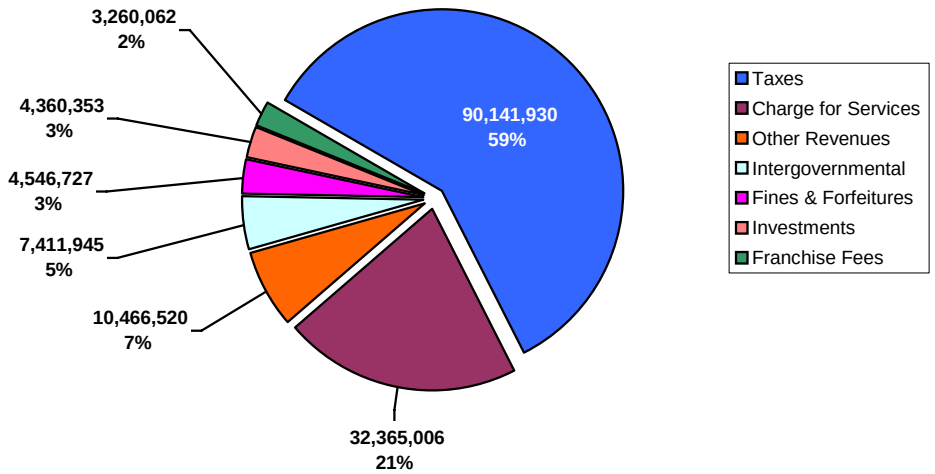
As previously noted, governmental funds use the modified accrual method of accounting. As of June 30, 2006, governmental fund assets totaled $167.9 million. Of this total, $61.8 million consisted of cash and investments, and $42.7 million consisted of cash and investments held with fiscal agents (bond trustees). An additional $45.9 million represents outstanding loans receivable, of which the vast majority relates to the City's home rehabilitation loan program funded from the Community Development Block Grant program and the Redevelopment Agency's Housing Program.

Fund balance (assets minus liabilities) of governmental funds totaled $146.2 million at June 30, 2006. Of this total, $122.2 million was reserved and $24.9 million was designated. The *reserved* portion of total fund balance includes $41.4 million in bond proceeds held by fiscal agents in connection with the sale of the 2001, 2003A, and 2004A Tax Allocation Bonds by the Redevelopment Agency (RDA). These funds are restricted to projects for which the bonds were sold, including low-income senior housing and other redevelopment projects in the downtown area. Reserved fund balance also includes $33 million in outstanding loans receivable in the RDA Housing Fund. Because these loans are long-term, they are not currently available for appropriation and are thus reserved. The *designated* portion of fund balance consists of funds set aside in the General Fund, pursuant to City policy, for emergencies, contingencies, and revenue shortfalls caused by economic downturns. The policy requires that all operating funds, including the General Fund, set aside an amount equal to 25% of its operating budget. Over the past few years reserves were used to balance the budget and, accordingly, reserves fell below the policy amount. This use of reserves was due to an economic downturn and the City has prepared a balanced budget for fiscal year 2007. A multi-year plan has been implemented to restore policy reserves to their proper levels over the next few years.

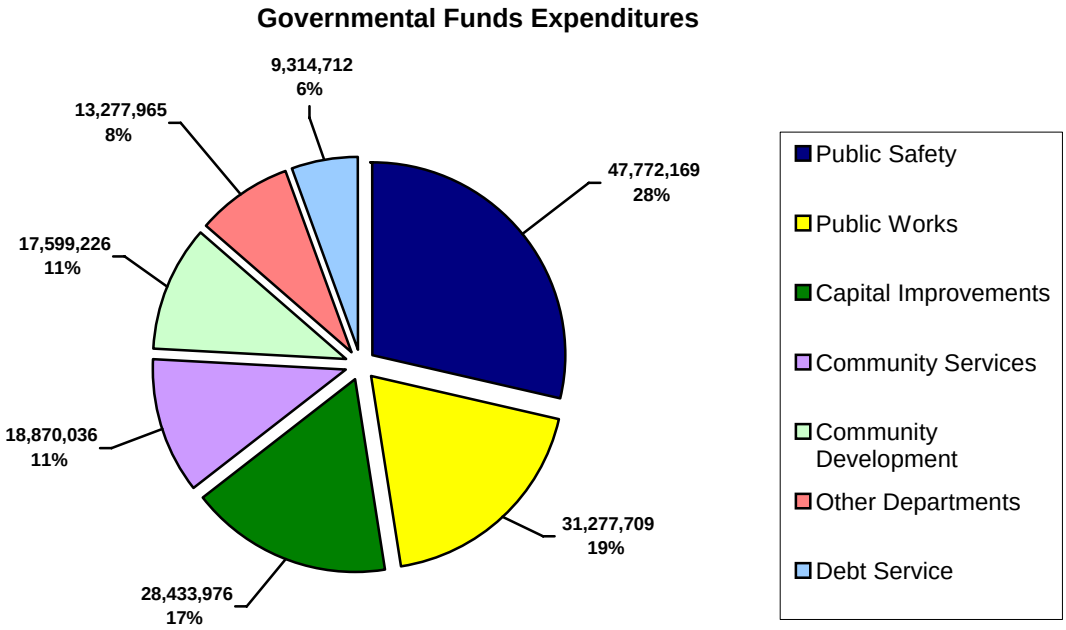
Results of Operations

Revenues of the governmental funds totaled $152.6 million for the fiscal year ended June 30, 2006. As shown in the chart below, the largest component of total revenue was Taxes at $90.1 million, making up 59% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly the General Fund, in that they include programs that are largely supported by general taxes. Taxes received by the General Fund include sales, transient occupancy, utility users, and property taxes. The Redevelopment Agency (RDA) is almost entirely funded from property tax revenues. This stems from the nature and purpose of redevelopment agencies in that improvements to "blighted" areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties after the improvements are made.

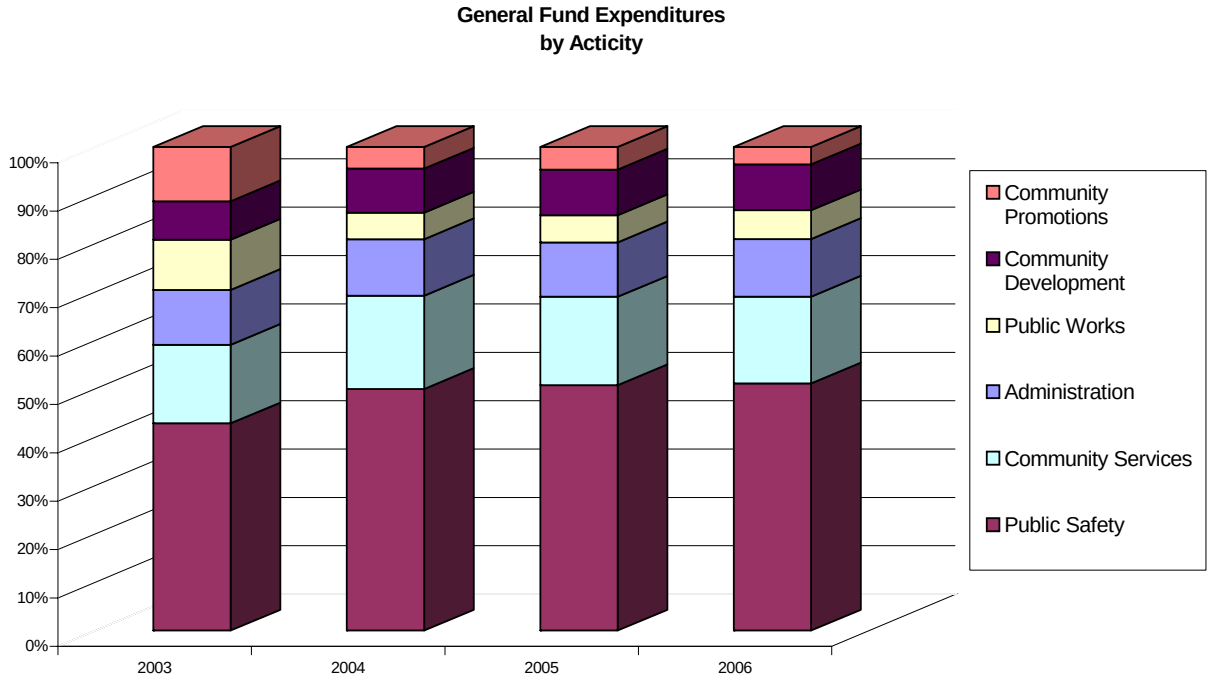
Governmental Funds Revenues



The adopted General Fund budget called for $96.9 million of expenditures, including transfers. Budget amendments totaling $1.9 million increased the amended budget to $98.9 million. The budget amendments are comprised of two components: (1) Appropriations tied to outstanding encumbrances of $1.1 million were carried forward from fiscal year 2005; (2) Amendments totaling $789,000 approved by City Council during the year.



Total governmental expenditures were $166.5 million for the fiscal year, with $13.2 million attributable to the accounting change previously discussed for the Solid Waste Fund. As always, a large portion (approximately 29%) of overall expenditures relates to fire and police (public safety). Virtually all of these costs are funded out of the General Fund, consuming almost 52% of total General Fund revenues. A total of $18.9 million was expended for Community Services, which includes library, parks, and recreation; $31.3 million was spent on Public Works, which includes $13.2 million in payments to the haulers and significant funding towards the City's streets maintenance and capital programs; and $28.4 million was spent on capital improvements.



In total, governmental funds ended the year with a net decrease in fund balance of $13.8 million. As such, the City's total available resources for financing next year's programs and services decreased from the end of last year. The entire decrease in fund balance was attributable to $21.1 million in capital expenditures in the Redevelopment Agency capital projects fund. The General Fund's final amended budget included the planned use of reserves totaling over $9.1 million but the fund only used $8,516 in reserves due to better-than-expected revenue and expenditure results. The RDA general & housing funds ended the year with a $3.6 million increase in fund balance while the RDA capital projects funds showed a $19.8 million decrease in fund balance, primarily due to construction of the Granada Garage ($12.2 million) and a $7 million grant for construction of the St. Vincent's Senior Housing project.

Proprietary Funds

Analysis of Year-End Balances

Assets of the proprietary funds totaled $438.9 million as of June 30, 2006. Of this total, $325.5 million (74%) consisted of capital assets used in the operations of the various funds. This is consistent with the nature and purpose of the services provided by proprietary funds, which include the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Funds. These services are highly capital intensive and require ongoing funding for capital maintenance and improvement.

Cash and investments (including cash with fiscal agents) is the second largest asset category, comprising almost 21.4% of total assets. As of June 30, 2006, total cash and investments (including cash and investments with fiscal agents) of proprietary funds totaled $93.9 million, which is a $372,000 decrease from the prior year balance of $94.3 million. While the net decrease was only $372,000, the change in cash varied significantly by individual fund.

The Wastewater Fund is in the process of capital renovations and improvements to the wastewater system that will occur over the next several years. Wastewater Fund cash decreased $3 million as a result of approximately $8 million spent on capital projects and debt service during the year and an increase of $4.2 million cash from the fund's operations. Airport operating activities generated a $1.8 million increase in cash, due in large part to continued strength in passenger counts during the year. Investment earnings increased Airport cash an additional $556,000 for a net increase of $2.5 million in cash this fiscal year. Waterfront Fund cash increased $1.8 million primarily due to a $1.7 million loan from the General Fund for construction of the Waterfront offices and remodeling of the Chandlery building. Downtown Parking Fund cash decreased $1.4 million primarily due to construction associated with the Granada Garage.

Net assets of proprietary funds totaled $327.5 million as of June 30, 2006, an increase of $112.4 million from the prior year. Net assets include amounts invested in capital assets, net of depreciation, and unrestricted amounts. As of June 30, 2006, the portion of net assets invested in capital assets (net of related debt) was $245.1 million. The increase from prior year is from capital expenditures in fiscal year 2006, as discussed previously, offset by the amount of the expenditures financed by the issuance of debt and current year depreciation. Net assets restricted for debt service decreased $438,000 from $4.7 million to $4.2 million. The unrestricted portion of net assets increased $3.1 million from approximately $75.1 million to $78.1 million. The increase in unrestricted net assets is mostly due to the net income of the business-type activities.

Results of Operations

Total fiscal year 2006 operating revenues of the proprietary funds were approximately $70.8 million, an increase of $3.7 million (5.5%) from the prior year. Operating revenues increased in all funds, with the largest dollar increase of $917,000 (3.5%) occurring in the Water Fund. Wastewater Fund and Airport Fund revenues increased $717,000 (6.3%) and $752,000 (5.7%), respectively. Effective on July 1, 2005, water service rates were increased by 3.5% and wastewater charges were increased by 4%. Operating revenues increased by 3.5% in the Water Fund and 6.4% in the Wastewater Fund. The actual increase in revenue is dependent on both the rates and water usage; therefore, it will not exactly mirror the rate increase percentage. Additionally, a portion of the wastewater charge is fixed and does not change with water usage. The increase in Downtown Parking Fund revenue is primarily due to a rate increase that was effective January 1, 2006. The rate increase was expected to

generate up to $900,000 additional revenue for the Fund; actual revenues ended the year $806,000 (19.2%) higher than the prior year.

Service charge revenue and lease revenue were primarily responsible for the increase in Airport Fund revenues. Service charge revenue is the passenger facility charge (PFC) that is charged to each passenger that departs from, or arrives at, the airport. Passenger traffic increased by approximately 3.6% this year, following a 10% increase in the prior year, and contributed to the $178,000 increase in PFC revenue. Lease and rent revenue increased $528,000, primarily as a result of $345,000 in increased terminal lease revenue, including parking, car rentals, and concessions, all of which were positively impacted by the increase in passenger traffic.

Operating expenses of proprietary funds totaled approximately $68.3 million, a $6.6 million increase from the prior year. The largest increase of $2.2 million is attributable to the Water Fund. The Wastewater Fund and Airport Fund expenses increased by $1.5 million each and Waterfront Fund expenses increased $495,000. Salary and benefit costs increased in all of the funds due to negotiated salary increases, increased health care costs, and higher retirement contributions. Depreciation costs increased by $2.3 million across the funds, primarily due to depreciation of the newly renovated Cater treatment plant and the additional infrastructure assets that were added as a result of the infrastructure inventory. Materials, supplies, and services increased $2.1 million in the business-type funds. This increase is largely due to increased costs for non-capitalized land and other improvements at the Airport ($868,000), professional service contracts expense ($354,000), non-contractual services ($251,000), and utilities ($255,000).

Non-operating revenues, which include taxes, investment income, grants/contributions, and other miscellaneous revenues, increased $9.6 million from the prior year. Airport grant revenues from the FAA increased $9.4 million due to the large projects that are in various stages at the Airport.

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 & recreation, community development (building and planning), and public works.

The originally adopted expenditure budget of the General Fund totaled $96.9 million including $1.8 million in operating transfers. Budgeted revenues were $89.1 million, thus yielding a $7.9 million budgeted net use of reserves. The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2005, as well as Council-approved adjustments during the year, totaled $98.9 million. The amended revenue budget was $89.2 million, resulting in a $9.7 million budgeted net use of reserves. The actual use of reserves was only $8,516, resulting in a $9.7 million favorable budget variance.

This favorable result was attributable to several factors: First, revenues came in over budget by $3.7 million (4.1%). This positive variance is almost entirely due to a $3 million favorable variance in tax revenues. Second, on the expenditure side, the General Fund recognized $6.1 million (6.2%) in expenditure savings, with salaries and benefit savings yielding a $2.3 million favorable variance. Finally, other significant savings include: the unspent appropriated reserves of $341,000, $658,000 savings in equipment and capital outlay expenditures, and spending on special projects was $680,000 under budget.

All tax revenues ended the year ahead of budget. The largest variance in tax revenues was $1.8 million in Property Tax and $528,173 in Transient Occupancy Tax (TOT). Property Tax revenues were 10.9% over budget and grew 16.9% ($2.7 million) from the prior year. This positive variance is primarily due to a 43.7% growth in supplemental property tax revenues which are generated from re-assessments stemming from improvements to, or changes in ownership of, real property occurring after the levy date. TOT revenues grew at historic rates from April 2005 through December 2005. From July through September 2005 TOT revenues grew an average 14.4%; and for the first half of the year, revenues were up 12% from prior year. Revenue growth slowed in the second half of the fiscal year to 4.1%, resulting in an annual growth rate of 8.6% for the year.

Table 6
SUMMARY OF EXPENDITURES
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

Department	Amended Budget	YTD Actual	Budget Variance $	Budget Variance %
Mayor & council	$ 775,651	$ 755,768	$ 19,883	2.6%
City attorney	2,057,253	2,036,205	21,048	1.0%
City administration	2,054,301	1,792,187	262,114	12.8%
Administrative services	2,054,808	1,616,065	438,743	21.4%
Finance	5,034,147	4,825,183	208,964	4.2%
Police	30,300,188	29,427,667	872,521	2.9%
Fire	18,096,870	17,889,108	207,762	1.1%
Public works	6,008,734	5,388,948	619,786	10.3%
Parks & recreation	13,403,927	12,457,030	946,897	7.1%
Library	4,368,760	4,024,393	344,367	7.9%
Community development	10,730,649	8,935,793	1,794,856	16.7%
General government	2,571,994	2,252,557	319,437	12.4%
Total	$ 97,457,282	$ 91,400,904	$ 6,056,378	6.2%

As shown in Table 6 above, General Fund expenditures for the year ended June 30, 2006, were $91.4 million, resulting in a $6.1 million (6.2%) favorable budget variance. All departments kept within their legal spending authority. In general, year-end expenditures fell below budget due to a few key factors: First, while virtually every General Fund department realized some savings in salaries and benefits, the largest salary & benefits savings were realized in the Police ($514,000), Community Development ($432,000), and Parks & Recreation ($472,000) departments. These three departments generated a combined $1.4 million in salary & benefits savings. Generally, these savings were the result of retirements, turnover in staff, and in some cases, from positions that were intentionally held vacant. Secondly, certain costs are typically encumbered and carried forward each year and, by their nature, create variances between budgeted and actual expenditures at year-end. Year-end encumbrances totaled over $2.1 million and are essentially timing differences rather actual savings. Additionally, special projects also create year-end variances because they typically cross fiscal years and thus often leave substantial unexpended balances at year-end. Special projects in the General Fund came in under budget by $680,000 in fiscal year 2006. Finally, professional services contracts finished the year $801,000 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 7 below 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.

As shown in Table 7, capital assets totaled $666.7 million. Net capital assets (i.e. new additions less current year depreciation) in governmental funds increased $17.2 million and the increase in business-type funds was $19.6 million. The additions in the governmental funds were primarily due to construction of the Granada Garage. This year, an additional $12.2 million was spent on the Granada Garage and the total cost of approximately $26 million was transferred from Construction in Progress (CIP) and added to Buildings when the garage was completed.

TABLE 7
SUMMARY OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
As of June 30, 2006

	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in Progress	$ 6,765,029	$ 53,601,641	$ 60,366,670
Land	48,228,969	19,201,133	67,430,102
Streets	159,614,855	-	159,614,855
Depreciating assets:			
Buildings	35,090,158	12,390,656	47,480,814
Building Improvements	2,622,931	5,467,404	8,090,335
Equipment	7,841,678	10,226,827	18,068,505
Improvements Other Than Buildings	16,673,065	123,529,451	140,202,516
Infrastructure	64,409,606	8,057,624	72,467,230
Underground Piping	-	92,992,757	92,992,757
TOTALS	$ 341,246,291	$ 325,467,493	$ 666,713,784

The $19.6 million net capital asset additions in the business-type funds are spread across all of the funds. Water Fund expenses for the Sheffield Reservoir Project and the Cater Water Treatment Plant Project were the primary reason for the $4.7 million in net capital additions to the fund. The Cater project was completed this year and will ensure compliance with U.S. Environmental Protection Agency Drinking Water Regulations. The Sheffield Project involved replacing an uncovered reservoir with two 6.5 million gallon buried concrete reservoirs in order to comply with more stringent drinking water standards. The Wastewater Fund added $3.5 million of net capital assets this year. These additions include the annual sewer line replacements and renovations to the sewer system and plant. Airport Fund net additions totaled $10.2 million for various projects, including the terminal expansion, runway renovation and relocation, and security enhancements. Downtown Parking Fund net additions totaled $1.9 million with expenditures related to the Granada Garage project accounting for the majority of the costs.

By far, the largest class of assets in the City is Infrastructure (which is comprised of “Streets” and “Infrastructure”). The next largest classes of assets are “Improvements Other Than Buildings” and “underground Piping” which total approximately $140 million and $94 million, respectively. Improvements Other Than Buildings include improvements to land, parking structures, and other improvements to assets other than buildings. Underground piping primarily includes water and sewer lines. The majority of these assets is included in the business type activities and is an integral part of their operations.

Infrastructure assets, totaling $232.1 million of total net capital assets, include roads, curbs, gutters, storm drains, street lights, bridges, etc. Governmental funds have been required to capitalize the costs of acquiring or constructing infrastructure assets beginning in fiscal year 2002. Pursuant to GASB Statement No. 34, the City was required to capture infrastructure assets acquired or constructed prior to fiscal year 2002 in this year’s financial statements.

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 infrastructure in Table 7. 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 PCI’s of 40 or higher are considered to be in “Fair” or better condition, and roads with PCI’s of 55 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, 2006, the average PCI for City streets was 71, which is defined as “very good”. Eighty eight percent of the City’s streets were

considered to be in "good to excellent" condition, five percent of the streets were rated in "fair" condition, and only seven percent were considered to be in "poor to substandard" condition.

Additional information on the City of Santa Barbara's capital assets can be found in Notes 1 and 4, and Required Supplementary Information of this report.

Long-Term Debt

Table 8 below summarizes outstanding long-term debt, excluding outstanding claims payable, associated with both Governmental Activities and Business-Type Activities. As shown in Table 8, the City had approximately $178 million in long-term debt outstanding at June 30, 2006, a net decrease of $4.2 million from the prior year.

TABLE 8
SUMMARY OF OUTSTANDING DEBT
Fiscal Year Ended June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Certificates of Participation	$ 3,290,100	$ 32,709,900	$ 36,000,000
Revenue Bonds	-	24,570,000	24,570,000
Tax Allocation Bonds	79,460,000	-	79,460,000
Loans	750,000	37,229,369	37,979,369
	$ 83,500,100	$ 94,509,269	$ 178,009,369

With respect to the Governmental Activities, the outstanding $3.3 million in certificates of participation (COP's) were issued in fiscal year 2002 to refund the 1993 COP's, thereby capturing more favorable interest rates and lowering interest costs. These COP's are the only debt of the General Fund and total just 3.6% of total General Fund revenues. The outstanding $79.5 million tax allocation bonds relate to the City's Redevelopment Agency. 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 a new parking structure on Lot No. 6, senior affordable housing, and other redevelopment projects.

Of the outstanding $38 million in loans payable, $37.2 million relates to the Water Fund. The Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR), primarily for the Sheffield Reservoir Project and the Cater Water Treatment Plant Plan Project, as discussed previously in this report. Approximately 40% of the SDWR loans will be reimbursed by the Montecito Water District and the Carpinteria Water District. The water Fund also had $5.4 million in 1994 Series A revenue bonds outstanding at June 30. The $19.2 million in outstanding sewer revenue bonds were issued by the Wastewater Fund 2004 to fund renovations to the City's wastewater collection and treatment systems. The Waterfront and Water Funds have outstanding COP's totaling $17.2 million and $13.8 million respectively.

Additional information on the City of Santa Barbara's long-term debt can be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As a tourist destination, the City's key revenues are affected by the state of the local economy, which is affected by State and Federal economic trends. As a result of the economic downturn that began in 2001, exacerbated by the events of September 11, 2001, both sales tax and transient occupancy tax revenues were materially impacted. These declines in key General Fund revenues were dwarfed by the dramatic increase in retirement costs, which was also affected by the sharp declines in the stock market where a large portion of pension assets are invested. The combined effect of the revenue declines and expenditure increases necessitated the implementation of a plan

to address the resulting operating deficits in the General Fund. This plan included the reduction in staffing through attrition and the use of reserves to transition to a balance budget.

Over the last two years, growth in sales and TOT revenues have been strong, and required contributions to CalPERS for retirement have stabilized. As a result, for the first time since fiscal year 2002, the operating budget is balanced without the use of reserves. This is a dramatic change from 2006 projections. While the General Fund will be using some reserves for capital expenditures, the majority of the capital program will be funded from current revenues. By fiscal year 2008, both operations and the capital program should be funded from current revenues and the City will begin to restore the budgetary reserve that has been used over the past few years to help address the General Fund's deficits.

While the General Fund is now balanced and revenues over the last couple of years have been strong, the outlook for the next few years is still slightly uncertain. First, there are signs that the economy may be slowing, which could affect growth rates in sales tax and transient occupancy revenues. Real estate prices in Santa Barbara County have declined for the first time in a number of years. However a decline in real estate prices does not necessarily indicate a drop in the property tax base or the tax revenues. Because of Proposition 13, increases in assessed property values are limited significantly until a property is sold or major improvements result in a reassessment. Therefore, even though prices are declining slightly, the effect on the property tax base could actually increase if homes that have not changed ownership in several years are sold and reassessed at the higher property value.

Another factor that contributes to the uncertainty is the continued pressure on salaries and benefits costs. The cost of housing in Santa Barbara, and the increasing traffic on the 101 freeway, particularly coming from the south, is affecting the City's ability to recruit and retain qualified staff. Over the next several years a large number of employees will be approaching retirement. Accordingly, there will be continued pressure on the City to provide financial incentives to attract and keep employees. Succession planning is becoming more important than ever to the City. The City's Executive Management is in the process of developing programs intended to prepare more employees for promotion within the City as more supervisors and managers retire.

Lastly, for the first time in at least ten years, General Fund reserves have dipped below the amounts required per City reserve policies. This is largely due to the City's plan over the past few years to use reserves to get through the tough economic times without significantly impacting operations and services to citizens. Since reserves are established as a percentage (25%) of the operating budget, the dollar amount of the reserve requirement increases each year. Accordingly, the General Fund will need to generate surpluses to keep pace with the growing reserve requirements and restore reserves to policy levels. This will require the continued growth of revenues and the containment of costs to ensure a balanced budget that can be sustained over the next few years.

Although there are reasons to be cautious, overall the City is in good financial condition and has the ability to adapt to whatever the future holds. We just went through one of the most challenging economic periods in recent memory and we made it through the financial challenges with adequate reserves. Because of sound financial policies and decisions in the past, combined with current fiscal responsibility, the City is well poised to meet the challenges of the future.

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, separate reports of the City's component unit (Redevelopment Agency), or need any additional financial information, please access the City's internet web site at www.SantaBarbaraCa.gov/government/finance. You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93110, (805) 564-5334, or email Rudolf Livingston CPA, Accounting Manager at *RLivingston@SantaBarbaraCa.gov* or Robert Samario, Assistant Finance Director at *BSamario@SantaBarbaraCa.gov*.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 79,047,212	$ 75,122,157	$ 154,169,369
Accounts receivable, net	9,105,732	4,212,923	13,318,655
Accrued interest receivable	1,274,173	-	1,274,173
Due from other agencies	984,660	736,556	1,721,216
Due from fiduciary funds	96,836	-	96,836
Internal balances	(1,019,082)	1,019,082	-
Inventory	751,134	-	751,134
Prepaid assets and deposits	589,991	4,260,711	4,850,702
Deferred charges	2,441,889	3,432,786	5,874,675
Loans receivable	45,927,657	6,829,243	52,756,900
Assets available for resale	433,325	-	433,325
Restricted assets:			
Cash and investments with fiscal agents	42,671,866	18,823,079	61,494,945
Capital assets not being depreciated:			
Construction in progress	6,765,029	53,601,641	60,366,670
Land	48,228,969	19,201,133	67,430,102
Streets	159,614,855	-	159,614,855
Capital assets, net of accumulated depreciation:			
Buildings	35,090,158	12,390,656	47,480,814
Building improvements	2,622,931	5,467,404	8,090,335
Equipment	7,841,678	10,226,827	18,068,505
Infrastructure	64,409,606	8,057,624	72,467,230
Other improvements and drainage systems	16,673,065	123,529,451	140,202,516
Underground piping	-	92,992,757	92,992,757
Total assets	523,551,684	439,904,030	963,455,714
LIABILITIES			
Accounts payable	3,340,549	6,108,877	9,449,426
Accrued interest payable	981,039	663,045	1,644,084
Salaries and benefits payable	4,484,610	878,079	5,362,689
Deposits	1,103,938	1,530,530	2,634,468
Unearned revenue	1,067,129	7,351,199	8,418,328
Compensated absences payable	5,027,966	1,187,327	6,215,293
Noncurrent liabilities:			
Due within one year	9,081,822	3,217,516	12,299,338
Due in more than one year	83,828,579	91,291,753	175,120,332
Unamortized debt premium	1,087,818	166,700	1,254,518
Total liabilities	110,003,450	112,395,026	222,398,476
NET ASSETS			
Invested in capital assets, net of related debt	301,826,749	245,094,946	546,921,695
Restricted for capital projects	20,591,159	-	20,591,159
Restricted for specific projects and programs	55,532,465	-	55,532,465
Restricted for debt service	1,783,197	4,265,973	6,049,170
Unrestricted	33,814,664	78,148,085	111,962,749
Total net assets	$ 413,548,234	$ 327,509,004	$ 741,057,238

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities	Net Revenue (Expense) and Changes in Net Assets: Business-Type Activities	Total
Governmental activities:							
Administration	$ 11,385,345	$ 1,824,748	$ -	$ -	$ (9,560,597)	$ -	$ (9,560,597)
Public safety	48,836,119	9,186,128	912,248	178,637	(38,559,106)	-	(38,559,106)
Public works	39,887,069	21,781,277	6,537,099	2,049,763	(9,518,930)	-	(9,518,930)
Community services	20,958,542	4,783,930	2,399,168	84,600	(13,690,844)	-	(13,690,844)
Community development	20,804,068	5,669,789	2,598,216	-	(12,536,063)	-	(12,536,063)
Interest on long term debt	4,068,458	-	-	-	(4,068,458)	-	(4,068,458)
Total governmental activities	145,939,601	43,245,872	12,446,731	2,313,000	(87,933,998)	-	(87,933,998)
Business activities:							
Water	25,937,430	27,409,543	48,084	-	-	1,520,197	1,520,197
Wastewater	12,618,010	12,095,980	-	-	-	(522,030)	(522,030)
Airport	13,498,679	13,938,768	-	12,328,745	-	12,768,834	12,768,834
Waterfront	10,778,044	10,253,005	9,083	54,000	-	(461,956)	(461,956)
Parking	5,839,167	5,858,816	-	-	-	19,649	19,649
Golf course	1,924,323	2,059,900	-	-	-	135,577	135,577
Total business-type activities	70,595,653	71,616,012	57,167	12,382,745	-	13,460,271	13,460,271
Total	$ 216,535,254	$ 114,861,884	$ 12,503,898	$ 14,695,745	(87,933,998)	13,460,271	(74,473,727)
General revenues:							
Taxes:							
Property					34,078,029	-	34,078,029
Sales & use					19,968,144	-	19,968,144
Transient occupancy					14,438,845	-	14,438,845
Utility users					12,421,586	-	12,421,586
Business license					2,168,731	-	2,168,731
Real property transfer					685,406	-	685,406
Franchise fees					3,260,062	-	3,260,062
Unrestricted motor vehicle license-in-lieu					658,911	-	658,911
Investment income					3,955,387	2,836,817	6,792,204
Other revenue					4,383,511	-	4,383,511
Transfers					12,453	(12,453)	-
Total general revenues and transfers					96,031,065	2,824,364	98,855,429
Change in net assets					8,097,067	16,284,635	24,381,702
Net assets, beginning of fiscal year, restated					405,451,167	311,224,369	716,675,536
Net assets, end of fiscal year					$ 413,548,234	$ 327,509,004	$ 741,057,238

See accompanying notes to basic financial statements

CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	$ 20,443,187	$ 11,979,600	$ 2,015,782	$ 6,957,377	$ 20,357,632	$ 61,753,578
Cash and investments with fiscal agents	-	537,621	-	40,876,603	1,257,642	42,671,866
Accounts receivable	6,375,193	155,155	986,714	-	1,171,704	8,688,766
Accrued interest receivable	1,274,173	-	-	-	-	1,274,173
Loans receivable	2,813,798	33,006,299	-	-	10,107,560	45,927,657
Due from fiduciary funds	96,836	-	-	-	-	96,836
Due from other agencies	6,250	-	-	-	978,410	984,660
Interfund receivable	2,144,121	99,264	-	-	-	2,243,385
Advances to other funds	3,235,517	-	-	-	-	3,235,517
Prepaid assets and deposits	356,157	-	-	-	222,826	578,983
Assets available for resale	-	433,325	-	-	-	433,325
Total assets	$ 36,745,232	$ 46,211,264	$ 3,002,496	$ 47,833,980	$ 34,095,774	$ 167,888,746
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 927,969	$ 148,931	$ 56,748	$ 189,522	$ 1,398,008	$ 2,721,178
Salaries and benefits payable	4,041,524	-	13,702	-	221,952	4,277,178
Interest payable	-	-	-	-	18,751	18,751
Interfund payables	99,264	-	-	-	2,144,121	2,243,385
Deposits	794,510	168,108	-	-	141,320	1,103,938
Deferred revenue	1,067,129	99,264	-	-	10,148,961	11,315,354
Total liabilities	6,930,396	416,303	70,450	189,522	14,073,113	21,679,784
Fund balances:						
Reserved	4,866,334	45,794,961	2,932,046	47,644,458	20,999,589	122,237,388
Unreserved:						
Designated	24,948,502	-	-	-	-	24,948,502
Undesignated, reported in:						
Special revenue funds	-	-	-	-	(976,928)	(976,928)
Total fund balances	29,814,836	45,794,961	2,932,046	47,644,458	20,022,661	146,208,962
Total liabilities and fund balances	$ 36,745,232	$ 46,211,264	$ 3,002,496	$ 47,833,980	$ 34,095,774	$ 167,888,746

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, 2006

Total Governmental fund balances (page 32)	$	146,208,962
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds.		335,847,765
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		1,354,071
Governmental long-term debt is not due and payable in the current period and, therefore, are not reported in the funds.		(83,500,100)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds.		(5,027,966)
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.		(962,288)
Internal service funds are used by management to charge the costs of management of fleet maintenance, printing and reproduction, worker's compensation, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in the governmental activities in the statement of net assets.		9,010,197
CDBG and HOME loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds.		10,148,961
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		369,368
Certain special assessment revenues are earned but unavailable to pay for current period expenditures, and, therefore, are deferred in the funds.		99,264
Net assets of governmental activities (page 30)	$	413,548,234

See accompanying notes to basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2006

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 59,970,929	$ 15,272,895	$ -	$ -	$ 14,898,106	$ 90,141,930
Franchise fees	2,607,222	-	402,055	-	250,785	3,260,062
Intergovernmental	1,490,591	-	35,129	-	5,886,225	7,411,945
Fines and forfeitures	2,831,823	-	-	-	1,714,904	4,546,727
Use of money and property	1,403,221	1,470,116	-	1,123,330	363,686	4,360,353
Charges for services	17,070,913	-	14,905,365	-	388,728	32,365,006
Program income	-	-	-	-	420,392	420,392
Other revenues	6,736,244	1,856,198	133,696	200,000	1,119,990	10,046,128
Total revenues	92,110,943	18,599,209	15,476,245	1,323,330	25,042,816	152,552,543
Expenditures:						
Current:						
Mayor and council	755,768	-	-	-	-	755,768
City attorney	2,036,205	-	-	-	-	2,036,205
City administration	1,792,187	-	-	-	-	1,792,187
Administrative services	1,616,065	-	-	-	-	1,616,065
Finance	4,825,183	-	-	-	-	4,825,183
Public safety	47,316,775	-	-	-	455,394	47,772,169
Public works	5,388,948	-	13,233,781	-	12,654,980	31,277,709
Community services	16,481,423	-	-	-	2,388,613	18,870,036
Community development	8,935,793	6,055,502	-	-	2,607,930	17,599,225
Community promotions	2,252,557	-	-	-	-	2,252,557
Capital improvements	-	-	-	21,144,766	7,289,210	28,433,976
Debt service:						
Principal	-	470,000	-	2,145,000	2,796,100	5,411,100
Interest	-	255,375	-	2,997,984	650,253	3,903,612
Total expenditures	91,400,904	6,780,877	13,233,781	26,287,750	28,842,480	166,545,792
Excess (deficiency) of revenues over (under) expenditures	710,039	11,818,332	2,242,464	(24,964,420)	(3,799,664)	(13,993,249)
Other financing sources (uses):						
Transfers in	703,334	-	-	5,142,760	5,717,540	11,563,634
Transfers out	(1,421,889)	(8,212,828)	-	-	(1,765,534)	(11,400,251)
Total other financing sources (uses)	(718,555)	(8,212,828)	-	5,142,760	3,952,006	163,383
Net change in fund balances	(8,516)	3,605,504	2,242,464	(19,821,660)	152,343	(13,829,865)
Fund balances, beginning of fiscal year, restated	29,823,352	42,189,457	689,582	67,466,118	19,870,318	160,038,827
Fund balances, end of fiscal year	$ 29,814,836	$ 45,794,961	$ 2,932,046	$ 47,644,458	$ 20,022,661	$ 146,208,962

See accompanying notes to 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, 2006

Amounts reported for governmental activities in the statement of activities (page 31) are different because:

Net change in fund balances - total governmental funds (page 34)		$ (13,829,865)
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.		
Expenditures for general capital assets, infrastructure, and other related capital	19,823,406	
Less current year depreciation	(3,289,111)	16,534,295
Governmental fund revenues deferred in prior year due to unavailability were received in the current year but already booked in the statement of activities last year.		(93,645)
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		5,411,100
Loans made and repayments received are expenditures or revenues in the governmental funds, but the repayment reduces and initiation of loans increases loans receivable in the Statement of net Assets.		217,153
Amortization of deferred debt costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(222,269)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are deferred and reported in the period when the liability exists in the statement of activities		57,423
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of certain activities of internal service funds is reported as governmental activities.		955,559
Governmental liabilities for compensated absences are not due until payable in the governmental funds, therefore, the changes in the liability are not reported as as expenditures in the governmental funds.		(832,335)
Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(100,349)
Adjusted change in net assets of governmental activities (page 31)		$ 8,097,067

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Water	Wastewater	Airport
Assets			
Current assets:			
Cash and investments	$ 25,315,764	$ 11,894,903	$ 20,884,917
Accounts receivable, net	3,130,823	1,051,275	558
Due from other agencies	-	-	736,556
Inventory	-	-	-
Prepaid assets	4,260,711	-	-
Total current assets	32,707,298	12,946,178	21,622,031
Non-current assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,890,443	15,538,486	-
Unamortized bond issuance costs, net	358,364	432,376	-
Deferred charge-loss on defeasance, net	1,039,122	-	-
Loans receivable	6,829,243	-	-
Total other assets	10,117,172	15,970,862	-
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	6,262,226	13,953,411	3,964,543
Building improvements	1,307,478	453,788	2,219,177
Improvements other than building	98,886,527	25,797,248	70,810,109
Equipment	7,699,707	9,375,660	2,231,220
Underground piping	97,855,542	72,699,240	-
Other Infrastructure	-	-	13,745,413
Construction in progress	25,104,679	10,445,265	16,727,037
Less: accumulated depreciation	(97,276,128)	(62,514,004)	(39,687,850)
Total capital assets, net	142,058,218	73,719,280	77,319,649
Total non-current assets	152,175,390	89,690,142	77,319,649
Total assets	184,882,688	102,636,320	98,941,680
Liabilities			
Current liabilities:			
Accounts payable	1,839,996	1,341,025	2,220,823
Accrued interest payable	314,615	135,000	-
Salaries and benefits payable	220,222	146,361	157,343
Deposits	127,606	-	869,466
Deferred revenue	6,829,243	-	320,243
Compensated absences payable	391,241	196,492	208,931
Current portion claims payable	-	-	-
Current portion long term debt	2,033,616	545,000	-
Total current liabilities	11,756,539	2,363,878	3,776,806
Non-current liabilities:			
Long-term debt, net of current portion	54,380,753	18,665,000	-
Unamortized bond premium	-	-	-
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	54,380,753	18,665,000	-
Total liabilities	66,137,292	21,028,878	3,776,806
Net Assets			
Invested in capital assets, net of related debt	87,426,789	68,622,734	77,319,649
Restricted for debt service	1,504,989	1,367,721	-
Unrestricted	29,813,618	11,616,987	17,845,225
Total net assets	$ 118,745,396	$ 81,607,442	$ 95,164,874

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	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
$ 9,452,588	$ 7,573,985	$ 75,122,157	$ 17,293,634
19,243	11,024	4,212,923	47,600
-	-	736,556	-
-	-	-	751,134
-	-	4,260,711	11,008
9,471,831	7,585,009	84,332,347	18,103,376
1,394,150	-	18,823,079	-
597,081	-	1,387,821	-
877,877	127,966	2,044,965	-
-	-	6,829,243	-
2,869,108	127,966	29,085,108	-
878,201	5,286,073	19,201,133	-
3,690,671	5,876,451	33,747,302	105,889
3,246,573	90,749	7,317,765	162,584
42,770,458	6,645,365	244,909,707	257,165
909,736	966,548	21,182,871	16,625,177
-	-	170,554,782	-
-	-	13,745,413	-
89,371	1,235,289	53,601,641	-
(32,402,600)	(6,912,539)	(238,793,121)	(11,752,291)
19,182,410	13,187,936	325,467,493	5,398,524
22,051,518	13,315,902	354,552,601	5,398,524
31,523,349	20,900,911	438,884,948	23,501,900
227,102	479,931	6,108,877	619,371
213,430	-	663,045	-
181,160	172,993	878,079	207,432
507,457	26,001	1,530,530	-
185,112	16,601	7,351,199	-
245,984	144,679	1,187,327	266,462
-	-	-	3,510,722
525,000	113,900	3,217,516	-
2,085,245	954,105	20,936,573	4,603,987
16,665,000	1,581,000	91,291,753	-
166,700	-	166,700	-
3,235,517	-	3,235,517	-
-	-	-	5,899,579
20,067,217	1,581,000	94,693,970	5,899,579
22,152,462	2,535,105	115,630,543	10,503,566
232,738	11,493,036	245,094,946	5,398,524
1,393,263	-	4,265,973	-
7,744,886	6,872,770	73,893,486	7,599,810
$ 9,370,887	$ 18,365,806	323,254,405	$ 12,998,334
		4,254,599	
		$ 327,509,004	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2006

	Water	Wastewater	Airport
Operating Revenues:			
Charges for sales and services			
Sales	$ 24,765,305	$ 11,425,151	$ -
Service charges	2,579,241	618,151	1,908,009
Leases and rents	-	-	11,752,544
Other revenues	64,997	52,678	278,215
Total operating revenues	27,409,543	12,095,980	13,938,768
Operating Expenses:			
Salaries, wages and benefits	5,978,859	4,078,017	4,128,646
Materials, supplies and services	13,759,302	4,742,462	7,340,075
Depreciation	4,776,891	3,185,831	2,312,013
Other expenses	32,370	7,593	787
Total operating expenses	24,547,422	12,013,903	13,781,521
Operating income (loss)	2,862,121	82,077	157,247
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	826,516	859,664	556,060
Interest expense	(1,893,801)	(828,183)	-
Grants and contributions	28,860	-	12,328,745
Other, net	19,224	(22,489)	-
Total non-operating revenues (expenses)	(1,019,201)	8,992	12,884,805
Income (loss) before transfers	1,842,920	91,069	13,042,052
Transfers in	-	-	-
Transfers out	(4,794)	(2,181)	(2,174)
Change in net assets	1,838,126	88,888	13,039,878
Net assets, beginning of year, restated	116,907,270	81,518,554	82,124,996
Net assets, end of year	$ 118,745,396	$ 81,607,442	$ 95,164,874

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Change in net assets of business-type activities (page 31)

See accompanying notes to basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
$ -	$ -	$ 36,190,456	$ -
6,389,410	6,769,933	18,264,744	17,682,838
3,748,408	273,605	15,774,557	-
115,187	16,985	528,062	310,584
10,253,005	7,060,523	70,757,819	17,993,422
4,780,274	4,196,915	23,162,711	5,974,233
3,481,046	3,049,476	32,372,361	9,005,284
1,862,235	606,731	12,743,701	1,167,319
-	-	40,750	-
10,123,555	7,853,122	68,319,523	16,146,836
129,450	(792,599)	2,438,296	1,846,586
-	858,193	858,193	-
340,917	253,660	2,836,817	391,251
(862,258)	(71,540)	(3,655,782)	-
54,000	-	12,411,605	-
9,083	-	5,818	88,685
(458,258)	1,040,313	12,456,651	479,936
(328,808)	247,714	14,894,947	2,326,522
-		-	335,601
(1,918)	(1,386)	(12,453)	(304,423)
(330,726)	246,328	14,882,494	2,357,700
9,701,613	18,119,478		10,640,634
$ 9,370,887	$ 18,365,806		$ 12,998,334
		1,402,141	
		$ 16,284,635	

CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2006

	Water	Wastewater	Airport
Cash flows from operating activities:			
Cash received from services	$ 27,303,611	$ 11,997,321	$ 1,916,367
Cash received from rents and leases	-	-	11,642,732
Cash payments for goods and services	(12,823,093)	(3,862,380)	(7,990,348)
Cash payments to employees for services	(5,802,186)	(3,995,294)	(4,004,290)
Cash received (returned) for deposits	4,238	-	(17,287)
Other operating receipts	64,997	52,678	278,215
Other operating disbursements	(32,370)	(7,593)	-
Net cash provided (used) by operating activities	8,715,197	4,184,732	1,825,389
Cash flows from noncapital financing activities:			
Transfers to other funds	(4,794)	(2,181)	(2,174)
Transfers from other funds	-	-	-
Cash received from taxes and assessments	-	-	-
Other non-operating disbursements	-	-	-
Net cash provided (used) by non-capital financing activities	(4,794)	(2,181)	(2,174)
Cash flows from capital and related financing activities:			
Proceeds from capital debt	3,430,371	-	-
Proceeds from capital grants and contributions	48,084	-	12,578,871
Payments on long term debt	(1,759,595)	(506,202)	-
Amortization of bond premium	-	-	-
Acquisition of capital assets	(9,484,965)	(6,676,212)	(12,489,381)
Disposition of capital assets	-	-	-
Interest paid on debt	(1,907,467)	(851,672)	-
Net cash used for capital and related financing activities	(9,673,572)	(8,034,086)	89,490
Cash flows from investing activities:			
Cash received on investments	826,516	859,664	556,060
Net increase (decrease) in cash and cash equivalents	(136,653)	(2,991,871)	2,468,765
Cash and cash equivalents, beginning of fiscal year	27,342,860	30,425,260	18,416,152
Cash and cash equivalents, end of fiscal year	$ 27,206,207	$ 27,433,389	$ 20,884,917
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 2,862,121	$ 82,077	$ 157,247
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	4,776,891	3,185,831	2,312,013
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(40,935)	(45,981)	9,145
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid assets	202,391	-	-
Increase (decrease) in accounts payable	733,818	880,082	(650,273)
Increase (decrease) in accrued salaries payable	132,660	86,080	96,039
Increase (decrease) in deferred revenue	-	-	(109,812)
Increase (decrease) in accrued compensated absences	44,013	(3,357)	28,317
Increase (decrease) in accrued claims	-	-	-
Increase (decrease) in deposits	4,238	-	(17,287)
Net cash provided (used) by operating activities	$ 8,715,197	$ 4,184,732	$ 1,825,389

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
$ 6,388,303	$ 1,782,450	$ 49,388,052	$ 17,692,862
3,723,111	5,269,881	20,635,724	-
(3,618,438)	(2,646,459)	(30,940,718)	(8,521,727)
(4,634,281)	(4,082,466)	(22,518,517)	(5,845,701)
5,227	(542)	(8,364)	-
115,187	16,985	528,062	310,584
-	-	(39,963)	-
1,979,109	339,849	17,044,276	3,636,018
(1,918)	(1,386)	(12,453)	(304,423)
-	-	-	335,601
-	858,193	858,193	-
9,083	-	9,083	-
7,165	856,807	854,823	31,178
1,700,000	-	5,130,371	-
54,000	-	12,680,955	-
(542,957)	(113,900)	(2,922,654)	-
(7,577)	-	(7,577)	
(922,783)	(2,758,512)	(32,331,853)	(1,726,674)
-	-	-	12,833
(866,063)	(60,876)	(3,686,078)	-
(585,380)	(2,933,288)	(21,136,836)	(1,713,841)
362,760	260,512	2,865,512	391,251
1,763,654	(1,476,120)	(372,225)	2,344,606
9,083,084	9,050,105	94,317,461	14,949,028
$ 10,846,738	$ 7,573,985	$ 93,945,236	$ 17,293,634
$ 129,450	$ (792,599)	$ 2,438,296	$ 1,846,586
1,862,235	606,731	12,743,701	1,167,319
(1,107)	(7,808)	(86,686)	10,024
-	-	-	(29,443)
-	-	202,391	(11,008)
(137,392)	403,017	1,229,252	88,315
107,920	111,526	534,225	122,643
(25,297)	16,601	(118,508)	-
38,073	2,923	109,969	5,889
-	-	-	435,693
5,227	(542)	(8,364)	-
$ 1,979,109	$ 339,849	$ 17,044,276	$ 3,636,018

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Current assets:			
Cash and investments	$ -	$2,129,017	$1,026,855
Accounts receivable, net	-	303	40,360
Loans receivable	-	-	2,040,480
Total current assets	-	2,129,320	3,107,695
Capital assets:			
Equipment	-	-	878,164
Less: accumulated depreciation	-	-	(830,164)
Capital assets, net	-	-	48,000
Other assets:			
Cash and investments with fiscal agents:			
Cash and cash equivalents	130,140	-	97,131
Other investments	541,168	-	-
Total other assets	671,308	-	97,131
Total assets	671,308	2,129,320	$3,252,826
Liabilities			
Current liabilities:			
Accounts payable	-	106	$ 3,063
Accrued benefits payable	9,891	-	-
Due to General Fund	72,779	-	24,057
Total current liabilities	82,670	106	27,120
Noncurrent liabilities:			
Trust liabilities	-	-	287,193
Contributions	-	-	2,938,513
Total noncurrent liabilities	-	-	3,225,706
Total liabilities	82,670	106	$3,252,826
Net Assets			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	588,638	-	
Police	-	39,940	
Library	-	2,087,736	
Parks and recreation	-	1,538	
Total net assets	$ 588,638	$2,129,214	

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, 2006

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Private donations	$ -	$ 715,076
Investment earnings:		
Interest	12,697	71,392
Dividends	17,685	-
Net change in fair value of investments	29,516	-
Total investment earnings	59,898	71,392
Less investment expense	11,084	-
Net investment income	48,814	71,392
Total additions	48,814	786,468
Deductions		
Benefits	297,108	-
Community services	-	11,745
Transfers out	-	182,108
Total deductions	297,108	193,853
Net increase (decrease)	(248,294)	592,615
Net assets, beginning of fiscal year	836,932	1,536,599
Net assets, end of fiscal year	$ 588,638	$ 2,129,214

See accompanying notes to the basic financial statements

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Notes To The
Basic Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Santa Barbara (City) conform to generally accepted accounting 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 and Fiduciary funds, operated in a manner similar to a private business, include water, wastewater, 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 inclusion 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. Separate component unit financial statements for the Agency may be obtained from the City's Finance Department at 735 Anacapa Street, Santa Barbara, CA 93102. California Community Redevelopment

law provides that, upon adoption of a 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.

Santa Barbara Public Facilities Corporation

The Santa Barbara Public Facilities Corporation ("Corporation") was incorporated in 1986 and organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was created solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property for the use, benefit and enjoyment of the City. The activities of the Corporation are included within the Water Enterprise Fund of the City. For further information, please contact the City's Finance Department.

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. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.
- The *Redevelopment Agency Special Revenue Fund*, a blended component unit of the City, accounts for all financial activities of the Agency, except for those required for debt service and housing activity.

- The *Solid Waste Special Revenue 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.
- The *Redevelopment Agency Capital Projects Fund* accounts for all capital projects, including some related debt, financed by the Agency.

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.

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) duplicating and printing services, and 3) self-insurance operations of workers' compensation, unemployment, liability and employee health insurance coverage.
- *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by a not-for-profit organization devoted to library book replacement and promoting junior golf. All resources of the funds, including any earnings on invested resources, may be used to support the organization's 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 funds' 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 60 days of the end of the current fiscal period.

Property and sales taxes, utility users taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as "other financing sources."

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. Year-end encumbrances are re-appropriated in the following year and expended as the related liability is incurred. Outstanding encumbrances at year-end are recorded as reservations of fund balance.

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 fixed 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. No interest was capitalized during the year ended June 30, 2006.

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

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

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

The City was required to report all infrastructure asset additions effective July 1, 2001. Only the prospective provisions were implemented for infrastructure assets. The retroactive reporting was subject to an extended implementation period and final implementation was required by June 30, 2006. As a result of the infrastructure capitalization, the City capitalized additions of $220,343,988 (net of accumulated depreciation). See Note 4 for more detailed information the prior period adjustment related to the infrastructure capitalization.

F. Assets Available for Resale

Assets available for resale within the City's Redevelopment Agency are recorded in the Agency's fund at the lower of cost or realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributed to properties to be resold to developers.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes except special assessments, which are program revenues.

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, 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

The cash flow statements require presentation of "cash and cash equivalents." For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as "cash and cash equivalents," as such funds are available to the various funds as needed. With respect to cash and investments with fiscal agents, the City considers all investments with an original maturity of less than three months 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.

L. Budgetary Principles

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Undergrounding Utility, the Police Asset Forfeiture, the Miscellaneous Grants and the FEMA Reimbursement Storm special revenue funds which adopt project-length budgets and the debt service funds, which are not budgeted. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects funds, capital projects generally span more than one year and are effectively controlled at the project level.

In early January 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 early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee and City Council. The budget is adopted by June 30.

There were no violations of the budget in fiscal year 2006.

M. 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, 2006, 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.

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 deposits, which are fully insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC).

N. Receivables and Payables (Inter-fund Transactions)

Interfund transactions are reflected as either loans, services provided, 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 reserve account 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.

O. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIIIA) 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.

P. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) for governmental funds 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 both government-wide and fund financial statements.

Q. Compensated Absences

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

Governmental funds recognize the cost of vacation benefits when payments are made to employees. As shown below, all of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2006, is current and expected to be paid with current financial resources. In prior years, compensated absences have

been liquidated primarily by the General Fund and the proprietary funds. The total amount outstanding at June 30, 2006, was $5,027,966 and $1,187,327 for governmental and business-type activities, respectively.

	Balance June 30, 2005	Incurred	Satisfied	Balance June 30, 2006	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	$ 4,189,741	$ 6,530,009	$ 5,691,784	$ 5,027,966	$ 5,027,966
Business-Type Activities:					
Compensated Absences	$ 1,077,358	$ 1,573,565	$ 1,463,596	$ 1,187,327	$ 1,187,327

R. Long-term Obligations and Refunding of Debt

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," net of issuance costs. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Effective July 1, 1993, the City implemented GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." Consequently, amounts which previously would have been reported as an accounting "loss on defeasance of debt" are now deferred and amortized as a component of interest expense over the remaining life of the new debt.

S. 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.

T. 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.

U. Implementation of New Accounting Pronouncements

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 44 *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1) guides the preparation of the statistical section. The statistical section presents detailed information,

typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government.

- GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation* addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47 *Accounting for Termination Benefits* provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$154,169,369
Cash and investments with fiscal agents	61,494,945
Fiduciary funds:	
Cash and investments	3,155,872
Cash and investments with fiscal agents	768,439
Total cash and investments	$219,588,625

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	$ 49,415
Demand deposit accounts with financial institutions	7,286,820
Investments	212,252,390
Total cash and investments	$219,588,625

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 credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	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	20%	None
Reverse Repurchase Agreements	92 days	20%	None

Medium-Term Notes	5 years	30%	3%
U.S. Government Money Market Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	$40 million**	N/A

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

** Per each account for the City and the City's Redevelopment Agency.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees 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 bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
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

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 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.

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, I 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. Non-marketable instruments with maturities beyond one year and a liquidity factor of greater than 5 (out of 8) shall not exceed 30% of the portfolio.

Investment Type		Weighted Average Maturity (in years)
U.S. Treasury notes	$ 6,831,170	2.0
Federal agency securities	117,232,555	1.1
Corporate medium term notes	6,857,030	1.9
Certificates of deposit	1,600,000	.4

Local Agency Investment Fund (LAIF)	17,468,252	N/A
Held by bond trustee:		
Money market funds	2,107,746	N/A
Investment contracts	60,155,637	N/A
Total	$212,252,390	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the City's investments (including investments held by bond trustees) are highly sensitive to interest rate fluctuations.

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:

		Minimum Legal		Rating as of Year End		
Investment Type		Rating	Not Required To Be Rated	AAA	Aa	Unrated
U.S. Treasury notes	$ 6,831,170	N/A	$ 6,831,170	$ -	$ -	$ -
Federal agency securities	117,232,555	N/A	-	113,746,495	-	3,486,060
Corporate med term notes	6,857,030	-	-	4,923,210	1,933,820	-
Certificates of Deposit	1,600,000	Collateralized				1,600,000
State investment pool (LAIF)	17,468,252	N/A	-	-	-	17,468,252
Held by bond trustee:						
Money market funds	2,107,746	A	-	2,107,746	-	-
Investment contracts	60,155,637	N/A	60,155,637	-	-	-
Total	$212,252,390		$66,986,807	$120,777,451	$1,933,820	$22,554,312

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:

Issuer	Investment Type	Reported Amount	%
FNMA	Federal agency securities	$16,712,520	7.9
Federal Farm Credit Bank	Federal agency securities	11,373,445	5.4
Federal Home Loan MTG Corp	Federal agency securities	15,853,620	7.5
Federal Home Loan	Federal agency securities	69,806,910	32.9

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, 2006, $8,649,870 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. 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. At June 30, 2006, the amount of bonds outstanding was $270,000.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance July 1, 2005	Prior Period Adjustments (Note 18)	Restated Balance July 1, 2005	Increases	Decreases	Ending Balance June 30, 2006	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:								
Non-Depreciating Capital Assets:								
Construction in progress	$ 18,664,542	$ (266,395)	$ 18,398,147	$ 4,444,565	$ (16,077,683)	$ 6,765,029	$ -	$ 6,765,029
Land	47,795,017	-	47,795,017	433,952	-	48,228,969	-	48,228,969
Streets	-	159,614,855	159,614,855	-	-	159,614,855	-	159,614,855
Total Non-Depreciating Capital Assets	66,459,559	159,348,460	225,808,019	4,878,517	(16,077,683)	214,608,853	-	214,608,853
Depreciating Capital Assets:								
Buildings	18,150,843	1,191,901	19,342,744	25,982,911	-	45,325,655	105,889	45,431,544
Building improvements	3,084,317	52,806	3,137,123	1,657,642	-	4,794,765	162,584	4,957,349
Improvements other than buildings	33,348,824	(825,970)	32,522,854	2,423,759	-	34,946,613	257,165	35,203,778
Drainage	407,078	(407,078)	-	-	-	-	-	-
Equipment	7,794,634	(960,447)	6,834,187	722,384	-	7,556,571	16,625,177	24,181,748
Infrastructure	4,003,242	107,628,969	111,632,211	235,876	-	111,868,087	-	111,868,087
Total depreciating capital assets	66,788,938	106,680,181	173,469,119	31,022,572	-	204,491,691	17,150,815	221,642,506
Less Accumulated Depreciation:								
Buildings	9,058,133	517,874	9,576,007	674,050	-	10,250,057	91,329	10,341,386
Building improvements	2,155,377	36,964	2,192,341	138,724	-	2,331,065	3,353	2,334,418
Improvements other than buildings	17,121,137	(74,531)	17,046,606	1,478,330	-	18,524,936	5,777	18,530,713
Drainage systems	18,258	(18,258)	-	-	-	-	-	-
Equipment	5,372,348	(1,081,391)	4,290,957	397,283	-	4,688,240	11,651,830	16,340,070
Infrastructure	346,741	46,511,016	46,857,757	600,724	-	47,458,481	-	47,458,481
Total accumulated depreciation	34,071,994	45,891,674	79,963,668	3,289,111	-	83,252,779	11,752,289	95,005,068
Total net depreciating capital assets	32,716,944	60,788,507	93,505,451	27,733,461	-	121,238,912	5,398,526	126,637,438
Total governmental capital assets, net	$ 99,176,503	$ 220,136,967	$ 319,313,470	$ 32,611,978	$ (16,077,683)	$ 335,847,765	$ 5,398,526	$ 341,246,291

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	$ 23,418
Administrative Services	13,188
Finance	4,340
Public Safety	55,071
Public Works	2,214,896
Community Services	228,372
Community Development	749,826
General Governmental Depreciation	3,289,111
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	1,167,319
Total depreciation expense - governmental activities	$ 4,456,430

	Beginning Balance July 1, 2005	Prior Period Adjustments (Note 18)	Restated Balance July 1, 2005	Increases	Decreases	Ending Balance June 30, 2006
Business Type Activities:						
Non-depreciating capital assets:						
Land	$ 19,201,133	$ -	$ 19,201,133	$ -	$ -	$ 19,201,133
Construction in progress	38,173,936	-	38,173,936	25,467,222	(10,039,517)	53,601,641
Total non-depreciating capital assets	57,375,069	-	57,375,069	25,467,222	(10,039,517)	72,802,774
Depreciating capital assets:						
Buildings	32,737,953	(598,904)	32,139,049	1,608,253	-	33,747,302
Building improvements	3,883,847	(42,452)	3,841,395	3,476,370	-	7,317,765
Other Improvements and Drainage	210,242,338	28,195,805	238,438,143	6,641,083	(169,519)	244,909,707
Equipment	21,784,678	(3,062,404)	18,722,274	2,460,597	-	21,182,871
Underground piping	72,328,987	95,338,429	167,667,416	2,887,366	-	170,554,782
Infrastructure	-	13,745,413	13,745,413	-	-	13,745,413
Total depreciating capital assets	340,977,803	133,575,887	474,553,690	17,073,669	(169,519)	491,457,840
Less accumulated depreciation:						
Buildings	21,065,068	(454,069)	20,610,999	745,646	-	21,356,645
Building improvements	1,772,078	(77,027)	1,695,051	155,311	-	1,850,362
Other Improvements and Drainage	116,300,207	(2,329,588)	113,970,619	7,409,636		121,380,255
Equipment	12,878,311	(2,998,569)	9,879,742	1,076,303	-	10,956,045
Underground piping	36,554,140	37,905,546	74,459,686	3,102,339	-	77,562,025
Infrastructure	-	5,433,323	5,433,323	254,466	-	5,687,789
Total accumulated depreciation	188,569,804	37,479,616	226,049,420	12,743,701	-	238,793,121
Net depreciating capital assets	152,407,999	96,096,271	248,504,270	4,329,968	(169,519)	252,664,719
Total business-type activities Capital assets, net	$ 209,783,068	$ 96,096,271	$ 305,879,339	$ 29,797,190	$ (10,209,036)	$ 325,467,493

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

Business-type activities:	
Water	$ 4,776,891
Wastewater	3,185,831
Airport	2,312,013
Waterfront	1,862,235
Downtown parking	420,634
Golf	186,097
Total depreciation expense - business-type activities	$ 12,743,701

NOTE 5. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2006, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Governmental Activities		
General Fund	Other Governmental Funds	$ 1,896,327
General Fund	Community Development Block Grant Fund	247,794
Redevelopment Agency	General Fund	99,264
	Total Governmental Activities	$ 2,243,385
Fiduciary Funds		
General Fund	California Law Enforcement Telecommunications System Agency Fund	$ 24,057
General Fund	Safety Retirement Fund	72,779
		$ 96,836

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Governmental Activity:	**Business Type Activity:**	
General Fund	Waterfront	$ 3,235,517

The interfund balances at June 30, 2006, are generally short-term loans to cover temporary cash deficits in various funds, with the exception of the interfund balance between the General Fund and the Redevelopment Agency. The interfund receivable of $99,264 in the Redevelopment Agency represents the Agency's receivable for special assessment taxes collected by the General Fund.

In addition, the City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling $3,235,517 at June 30, 2006, were for the purposes of rehabilitation of the Stearns Wharf, development of a waterfront parking program, and construction of administrative offices and remodel of the Chandlery Building. The advances for the Stearns Wharf and parking program bear no interest and are repayable as the Waterfront Fund's results of operations permit. The advance for construction of administrative offices and remodel of the Chandlery Building bears interest at 6%, with payments due annually.

The net transfers of $161,758 from the Fiduciary Funds to the governmental activities represent transfers from the Library Trust Fund to the General Fund and County Library Special Revenue Fund primarily to purchase library books.

A summary of interfund transfers during the year follows:

Fund Transferred From	*Fund Transferred To* Governmental Activities: General Fund	Redevelopment Agency Capital Projects	Other Governmental Funds	Internal Service Funds	Total
Governmental Funds					
General Fund	$ -	$ -	$ 1,403,164	$ 18,725	$ 1,421,889
Redevelopment Agency Special Revenue	-	5,142,760	3,070,068	-	8,212,828
Other Governmental Funds	541,576	-	1,223,958	-	1,765,534
Total Governmental Funds	541,576	5,142,760	5,697,190	18,725	11,400,251
Internal Service Funds	-	-	-	304,423	304,423
Total Governmental Activities	$ 541,576	$ 5,142,760	$ 5,697,190	$ 323,148	$ 11,704,674
Business-Type Activities					
Water	$ -	$ -	$ -	$ 4,794	$ 4,794
Wastewater	-	-	-	2,181	2,181
Airport	-	-	-	2,174	2,174
Waterfront	-	-	-	1,918	1,918
Other Enterprise Funds	-	-	-	1,386	1,386
Total Business - Type Activities	$ -	$ -	$ -	$ 12,453	$ 12,453
Fiduciary Funds	$ 161,758	$ -	$ 20,350	$ -	$ 182,108
Net Transfers	$ 703,334	$ 5,142,760	$ 5,717,540	$ 335,601	$ 11,899,235

The interfund transfers are generally made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers, and for capital projects expenditures funded by the City's General Fund. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

NOTE 6. 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. A description of long-term obligations outstanding at June 30, 2006, by category follows:

	Amount Outstanding June 30, 2006
Revenue Bonds	
Water Fund :	
$9,780,000 – 1994A water revenue refunding serial bonds, remaining annual installments range from $435,000 to $535,000 through September 1, 2009, term bonds of $3,835,000 due on September 1, 2014, interest at 4.4% to 5.1% due semi-annually. Bonds maturing on or after September 1, 2005, shall be subject to redemption, at the option of the City, upon at least 45 days prior written notice to the Trustee specifying the date and amount of such redemption, on or after September 1, 2003 in whole or part on any date (by lot within any maturity and among maturities as specified by the City). Bonds maturing on September 1, 2014 shall be subject to mandatory redemption, on each date which a sinking installment payment for such Term Bonds is payable from sinking installment, by lot, in an amount equal to such sinking installment payments, plus accrued interest to the redemption date and without premium.	$ 5,360,000
Wastewater Fund :	
$20,410,000 – 2004A sewer revenue serial bonds, remaining annual installments range from $525,000 to $1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.	19,210,000
Total revenue bonds	$ 24,570,000
Tax Allocation Bonds	
Redevelopment Agency:	
$7,150,000 - 2004 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from $430,000 to $620,000 beginning July 1, 2005 through July 1, 2018. Interest rates range from 2.00% to 5.00%.	$ 6,680,000
$34,810,000 - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from $1,140,000 to $2,835,000 beginning March 1, 2006 through March 1, 2019. Interest rates range from 2.00%	28,495,000
$38,855,000 - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from $2,785,000 to $4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00%	38,305,000
$28,170,000 - 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from $1,935,000 to $3,265,000 beginning March 1, 2006 through March 1, 2008. Interest rate is 6.00% payable	5,300,000
$6,845,000 – 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series B. Remaining annual principal installment on serial bonds is $680,000 due on March 1, 2007. Interest rate is 6.00% payable semi-annually.	680,000
Total tax allocation bonds	$ 79,460,000

Certificates of Participation

General Fund :	
$4,184,400 - 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from $221,100 to $339,900 beginning August 1, 2007 through 2017. Interest rates range from 3.0% to 4.63% payable semi-annually.	$ 3,290,100
Waterfront Fund:	
19,405,000 - 2002 Waterfront Refunding Certificates of Participation, remaining annual installments range from $510,000 to $1,230,000 beginning October 1, 2005 through 2027. Term certificates of $16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually. The Certificates are subject to mandatory prepayment prior to maturity on any date, in inverse order of maturity and by lot within a maturity, from the net proceeds of insurance or condemnation awards.	17,190,000
Golf Fund:	
$2,155,600 - 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from $110,500 to $175,100 beginning August 1, 2005 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.	1,694,900
Water Fund:	
$15,535,000 - 2002 Refunding Water Certificates of Participation, remaining annual installments range from $405,000 to $675,000 beginning September 1, 2005 through September 1, 2027. Interest rates range from 3.0% through 4.75% payable semi-annually.	13,825,000
Total certificates of participation	$ 36,000,000

Loans Payable

Water Fund:	
$2,000,000 - State Department of Water Resources Loan. Due in 20 annual payments of $150,894 each on April 30. Interest is 4.01% per annum. The final payment is due April 30, 2009.	$ 432,423
$5,000,000 - State Department of Water Resources Loan. Due in 20 annual payments of $342,477 on April 30. Interest is 3.1% per annum. The final payment is due November 30, 2011.	1,735,411
$17,900,849 - State Department of Water Resources Loan. Due in semiannual payments commencing January 1, 2006. Interest is 2.51% per annum. The final payment is due July 1, 2025.	17,202,125
$17,859,410 - State Department of Water Resources Loan. Due in semiannual payments commencing January 1, 2007. Interest is 2.79% per annum. The final payment is due July 1, 2026.	17,859,410
Redevelopment Agency:	
$750,000 - California Housing Finance Agency Loan issued November 15, 1999. Due in 10 years with payment deferred until then. Interest rate is 3% simple per annum.	750,000
Total loans	$ 37,979,369

Long-term liability activity for the year ended June 30, 2006, is as follows:

	Beginning Balance July 1, 2005	Additions	Deductions	Ending Balance June 30, 2006	Due Within One Year	Due in More Than One Year
Governmental Activities						
Certificates of participation	$ 3,511,200	$ -	$ 221,100	$ 3,290,100	$ 221,100	$ 3,069,000
Tax allocation bonds	84,650,000	-	5,190,000	79,460,000	5,350,000	74,110,000
Claims liability	8,974,608	3,803,820	3,368,127	9,410,301	3,510,722	5,899,579
Loans	750,000	-	-	750,000	-	750,000
Governmental activity Long-term liabilities	97,885,808	3,803,820	8,779,227	92,910,401	9,081,822	83,828,579
Business-Type Activities						
Revenue Bonds	25,555,000	-	985,000	24,570,000	1,025,000	23,545,000
Certificates of participation	33,738,800	-	1,028,900	32,709,900	1,053,900	31,656,000
Loans	34,775,629	3,560,853	1,107,113	37,229,369	1,138,616	36,090,753
Business-type activity Long-term liabilities	94,069,429	3,560,853	3,121,013	94,509,269	3,217,516	91,291,753
Total debt activity	$ 191,955,237	$ 7,364,673	$ 11,900,240	$ 187,419,670	$ 12,299,338	$ 175,120,332

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 11).

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2006, are as follows:

	Governmental Activities			Business-type Activities			
	Principal Payments						
Fiscal Year Ending	Tax Allocation Bonds	Certificates of Participation	Other Loans	Revenue Bonds	Certificates of Participation	Other Loans	Total
2007	$ 5,350,000	$ 221,100	$ -	$ 1,025,000	$ 1,053,900	$ 1,154,845	$ 8,804,845
2008	4,845,000	231,000	-	1,075,000	1,099,000	1,931,107	9,181,107
2009	5,100,000	240,900	-	1,115,000	1,134,100	2,001,396	9,591,396
2010	5,285,000	247,500	750,000	1,155,000	1,182,500	1,891,983	10,511,983
2011	5,470,000	254,100	-	1,200,000	1,140,900	1,943,945	10,008,945
2012 - 2016	31,100,000	1,432,200	-	6,075,000	6,482,800	8,961,562	54,051,562
2017 - 2021	22,310,000	663,300	-	4,120,000	7,676,700	9,998,971	44,768,971
2022 - 2026	-	-	-	5,115,000	9,515,000	8,698,591	23,328,591
2027 - 2028	-	-	-	3,690,000	3,425,000	646,969	7,761,969
Total Principal	$ 79,460,000	$ 3,290,100	$ 750,000	$ 24,570,000	$ 32,709,900	$ 37,229,369	$ 178,009,369
Fiscal Year Ending	Interest Payments						Total
2007	$ 3,522,009	$ 130,320	$ -	$ 1,053,943	$ 1,560,640	$ 566,652	$ 6,833,564
2008	3,301,959	123,192	-	1,011,108	1,522,148	1,018,515	6,976,922
2009	3,052,734	115,044	-	972,468	1,480,193	963,787	6,584,226
2010	2,869,353	106,068	220,370	930,527	1,435,017	906,746	6,468,081
2011	2,679,979	96,345	-	885,078	1,388,587	854,783	5,904,772
2012 - 2016	9,632,480	313,333	-	3,643,192	6,163,030	3,523,051	23,275,086
2017 - 2021	2,123,272	31,019	-	2,653,844	4,369,841	2,282,287	11,460,263
2022 - 2026	-	-	-	1,658,455	2,130,537	869,955	4,658,947
2027 - 2028	-	-	-	375,000	147,769	9,036	531,805
Total Interest	27,181,785	915,321	220,370	13,183,615	20,197,762	10,994,812	72,693,665
Total Debt Service Obligation	$ 106,641,785	$ 4,205,421	$ 970,370	$ 37,753,615	$ 52,907,662	$ 48,224,181	$ 250,703,034

Prior Year's Defeasance of Debt

In prior years, the City defeased certain debt issues by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the defeased debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements.

The City has complied with all revenue bond covenants.

NOTE 7. CONTINGENCIES

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.

NOTE 8. SEGMENT INFORMATION

Summary financial information, as of and for the fiscal year ended June 30, 2006 for the City's enterprise funds is presented below:

Condensed Statement of Net Assets:

	Golf Course
Assets:	
Current assets	$ 1,152,577
Capital assets	3,099,673
Other non-current assets	127,966
Total assets	4,380,216
Liabilities:	
Current liabilities	395,475
Non-current liabilities	1,581,000
Total liabilities	1,976,475
Net assets:	
Invested in capital assets, net of related debt	1,404,773
Unrestricted	998,968
Total net assets	$ 2,403,741

Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	Golf Course
Charges for services pledged	
-against bonds	$ 2,059,900
-not pledged against bonds	-
Depreciation expense	(186,097)
Other operating expenses	(1,705,508)
Operating income	168,295
Non-operating revenues (expenses):	
Investment earnings	34,656
Interest expense	(71,540)
Transfers	(400)
Change in net assets	131,011
Beginning net assets, restated	2,272,730
Ending net assets	$ 2,403,741

Condensed Statement of Cash Flows:

	Golf Course
Net cash provided (used) by:	
Operating activities	$ 557,522
Noncapital financing activities	(400)
Capital and related financing activities	(659,951)
Investing activities	36,490
Net decrease in cash	(66,339)
Beginning cash and equivalents	1,218,916
Ending cash and equivalents	$ 1,152,577

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 10% of the net unamortized gain or loss will be amortized each year. 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, 2005 to June 30, 2006 has been determined by an actuarial valuation of the plan as of June 30, 2003. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 18.612%, the safety police plan rate is 26.768%, and the safety fire plan rate is 29.087% of payroll. Miscellaneous, non-safety, members contribute 7% and safety members contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The contribution requirements of the City and plan members are established and may be amended by PERS.

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

Annual Pension Cost

For fiscal year ended June 30, 2006, the City's annual pension costs for all of the retirement plans, in the amount of $20,364,574 for PERS, was equal to the City's required and actual contributions. The required contribution for fiscal year 2006 was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2003
(b) Amortization method	level percent of payroll
(c) Average remaining period	24 years 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	3.25% to 13.15% depending on age, service and type of employment – safety 3.25% to 14.45% depending on age, service, and type of employment – non-safety
-inflation	3.00%
-payroll growth	3.25%
-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. 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
06/30/04	$ 10,872,028	100%	$0
06/30/05	15,763,303	100%	$0
06/30/06	20,364,574	100%	$0

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, 2004 as provided by CalPERS.

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
Miscellaneous Plan:							
2003	06/30/00	$ 140,199,867	$ 175,207,919	$ (35,008,052)	125.00%	$ 35,864,313	(97.6%)
2004	06/30/01	155,405,646	180,581,042	(25,175,396)	116.2%	38,839,327	(64.8%)
2005	06/30/02	172,996,353	169,784,872	3,211,481	98.1%	43,147,673	7.4%
2006	06/30/03	200,205,019	172,606,727	27,598,292	86.2%	44,387,254	62.2%
2007	06/30/04	236,356,262	183,267,479	53,088,783	77.5%	45,499,938	116.7%
Safety Fire Plan:							
2003	06/30/00	71,328,030	75,062,672	(3,734,642)	105.20%	6,666,421	(56.0%)
2004	06/30/01	79,281,892	76,974,607	2,307,285	97.1%	7,655,484	30.1%
2005	06/30/02	85,100,613	71,982,755	13,117,858	84.6%	7,387,092	177.6%
2006	06/30/03	89,536,901	72,602,869	16,934,032	81.1%	7,531,518	224.8%
2007	06/30/04	94,816,120	76,722,184	18,093,936	80.9%	7,758,265	233.2%
Safety Police Plan:							
2003	06/30/00	88,811,850	90,054,739	(1,242,889)	101.4%	10,767,724	(11.5%)
2004	06/30/01	97,930,578	92,469,858	5,460,720	94.4%	11,194,160	48.8%
2005	06/30/02	104,007,310	86,387,932	17,619,378	83.1%	11,193,527	157.4%
2006	06/30/03	109,523,544	88,493,786	21,029,758	80.8%	11,815,759	178.0%
2007	06/30/04	116,822,430	94,867,540	21,954,890	81.2%	12,369,163	177.5%

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 twenty (20) 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, 2006, eleven (11) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and nine (9) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund. The plans are not required to prepare or issue financial statements, accordingly no financial statements are prepared for these pension plans.

Funding Policy

All of the pensioners are retirees. Accordingly, the City has had no annual pension cost, as no annual required contributions (ARC) have been required for more than three years. In addition, the City has had no net pension obligation (NPO) in any of the three years ended June 30, 2006.

Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	June 30, 2003	June 30, 2003
Asset valuation	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool
Actuarial cost method*	Aggregate	Aggregate
Number of participants	11	9
Actuarial assumptions:		
Discount Rate	7%	7%
Cost of Living Adjustment	4%	4%
Mortality	1983 Group Annuity Mortality Table	

*The aggregate actuarial cost method does not identify or separately amortize un-funded actuarial liabilities.

A separate stand-alone financial report is not issued for the Pension Trust Fund. All members of the plan are retired. The plans were closed as of 1965.

Deferred Compensation Plan

The City offers two deferred compensation plans for regular employees and one for temporary 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 $15,000 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, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The components of the City's fund balances at June 30, 2006, consist of the following:

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total
Reserved:						
Encumbrances	$ 1,291,212	$ 271,970	$ 157,378	$ 1,202,227	$ 7,771,040	$ 10,693,827
Non-current receivables	2,677,040	33,689,876	-	-	-	36,366,916
Due from other agencies	-	-	-	-	461,385	461,385
Assets available for resale	-	433,325	-	-	-	433,325
Redevelopment projects	-	5,466,599	-	46,442,231	-	51,908,830
Low and moderate income housing	-	5,933,191	-	-	-	5,933,191
Debt service	-	-	-	-	1,257,642	1,257,642
Library	-	-	-	-	629,669	629,669
Public safety	-	-	-	-	566,193	566,193
Community development	-	-	-	-	1,957,375	1,957,375
Community services	-	-	-	-	256,046	256,046
Future projects	-	-	2,774,668	-	4,386,567	7,161,235
Street improvements	898,082	-	-	-	3,713,672	4,611,754
Total reserved	4,866,334	45,794,961	2,932,046	47,644,458	20,999,589	122,237,388
Designated:						
Capital	1,000,000	-	-	-	-	1,000,000
Continuing appropriations	869,329	-	-	-	-	869,329
Contingencies	23,079,173	-	-	-	-	23,079,173
Total designated	24,948,502	-	-	-	-	24,948,502
Unreserved - undesignated	-	-	-	-	(976,928)	(976,928)
Total fund balances	$ 29,814,836	$ 45,794,961	$ 2,932,046	$ 47,644,458	$ 20,022,661	$ 146,208,962

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 fiscal years.

The City's self-insured retention for workers' compensation is $750,000. An indemnity policy provides limits of $45 million 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 $30 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 $750,000,000. 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. There were no claims made against any of these policies during the past fiscal year.

The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk pool created for the purpose of pooling various public sector risks. ACCEL began its nineteenth program year July 2006 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 and an investment policy 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 $30 million above that level.

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above their 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 and finance. 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 pool 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 pool losses. 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, 2006, the estimated outstanding liabilities are $7,729,364 for workers' compensation and $1,680,937 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2004. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2006, the liability for unemployment claims was $17,762.

The City also maintains a self-insured plan for vision coverage offered to employees. The rates for the dental and vision coverage are set in accordance with the results of an actuarial study performed for the City. Rates are established at a level sufficient to fund current claims as well as maintain reserves for claims incurred but not reported.

A summary of changes in claims liabilities is shown below:

	2006	2005
Claims liabilities, July 1	$ 8,974,608	$ 6,704,460
Incurred claims	3,803,820	5,603,732
Payments on claims attributable to events of current and prior years	(3,368,127)	(3,333,584)
Claims liabilities, June 30	$ 9,410,301	$ 8,974,608

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 7.7%. 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.

In November 1996, CCWA sold $198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's $177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of $173,015,000 and Series B of $25,000,000. The Series B bonds are subject to mandatory redemption from

amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

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 in the table below:

Fiscal Year	DWR Costs		CCWA Costs				
	Fixed	Variable (1)	Fixed	Variable (1)	Debt Service (2)	Total CCWA Cost	Total CCWA and DWR Costs
2006-07	$ 2,346,403	$ 185,417	$ 175,564	$ (10)	$ 1,738,558	$ 1,914,112	$ 4,445,932
2007-08	2,427,454	294,693	199,471	130,937	1,770,005	2,100,413	4,822,560
2008-09	2,418,449	337,164	213,205	189,525	1,772,853	2,175,583	4,931,196
2009-10	2,418,830	443,448	228,157	265,989	1,767,248	2,261,394	5,123,672
2010-11	2,491,187	-	235,001	-	1,769,181	2,004,182	4,495,369
Thereafter	55,718,270	-	8,825,012	-	21,111,261	29,936,273	85,654,543
Total	$ 67,820,593	$ 1,260,722	$ 9,876,410	$ 586,441	$ 29,929,106	$ 40,391,957	$ 109,473,272

(1) Variable costs only shown through fiscal year 2010-11 because delivery information is not available thereafter.
(2) Net of debt service reserve fund interest earnings.

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 8:00 am and 5:00 p.m., Monday through Friday.

NOTE 13. DUE FROM OTHER AGENCIES

On December 6, 1994, the County of Orange (Orange County) and the Orange County Investment Pools (Pool) filed petitions for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code. The City was one of over 180 participants in the Pool (Pool Participants). As of December 6, 1994, the City's Pool investment principal balance was $37,513,262 according to the records of Orange County.

A Comprehensive Settlement Agreement (Settlement) for the Pool was offered to Pool Participants in March 1995. Pool Participants were offered a choice of two settlement options (Option A or Option B). In April 1995, the City Council selected Option B that provided for the return of approximately $29.3 million and the reservation of all rights to recover the remaining balance from all potential sources, including Orange County and third parties. In September 1995, the City, along with other Option B agencies, filed a complaint for damages against Merrill Lynch.

In October 1995, the City along with other Option B agencies filed a complaint for damages against Orange County and Merrill Lynch. The complaint for damages was settled for a cash distribution totaling $1,941,268, received in fiscal years 1996 and 1997; and warrants amounting to $1,603,200, payable in ten equal annual installments of $160,320, plus interest at the rate of 6.5% on the unpaid balance. The final installment on this receivable was received in the fiscal year ended June 30, 2006.

NOTE 14. PROPOSITION 218 IMPACTS

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

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

NOTE 15. CONDUIT DEBT

On January 1, 1996, the City of Santa Barbara issued $16,805,000 in Insured Revenue Certificates of Participation for the benefit of FACT Retirement Services, a nonprofit public benefit corporation organized and existing under the laws of the State of California to provide care to persons over 62 years of age. The Certificates were issued to enable FACT Retirement System to purchase certain real property and improvements located within the City of Santa Barbara.

The Certificates do not constitute a debt or liability of the City of Santa Barbara. Neither the execution and delivery of the Certificates, nor the execution of the related trust agreement or installment agreement, shall directly, indirectly or morally obligate the City to levy or to pledge any form of taxation whatever, or to make any appropriation for their payment.

As of June 30, 2006, the outstanding balance on the Certificates is $13,380,000.

NOTE 16. 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)……	15%
Total financing	100%

Under the terms of the EMLAP, City participation is limited to a purchase price of $981,000. Therefore, the maximum second deed of trust loan available to an employee is $147,150 (15% of $981,000). 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 $31,392 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, 2006, the City has $2,813,798 in employee loans outstanding. A total of $3,500,000 is authorized for employee mortgage loans.

NOTE 17. DEFICIT FUND EQUITY

The FEMA Reimbursement Storm Fund, the Traffic Safety Fund, and Safety Retirement Pension Trust Fund have deficit fund balances of $1,478,663, $2,345, and $77,911 respectively, as of June 30, 2006. These deficits will be eliminated through reimbursements from other funds. .

NOTE 18. PRIOR PERIOD ADJUSTMENT

Prior period adjustments were recorded to the financial statements as follows:

A. Government-wide Financial Statements:

1) The City was required to report all infrastructure asset additions effective July 1, 2001 and the City reported infrastructure assets on a prospective basis. The retroactive reporting of infrastructure was subject to an extended implementation period and final implementation was required by fiscal year ending June 30, 2006. The adjustments to beginning capital asset balances have been presented in Note 4. 2) Loans made from the CDBG and HOME Funds are long-term receivables and do not have an effect on expenses. Accordingly, deferred revenues and expenses must be reversed in the government-wide statements. The following schedule summarizes the resulting adjustment to net assets at June 30, 2005:

	Net Assets, as Previously Reported	Prior Period Adjustment - Capital Assets	Prior Period Adjustment - Deferred Revenue	Net Assets as Restated
Government-Wide Activities:				
Governmental activities	$ 175,598,925	$ 220,136,967	$ 9,715,275	$ 405,451,167
Business activities				
Water	88,848,721	28,058,549	-	116,907,270
Wastewater	52,316,138	29,202,416	-	81,518,554
Airport	43,902,162	38,222,834	-	82,124,996
Waterfront	9,765,844	(64,231)	-	9,701,613
Parking	15,229,612	617,136	-	15,846,748
Golf course	2,213,162	59,567	-	2,272,729
Internal service	2,852,459	-	-	2,852,459
	215,128,098	96,096,271	-	311,224,369
Total government-wide activities	$ 390,727,023	$ 316,233,238	$ 9,715,275	$ 716,675,536

B. Governmental Fund Financial Statements:

Redevelopment Agency Special Revenue Fund – The City reclassified loans payable in the amount of $750,000 due to the long-term nature of the account.

	Fund Balance as Previously Reported	Prior Period Adjustment - Loans Payable	Fund Balance as Restated
Redevelopment Agency Special Revenue Fund	$ 41,439,457	$ 750,000	$ 42,189,457

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 early January 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 early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council 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 lines as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. 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	$ 96,942,757
Re-appropriated Prior Year Encumbrances	1,148,755
Amendments	788,786
Amended Budget	$ 98,880,298

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations for governmental funds lapse at year-end unless they are encumbered. Budget appropriations for capital projects and other multi-year projects do not lapse at fiscal year-end and are carried forward through completion of the project.

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 56,959,350	$ 56,959,350	$ 59,970,929	$ 3,011,579
Franchise fees	2,170,200	2,170,200	2,607,222	437,022
Intergovernmental	1,035,309	1,528,170	1,490,591	(37,579)
Fines and forfeitures	2,793,882	2,793,882	2,831,823	37,941
Use of money and property	1,589,778	1,589,778	1,403,221	(186,557)
Charges for services	16,598,637	16,598,637	17,070,913	472,276
Other revenues	6,630,652	6,682,351	6,736,244	53,893
Total revenues	87,777,808	88,322,368	92,110,943	3,788,575
Expenditures:				
Current:				
Mayor and council	774,145	775,651	755,768	19,883
City attorney	2,005,626	2,057,253	2,036,205	21,048
City administration	1,852,690	2,054,301	1,792,187	262,114
Administrative services	2,052,802	2,054,808	1,616,065	438,743
Finance	4,942,143	5,034,147	4,825,183	208,964
Fire	17,438,305	18,096,870	17,889,108	207,762
Police	30,165,274	30,300,188	29,427,667	872,521
Public works	5,895,904	6,008,734	5,388,948	619,786
Parks and recreation	13,176,924	13,403,927	12,457,030	946,897
Library	4,230,755	4,368,760	4,024,393	344,367
Community development	9,897,657	10,730,649	8,935,793	1,794,856
Community promotions	2,667,084	2,571,994	2,252,557	319,437
Total expenditures	95,099,309	97,457,282	91,400,904	6,056,378
Excess (deficiency) of revenues over (under) expenditures	(7,321,501)	(9,134,914)	710,039	9,844,953
Other financing sources (uses):				
Transfers in	1,297,306	834,838	703,334	(131,504)
Transfers out	(1,843,448)	(1,423,016)	(1,421,889)	1,127
Total other financing sources (uses)	(546,142)	(588,178)	(718,555)	(130,377)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(7,867,643)	(9,723,092)	(8,516)	9,714,576
Fund balances, beginning of fiscal year	29,823,352	29,823,352	29,823,352	-
Fund balances, end of fiscal year	$ 21,955,709	$ 20,100,260	$ 29,814,836	$ 9,714,576

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 14,400,000	$ 14,400,000	$ 15,272,895	$ 872,895
Use of money and property	658,000	658,000	1,470,116	812,116
Other revenues	-	-	1,856,198	1,856,198
Total revenues	15,058,000	15,058,000	18,599,209	3,541,209
Expenditures:				
Current:				
Community development	4,151,429	13,615,113	6,055,502	7,559,611
Debt service:				
Principal	-	470,000	470,000	-
Interest	-	164,338	255,375	(91,037)
Total expenditures	4,151,429	14,249,451	6,780,877	7,468,574
Excess (deficiency) of revenues over (under) expenditures	10,906,571	808,549	11,818,332	12,626,881
Other financing sources (uses):				
Transfers out	(8,252,300)	(8,252,300)	(8,212,828)	(39,472)
Total other financing sources (uses)	(8,252,300)	(8,252,300)	(8,212,828)	(39,472)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	2,654,271	(7,443,751)	3,605,504	11,049,255
Fund balances, beginning of fiscal year, restated	42,189,457	42,189,457	42,189,457	-
Fund balances, end of fiscal year	$ 44,843,728	$ 34,745,706	$ 45,794,961	$ 11,049,255

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SOLID WASTE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Franchise fees	$ 385,944	$ 385,944	$ 402,055	$ 16,111
Intergovernmental	26,000	292,683	35,129	(257,554)
Charges for services	14,923,896	14,993,196	14,905,365	(87,831)
Other revenues	80,000	80,000	133,696	53,696
Total revenues	15,415,840	15,751,823	15,476,245	(275,578)
Expenditures:				
Current:				
Public works	15,361,404	15,770,477	13,233,781	2,536,696
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	54,436	(18,654)	2,242,464	2,261,118
Fund balances, beginning of fiscal year	-	689,582	689,582	-
Fund balances, end of fiscal year	$ 54,436	$ 670,928	$ 2,932,046	$ 2,261,118

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 127 miles of residential streets, 40 miles of principal arterial and arterial streets and 71 miles of collector streets. 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, primarily concrete and asphalt pavements, 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:

Condition	Rating
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 and 2004 which were 74, 75 and 72 ("Very Good"), respectively. 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. 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. As of June 30, 2006, the City's street system was rated an average PCI index value of 71 ("Very Good") with the detail condition as follows:

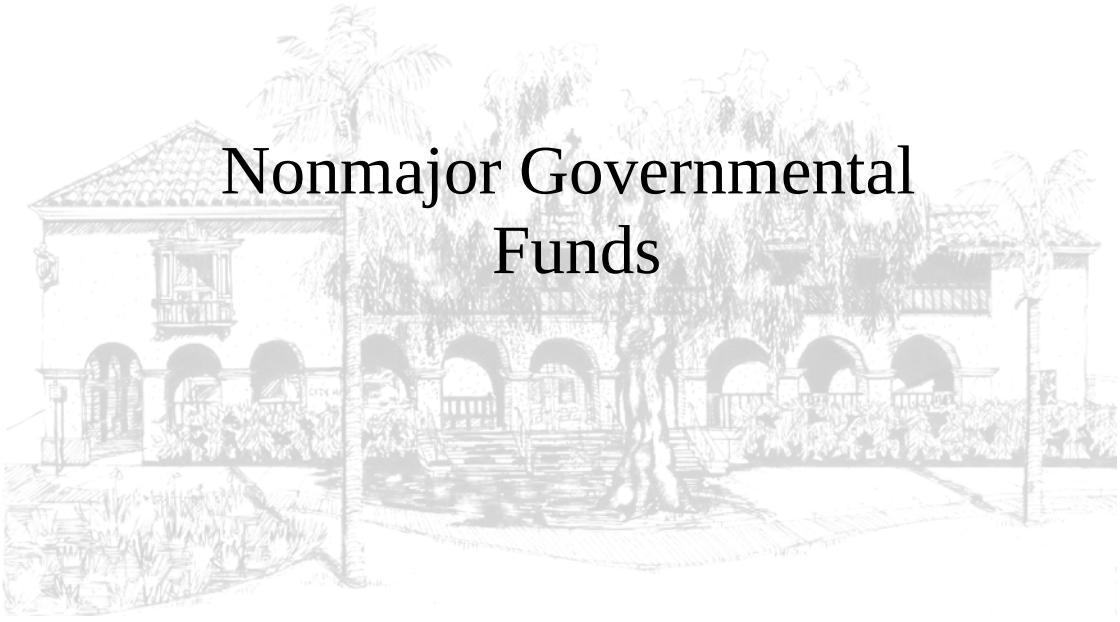
Condition	Approximate % of Streets
Excellent to Good	88%
Fair	5%
Poor to Substandard	7%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching. The City expended $2,963,855 on street maintenance for the fiscal year ended June 30, 2006. The City has estimated that the average amount of annual expenditures required for fiscal years 2007-2011 to maintain the City's streets at an average PCI rating of at least 70 is approximately $4,000,000. 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 four years is presented below:

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
2002-2003	$ 2,063,928	$ 4,738,635	75
2003-2004	3,350,000	3,607,033	72
2004-2005	2,683,648	2,270,022	72
2005-2006	3,856,200	2,963,855	71

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

Nonmajor Governmental Funds



NONMAJOR GOVERNMENTAL FUNDS

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

Community Development Block Grant Special Revenue Fund – To account for the financial resources provided by the federal government for housing and rental needs, housing rehabilitation loans and grants, as well as low and moderate income housing programs.

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.

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

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.

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

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

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

FEMA Reimbursement Storm Fund (Unbudgeted) - To account for costs incurred as a result of the three federally declared disasters in January and March, 1995; February, 1998; and the storm in January, 2005.

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

Police – Local Law Enforcement Block Grant Fund - To account for Federal grants funds received for local law enforcement activities.

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 financed by the General Fund.

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

1995 Redevelopment Agency Refunding Tax Allocation Bonds Fund (Unbudgeted) - To accumulate funds for the payment of the 1995 Refunding Tax Allocation Bonds.

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.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue					
Assets	Traffic Safety	Community Development Block Grant	Creek Restoration/ Water Quality	Transpor-tation Develop.	HOME Program	County Library
Cash and investments	$ -	$ -	$ 3,291,434	$ 324,226	$ 59,673	$ 737,864
Accounts receivable	-	-	244,795	-	-	-
Loans receivable	-	6,580,391	-	-	3,527,169	-
Due from other agencies	-	413,313	-	-	-	-
Prepaid assets and deposits	-	-	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-
Total assets	$ -	$ 6,993,704	$ 3,536,229	$ 324,226	$ 3,586,842	$ 737,864
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 2,345	$ 156,076	$ 46,670	$ -	$ 14,916	$ 23,612
Accrued salaries and benefits	-	9,443	24,567	-	1,009	49,116
Interest payable	-	-	-	-	-	-
Interfund payables	-	247,794	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	6,578,044	-	-	3,570,917	-
Total liabilities	2,345	6,991,357	71,237	-	3,586,842	72,728
Fund balances:						
Reserved:						
Encumbrances	-	-	384,337	54,824	-	35,467
Due from other agencies	-	-	-	-	-	-
Public safety	(2,345)	-	-	-	-	-
Street improvements	-	-	-	269,402	-	-
Library	-	-	-	-	-	629,669
Community development	-	2,347	-	-	-	-
Community services	-	-	-	-	-	-
Future projects	-	-	3,080,655	-	-	-
Debt service	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Total fund balances	(2,345)	2,347	3,464,992	324,226	-	665,136
Total liabilities and fund balances	$ -	$ 6,993,704	$ 3,536,229	$ 324,226	$ 3,586,842	$ 737,864

Special Revenue								Capital Projects
Street Sweeping	Measure D Road Maintenance	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
$ 978,746	$ 4,963,631	$ 56,592	$ 618,221	$ 493,278	$ -	$ 6,545	$ 67,761	$ 1,818,515
-	316,001	27,960	4,986	1,356	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	103,712	439,669	-	-	-
-	-	222,826	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
$ 978,746	$ 5,279,632	$ 307,378	$ 623,207	$ 598,346	$ 439,669	$ 6,545	$ 67,761	$ 1,818,515
$ 29,389	$ 218,615	$ -	$ 15,893	$ 14,165	$ 22,005	$ -	$ -	$ 56,677
7,163	16,160	-	-	-	-	6,545	-	-
-	-	-	18,751	-	-	-	-	-
-	-	-	-	-	1,896,327	-	-	-
-	-	-	141,320	-	-	-	-	-
-	-	-	-	-	-	-	-	-
36,552	234,775	-	175,964	14,165	1,918,332	6,545	-	56,677
790	3,181,553	-	24,755	50,912	-	-	-	654,860
-	-	-	-	-	439,669	-	-	-
-	-	-	422,488	78,289	-	-	67,761	-
-	1,863,304	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	307,378	-	-	-	-	-	-
-	-	-	-	256,046	-	-	-	-
-	-	-	-	198,934	-	-	-	1,106,978
-	-	-	-	-	-	-	-	-
941,404	-	-	-	-	(1,918,332)	-	-	-
942,194	5,044,857	307,378	447,243	584,181	(1,478,663)	-	67,761	1,761,838
$ 978,746	$ 5,279,632	$ 307,378	$ 623,207	$ 598,346	$ 439,669	$ 6,545	$ 67,761	$ 1,818,515

(Continued)

CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2006

	Captital Projects		Debt Service		
Assets	Street Capital Improvements	Creeks Restoration Capital Improvement	1995 Refunding Tax Allocation Bonds	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
Cash and investments	$ 5,229,602	$ 1,711,544	$ -	$ -	$ 20,357,632
Accounts receivable	576,606	-	-	-	1,171,704
Loans receivable	-	-	-	-	10,107,560
Due from other agencies	21,716	-	-	-	978,410
Prepaid assets and deposits	-	-	-	-	222,826
Cash and investments with fiscal agents	-	-	696,386	561,256	1,257,642
Total assets	$ 5,827,924	$ 1,711,544	$ 696,386	$ 561,256	$ 34,095,774
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 733,751	$ 63,894	$ -	$ -	$ 1,398,008
Accrued salaries and benefits	107,949	-	-	-	221,952
Interest payable	-	-	-	-	18,751
Interfund payables	-	-	-	-	2,144,121
Deposits	-	-	-	-	141,320
Deferred revenue	-	-	-	-	10,148,961
Total liabilities	841,700	63,894	-	-	14,073,113
		-			
Fund balances:					
Reserved:					
Encumbrances	3,383,542	-	-	-	7,771,040
Due from other agencies	21,716	-	-	-	461,385
Public safety	-	-	-	-	566,193
Street improvements	1,580,966	-	-	-	3,713,672
Library	-	-	-	-	629,669
Community development	-	1,647,650	-	-	1,957,375
Community services	-	-	-	-	256,046
Future projects	-	-	-	-	4,386,567
Debt service	-	-	696,386	561,256	1,257,642
Unreserved	-	-	-	-	(976,928)
Total fund balances	4,986,224	1,647,650	696,386	561,256	20,022,661
Total liabilities and fund balances	$ 5,827,924	$ 1,711,544	$ 696,386	$ 561,256	$ 34,095,774

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2006

	Special Revenue					
	Traffic Safety	Community Development Block Grant	Creek Restoration/ Water Quality	Transpor-tation Develop.	HOME Program	County Library
Revenues:						
Taxes	$ -	$ -	$ 2,406,473	$ 61,885	$ -	$ -
Franchise fees	-	-	-	-	-	-
Intergovernmental	-	1,930,595	-	-	218,303	1,122,984
Fines and forfeitures	572,516	-	-	-	-	183,155
Use of money and property	-	-	146,855	8,576	-	-
Charges for services	-	-	-	-	-	-
Program income	-	347,815	-	-	72,577	-
Other revenues	-	-	10,830	-	-	106,313
Total revenues	572,516	2,278,410	2,564,158	70,461	290,880	1,412,452
Expenditures:						
Current:						
Public safety	30,485	-	-	-	-	-
Public works	-	-	1,210,247	-	-	-
Community services	-	-	-	-	-	1,744,641
Community development	-	2,278,410	-	-	290,880	-
Capital Outlay:						
Capital improvements	-	-	-	-	-	-
Debt Service:						
Principle retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	30,485	2,278,410	1,210,247	-	290,880	1,744,641
Excess (deficiency) of revenues over (under) expenditures	542,031	-	1,353,911	70,461	-	(332,189)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	20,350
Transfers out	(541,576)	-	(908,899)	-	-	-
Total other financing sources (uses)	(541,576)	-	(908,899)	-	-	20,350
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	455	-	445,012	70,461	-	(311,839)
Fund balances, beginning of fiscal year	(2,800)	2,347	3,019,980	253,765	-	976,975
Fund balances, end of fiscal year	$ (2,345)	$ 2,347	$ 3,464,992	$ 324,226	$ -	$ 665,136

Special Revenue								Capital Projects
Street Sweeping	Measure D Road Maintenance	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reim-bursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
$ -	$ 4,569,790	$ -	$ -	-	$ -	$ -	$ -	$ -
-	-	250,785	-	-	-	-	-	-
-	-	-	126,121	151,069.00	69,147	130,891	-	84,600
959,233	-	-	-	-	-	-	-	-
-	141,359	-	10,762	-	-	-	2,557	-
-	-	28,556	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	28,926	699,823.00	-	-	-	28,669
959,233	4,711,149	279,341	165,809	850,892.00	69,147	130,891	2,557	113,269
-	-	-	158,581	131,018.00	-	130,891	4,419	-
839,964	4,222,991	-	-	24,014.00	287,157	-	-	-
	-	-	-	643,972.00	-	-	-	-
-	-	-	-	38,640.00	-	-	-	-
-	-	-	-	-	-	-	-	2,444,954
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
839,964	4,222,991	-	158,581	837,643.00	287,157	130,891	4,419	2,444,954
119,269	488,158	279,341	7,228	13,249.00	(218,010)	-	(1,862)	(2,331,685)
472,649	-	28,037	-	133,558.00	-	-	-	791,563
-	(165,059)	-	-	-	-	-	-	-
472,649	(165,059)	28,037	-	133,558.00	-	-	-	791,563
591,918	323,099	307,378	7,228	146,807.00	(218,010)	-	(1,862)	(1,540,122)
350,276	4,721,758	-	440,015	437,374.00	(1,260,653)	-	69,623	3,301,960
$ 942,194	$ 5,044,857	$ 307,378	$ 447,243	584,181.00	$ (1,478,663)	$ -	$ 67,761	$ 1,761,838

(Continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2006

	Capital Projects		Debt Service		
	Street Capital Improvements	Creeks Restoration Capital Improvements	1995 Re-funding Tax Allocation Bonds	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$ 7,859,958	$ -	$ -	$ -	$ 14,898,106
Franchise fees	-	-	-	-	250,785
Intergovernmental	1,980,616	71,899	-	-	5,886,225
Fines and forfeitures	-	-	-	-	1,714,904
Use of money and property	-	-	24,302	29,275	363,686
Charges for services	360,172	-	-	-	388,728
Program income	-	-	-	-	420,392
Other revenues	245,429	-	-	-	1,119,990
Total revenues	10,446,175	71,899	24,302	29,275	25,042,816
Expenditures:					
Current:					
Public safety	-	-	-	-	455,394
Public works	6,070,607	-	-	-	12,654,980
Community services	-	-	-	-	2,388,613
Community development	-	-	-	-	2,607,930
Capital Outlay:					
Capital improvements	3,968,520	875,736	-	-	7,289,210
Debt Service:					
Principle retirement	-	-	2,575,000	221,100	2,796,100
Interest	-	-	513,300	136,953	650,253
Total expenditures	10,039,127	875,736	3,088,300	358,053	28,842,480
Excess (deficiency) of revenues over (under) expenditures	407,048	(803,837)	(3,063,998)	(328,778)	(3,799,664)
Other financing sources (uses):					
Transfers in	121,117	751,309	3,070,068	328,889	5,717,540
Transfers out	(150,000)	-	-	-	(1,765,534)
Total other financing sources (uses)	(28,883)	751,309	3,070,068	328,889	3,952,006
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	378,165	(52,528)	6,070	111	152,343
Fund balances, beginning of fiscal year	4,608,059	1,700,178	690,316	561,145	19,870,318
Fund balances, end of fiscal year	$ 4,986,224	$ 1,647,650	$ 696,386	$ 561,256	$ 20,022,661

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 555,000	$ 555,000	$ 572,516	$ 17,516
Expenditures:				
Current:				
Protection of persons and property	30,000	30,000	30,485	(485)
Excess (deficiency) of revenues over (under) expenditures	525,000	525,000	542,031	17,031
Other financing sources (uses):				
Transfers out	(525,000)	(525,000)	(541,576)	(16,576)
Fund balances, beginning of fiscal year	-	-	(2,800)	(2,800)
Fund balances, end of fiscal year	$ -	$ -	$ (2,345)	$ (2,345)

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,243,765	$ 3,205,004	$ 1,930,595	$ (1,274,409)
Program income	650,000	650,000	347,815	(302,185)
Total revenues	1,893,765	3,855,004	2,278,410	(1,576,594)
Expenditures:				
Current:				
Community development	1,893,765	3,855,004	2,278,410	1,576,594
Total expenditures	1,893,765	3,855,004	2,278,410	1,576,594
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning of fiscal year	-	2,347	2,347	-
Fund balances, end of fiscal year	$ -	$ 2,347	$ 2,347	$ -

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 2,300,800	$ 2,300,800	$ 2,406,473	$ 105,673
Use of money and property	129,358	129,358	146,855	17,497
Other revenues	-	10,530	10,830	300
Total revenues	2,430,158	2,440,688	2,564,158	123,470
Expenditures:				
Current:				
Public works	1,642,106	2,095,028	1,210,247	884,781
Excess (deficiency) of revenues over (under) expenditures	788,052	345,660	1,353,911	1,008,251
Other financing sources (uses):				
Transfers out	(607,590)	(908,899)	(908,899)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	180,462	(563,239)	445,012	1,008,251
Fund balances, beginning of fiscal year	-	3,019,980	3,019,980	-
Fund balances, end of fiscal year	$ 180,462	$ 2,456,741	$ 3,464,992	$ 1,008,251

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 50,000	$ 50,000	$ 61,885	$ 11,885
Use of money and property	5,000	5,000	8,576	3,576
Total revenues	55,000	55,000	70,461	15,461
Expenditures:				
Current:				
Public works	55,000	110,000	-	110,000
Excess of revenues over expenditures	-	(55,000)	70,461	125,461
Fund balances, beginning of fiscal year	-	189,016	253,765	64,749
Fund balances, end of fiscal year	$ -	$ 134,016	$ 324,226	$ 190,210

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 782,202	$ 1,485,497	$ 218,303	$ (1,267,194)
Program income	85,800	85,800	72,577	(13,223)
Total revenues	868,002	1,571,297	290,880	(1,280,417)
Expenditures:				
Current:				
Community development	868,002	417,678	290,880	126,798
Excess (deficiency) of revenues over (under) expenditures	-	1,153,619	-	(1,153,619)
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ 1,153,619	$ -	$ (1,153,619)

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,201,859	$ 1,201,859	$ 1,122,984	$ (78,875)
Fines and forfeitures	143,724	143,724	183,155	39,431
Other revenues	65,000	65,000	106,313	41,313
Total revenues	1,410,583	1,410,583	1,412,452	1,869
Expenditures:				
Community services	1,640,583	1,851,050	1,744,641	106,409
Excess (deficiency) of revenues over (under) expenditures	(230,000)	(440,467)	(332,189)	108,278
Other financing sources:				
Transfers in	230,000	250,350	20,350	(230,000)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(190,117)	(311,839)	(121,722)
Fund balances, beginning of fiscal year	-	976,975	976,975	-
Fund balances, end of fiscal year	$ -	$ 786,858	$ 665,136	$ (121,722)

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 750,000	$ 750,000	$ 959,233	$ 209,233
Total revenues	750,000	750,000	959,233	209,233
Expenditures:				
Public works	1,009,871	1,209,120	839,964	369,156
Excess (deficiency) of revenues over (under) expenditures	(259,871)	(459,120)	119,269	578,389
Other financing sources (uses):				
Transfers in	472,649	472,649	472,649	-
Transfers out	(219,204)	-	-	-
Total other financing sources (uses)	253,445	472,649	472,649	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(6,426)	13,529	591,918	578,389
Fund balances, beginning of fiscal year	-	350,276	350,276	-
Fund balances, end of fiscal year	$ (6,426)	$ 363,805	$ 942,194	$ 578,389

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 4,500,000	$ 4,500,000	$ 4,569,790	$ 69,790
Use of money and property	150,000	150,000	141,359	(8,641)
Total revenues	4,650,000	4,650,000	4,711,149	61,149
Expenditures:				
Public works	4,643,973	9,421,262	4,222,991	5,198,271
Excess (deficiency) of revenues over (under) expenditures	6,027	(4,771,262)	488,158	5,259,420
Other financing sources (uses):				
Transfers out	(165,059)	(165,059)	(165,059)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(159,032)	(4,936,321)	323,099	5,259,420
Fund balances, beginning of fiscal year	-	4,721,758	4,721,758	-
Fund balances, end of fiscal year	$ (159,032)	$ (214,563)	$ 5,044,857	$ 5,259,420

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 135,232	$ 135,232	$ 130,891	$ (4,341)
Expenditures:				
Current:				
Protection of persons and property	135,232	135,232	130,891	4,341
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
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
POLICE - LOCAL LAW ENFORCEMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ -	$ -	$ -
Use of money and property	-	-	2,557	2,557
Total revenues	-	-	2,557	2,557
Expenditures:				
Current:				
Protection of persons and property	-	59,339	4,419	54,920
Excess (deficiency) of revenues over (under) expenditures	-	(59,339)	(1,862)	57,477
Fund balances, beginning of fiscal year	-	69,623	69,623	-
Fund balances, end of fiscal year	$ -	$ 10,284	$ 67,761	$ 57,477

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 2,067,184	$ 84,600	$ (1,982,584)
Other revenues	-	51,137	28,669	(22,468)
Total revenues	-	2,118,321	113,269	(2,005,052)
Expenditures:				
Capital improvements	623,700	6,123,714	2,444,954	3,678,760
Excess (deficiency) of revenues over (under) expenditures	(623,700)	(4,005,393)	(2,331,685)	1,673,708
Other financing sources:				
Transfers in	673,700	791,563	791,563	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	50,000	(3,213,830)	(1,540,122)	1,673,708
Fund balances, beginning of fiscal year	-	3,301,960	3,301,960	-
Fund balances, end of fiscal year	$ 50,000	$ 88,130	$ 1,761,838	$ 1,673,708

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, 2006

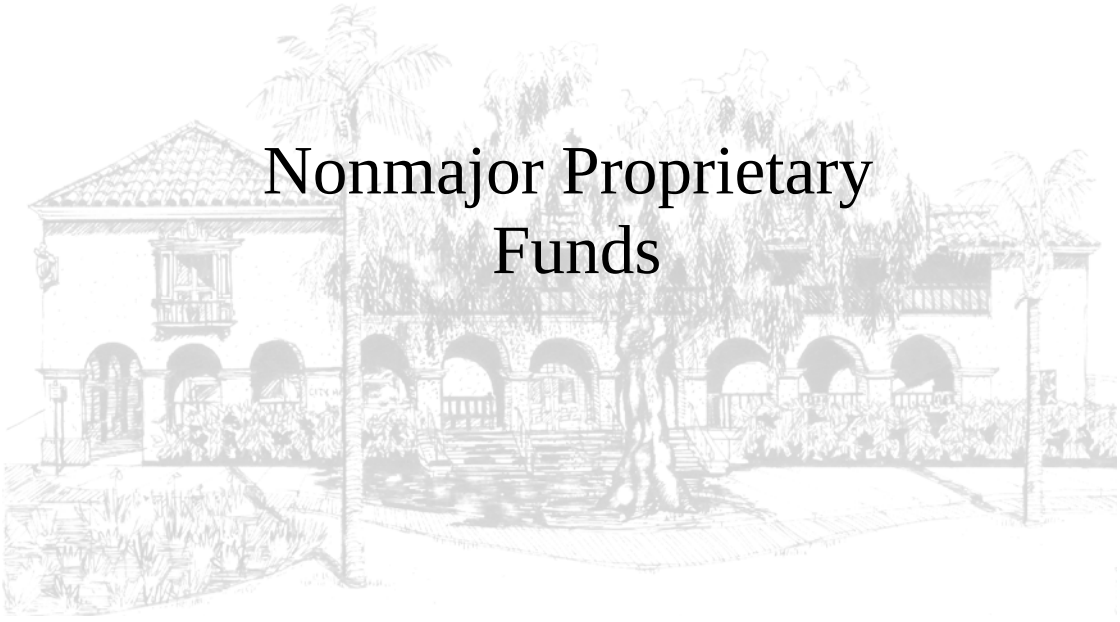
	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 7,720,000	$ 7,720,000	$ 7,859,958	$ 139,958
Intergovernmental	2,065,000	10,039,180	1,980,616	(8,058,564)
Charges for services	362,500	362,500	360,172	(2,328)
Other revenues	-	242,000	245,429	3,429
Total revenues	10,147,500	18,363,680	10,446,175	(7,917,505)
Expenditures:				
Current:				
Public works	5,112,691	6,542,675	6,070,607	472,068
Capital improvements	3,901,600	16,183,145	3,968,520	12,214,625
Total expenditures	9,014,291	22,725,820	10,039,127	12,686,693
Excess (deficiency) of revenues over (under) expenditures	1,133,209	(4,362,140)	407,048	4,769,188
Other financing sources (uses):				
Transfers in	121,117	121,117	121,117	-
Transfers out	(1,312,417)	(150,000)	(150,000)	-
Total other financing sources (uses)	(1,191,300)	(28,883)	(28,883)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(58,091)	(4,391,023)	378,165	4,769,188
Fund balances, beginning of fiscal year	-	4,482,029	4,608,059	(126,030)
Fund balances, end of fiscal year	$ (58,091)	$ 91,006	$ 4,986,224	$ 4,643,158

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, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 2,446,917	$ 71,899	$ (2,375,018)
Expenditures:				
Capital Outlay:				
Capital improvements	450,000	4,818,113	875,736	3,942,377
Excess (deficiency) of revenues over (under) expenditures	(450,000)	(2,371,196)	(803,837)	1,567,359
Other financing sources:				
Transfers in	450,000	751,309	751,309	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(1,619,887)	(52,528)	1,567,359
Fund balances, beginning of fiscal year	-	1,700,178	1,700,178	-
Fund balances, end of fiscal year	$ -	$ 80,291	$ 1,647,650	$ 1,567,359

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

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, 2006

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Assets			
Current Assets:			
Cash and investments	$ 6,421,408	$ 1,152,577	$ 7,573,985
Accounts receivable, net	11,024	-	11,024
Total current assets	6,432,432	1,152,577	7,585,009
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	-	90,749	90,749
Improvements other than buildings	4,024,835	2,620,530	6,645,365
Equipment	297,563	668,985	966,548
Construction in progress	781,434	453,855	1,235,289
Less accumulated depreciation	(4,637,191)	(2,275,348)	(6,912,539)
Total capital assets, (net)	10,088,263	3,099,673	13,187,936
Other Assets:			
Deferred charge-loss on defeasance, net	-	127,966	127,966
Total assets	16,520,695	4,380,216	20,900,911
Liabilities			
Current liabilities:			
Accounts payable	283,382	196,549	479,931
Salaries and benefits payable	132,476	40,517	172,993
Deposits	26,001	-	26,001
Deferred revenue	16,601	-	16,601
Compensated absences payable	100,170	44,509	144,679
Current portion long term debt	-	113,900	113,900
Total current liabilities	558,630	395,475	954,105
Non-current liabilities:			
Long-term debt, net of current portion	-	1,581,000	1,581,000
Total liabilities	558,630	1,976,475	2,535,105
Net Assets:			
Invested in capital assets net of related debt	10,088,263	1,404,773	11,493,036
Unrestricted	5,873,802	998,968	6,872,770
Total net assets	$ 15,962,065	$ 2,403,741	$ 18,365,806

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2006

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for sales and services:			
Service charges	$ 4,987,483	$ 1,782,450	$ 6,769,933
Leases and rents	-	273,605	273,605
Other revenues	13,140	3,845	16,985
Total revenues	5,000,623	2,059,900	7,060,523
Operating Expenses:			
Salaries, wages and benefits	3,131,804	1,065,111	4,196,915
Materials, supplies and services	2,409,079	640,397	3,049,476
Depreciation	420,634	186,097	606,731
Total operating expenses	5,961,517	1,891,605	7,853,122
Operating income (loss)	(960,894)	168,295	(792,599)
Non-operating revenues (expenses):			
Taxes	858,193	-	858,193
Investment income	219,004	34,656	253,660
Interest expense	-	(71,540)	(71,540)
Total non-operating revenues (expenses)	1,077,197	(36,884)	1,040,313
Income (loss)	116,303	131,411	247,714
Transfers out	(986)	(400)	(1,386)
Change in net assets	115,317	131,011	246,328
Net assets, beginning of fiscal year, restated	15,846,748	2,272,730	18,119,478
Net assets, end of fiscal year	$ 15,962,065	$ 2,403,741	$ 18,365,806

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2006

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Cash received from services	$ -	$ 1,782,450	$ 1,782,450
Cash received from rents and leases	4,996,276	273,605	5,269,881
Cash payments for goods and services	(2,184,405)	(462,054)	(2,646,459)
Cash payments to employees for services	(3,042,142)	(1,040,324)	(4,082,466)
Cash returned for deposits	(542)	-	(542)
Other operating receipts	13,140	3,845	16,985
Net cash provided (used) by operating activities	(217,673)	557,522	339,849
Cash flows from noncapital financing activities			
Transfers to other funds	(986)	(400)	(1,386)
Cash received from taxes and assessments	858,193	-	858,193
Net cash provided (used) by non-capital financing activities	857,207	(400)	856,807
Cash flows from capital and related financing activities:			
Payments on long term debt	-	(113,900)	(113,900)
Acquisition of capital assets	(2,273,337)	(485,175)	(2,758,512)
Interest paid on debt	-	(60,876)	(60,876)
Net cash provided (used) by capital and related financing activities	(2,273,337)	(659,951)	(2,933,288)
Cash flows from investing activities:			
Cash received on investments	224,022	36,490	260,512
Net increase (decrease) in cash and cash equivalents	(1,409,781)	(66,339)	(1,476,120)
Cash and cash equivalents, beginning of fiscal year	7,831,189	1,218,916	9,050,105
Cash and cash equivalents, end of fiscal year	$ 6,421,408	$ 1,152,577	$ 7,573,985
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (960,894)	$ 168,295	$ (792,599)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	420,634	186,097	606,731
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(7,808)	-	(7,808)
Increase (decrease) in accounts payable	224,674	178,343	403,017
Increase (decrease) in accrued salaries payable	86,733	24,793	111,526
Increase (decrease) in deferred revenue	16,601		16,601
Increase (decrease) in accrued compensated absences	2,929	(6)	2,923
Increase (decrease) in deposits	(542)	-	(542)
Net cash provided (used) by operating activities	$ (217,673)	$ 557,522	$ 339,849

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.

Duplicating Services Fund - To account for the operations of the City print shop.

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, 2006

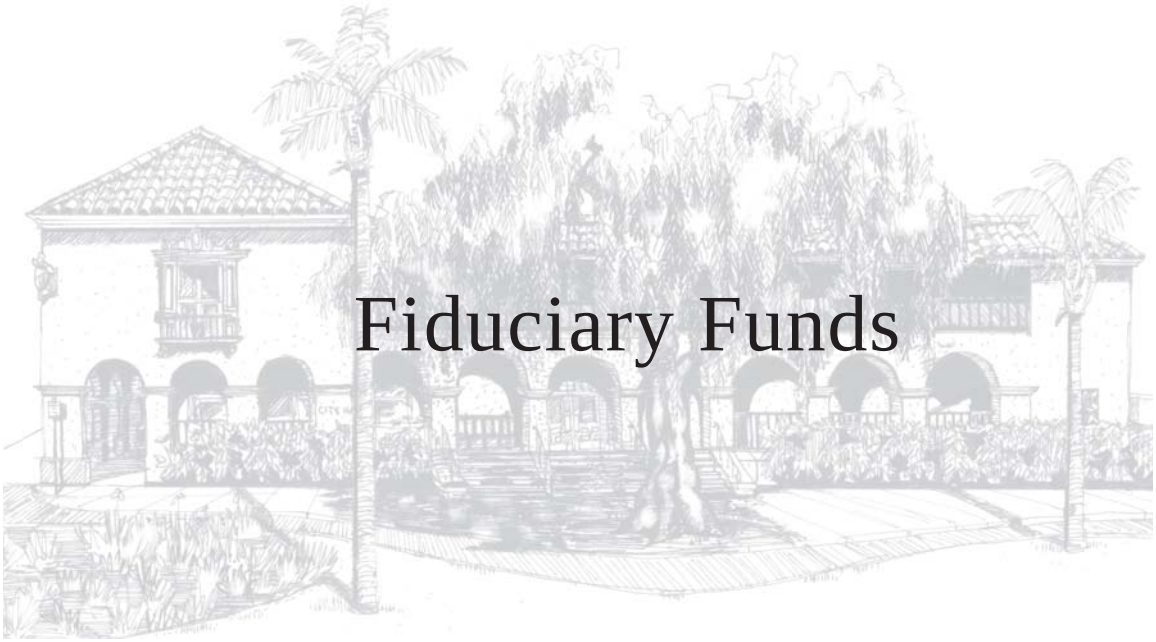
Assets	Intra-City Service	Duplicating Services	Self-Insurance	Information Systems	Vehicle Capital	Total
Current Assets:						
Cash and investments	$ 1,645,540	$ 103,470	$ 10,942,214	$ 685,806	$ 3,916,604	$ 17,293,634
Accounts receivable	5,323	-	42,277	-	-	47,600
Inventory, at cost	730,050	21,084	-	-	-	751,134
Prepaid assets	-	-	11,008	-	-	11,008
Total current assets	2,380,913	124,554	10,995,499	685,806	3,916,604	18,103,376
Capital assets:						
Buildings	105,889	-	-	-	-	105,889
Building improvements	162,584	-	-	-	-	162,584
Improvements other than building	257,165	-	-	-	-	257,165
Equipment	305,865	-	-	-	16,319,312	16,625,177
Less accumulated depreciation	(135,395)	-	-	-	(11,616,896)	(11,752,291)
Total capital assets, net	696,108	-	-	-	4,702,416	5,398,524
Total assets	3,077,021	124,554	10,995,499	685,806	8,619,020	23,501,900
Liabilities						
Current Liabilities:						
Accounts payable	290,552	517	159,566	7,087	161,649	619,371
Salaries and benefits payable	142,745	4,229	15,336	42,933	2,189	207,432
Compensated absences payable	192,844	4,114	27,449	42,055	-	266,462
Current portion claims payable	-	-	3,510,722	-	-	3,510,722
Total current liabilities	626,141	8,860	3,713,073	92,075	163,838	4,603,987
Non-current Liabilities:						
Estimated claims payable, net of current portion	-	-	5,899,579	-	-	5,899,579
Total liabilities	626,141	8,860	9,612,652	92,075	163,838	10,503,566
Net Assets						
Invested in net assets, net of related debt	696,108	-	-	-	4,702,416	5,398,524
Unrestricted	1,754,772	115,694	1,382,847	593,731	3,752,766	7,599,810
Total net assets	$ 2,450,880	$ 115,694	$ 1,382,847	$ 593,731	$ 8,455,182	$ 12,998,334

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2006

	Intra-City Service	Duplicating Services	Self-Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:						
Service charges	$ 6,726,382	$ 311,667	$ 6,599,014	$ 2,068,339	$ 1,977,436	$ 17,682,838
Other revenues	112,351	12,639	87,657	-	97,937	310,584
Total operating revenues	6,838,733	324,306	6,686,671	2,068,339	2,075,373	17,993,422
Operating Expenses:						
Salaries, wages and benefits	3,967,219	144,681	473,960	1,271,186	117,187	5,974,233
Materials, supplies and services	2,900,811	139,099	5,172,975	790,285	2,114	9,005,284
Depreciation	25,394	12,833	-	-	1,129,092	1,167,319
Total operating expenses	6,893,424	296,613	5,646,935	2,061,471	1,248,393	16,146,836
Operating income (loss)	(54,691)	27,693	1,039,736	6,868	826,980	1,846,586
Non-operating Revenues and Expenses:						
Investment income	-	-	280,309	-	110,942	391,251
Other	-	-	-	-	88,685	88,685
	-	-	280,309	-	199,627	479,936
Income (loss) before transfers	(54,691)	27,693	1,320,045	6,868	1,026,607	2,326,522
Transfers In	-	-	-	335,601	-	335,601
Transfers Out	(1,444)	-	(1,378)	(301,601)	-	(304,423)
Change in net assets	(56,135)	27,693	1,318,667	40,868	1,026,607	2,357,700
Net assets, beginning of fiscal year, restated	2,507,015	88,001	64,180	552,863	7,428,575	10,640,634
Net assets, end of fiscal year	$ 2,450,880	$ 115,694	$ 1,382,847	$ 593,731	$ 8,455,182	$ 12,998,334

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2006

	Intra-City Service	Duplicating Services	Self-Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:						
Cash received from services	$ 6,721,330	$ 311,667	$ 6,614,090	$ 2,068,339	$ 1,977,436	$ 17,692,862
Cash payments for goods and services	(3,100,959)	(131,763)	(4,624,506)	(800,361)	135,862	(8,521,727)
Cash payments to employees for services	(3,877,999)	(149,614)	(460,919)	(1,240,531)	(116,638)	(5,845,701)
Other operating receipts	112,351	12,639	87,657	-	97,937	310,584
Net cash provided (used) by operating activities	(145,277)	42,929	1,616,322	27,447	2,094,597	3,636,018
Cash flows from non-capital financing activities:						
Transfers from other funds	-	-	-	335,601	-	335,601
Transfers to other funds	(1,444)	-	(1,378)	(301,601)	-	(304,423)
Net cash provided (used) by non-capital financing activities	(1,444)	-	(1,378)	34,000	-	31,178
Cash flows from capital and related financing activities:						
Proceeds from disposition of capital assets		12,833				12,833
Acquisition of capital assets	(27,977)	-	-	-	(1,698,697)	(1,726,674)
Net cash provided (used) by capital and related financing activities	(27,977)	12,833	-	-	(1,698,697)	(1,713,841)
Cash flows from investing activities:						
Cash received on investments	-	-	280,309	-	110,942	391,251
Net increase (decrease) in cash and cash equivalents	(174,698)	55,762	1,895,253	61,447	506,842	2,344,606
Cash and cash equivalents, beginning of fiscal year	1,820,238	47,708	9,046,961	624,359	3,409,762	14,949,028
Cash and cash equivalents, end of fiscal year	$ 1,645,540	$ 103,470	$ 10,942,214	$ 685,806	$ 3,916,604	$ 17,293,634
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ (54,691)	$ 27,693	$ 1,039,736	$ 6,868	$ 826,980	$ 1,846,586
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	25,394	12,833	-	-	1,129,092	1,167,319
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(5,052)	-	15,076	-	-	10,024
(Increase) decrease in inventories	(36,278)	6,835	-	-	-	(29,443)
(Increase) decrease in prepaid assets	-	-	(11,008)	-	-	(11,008)
Increase (decrease) in accounts payable	(163,870)	501	123,784	(10,076)	137,976	88,315
Increase (decrease) in accrued claims	-	-	435,693	-	-	435,693
Increase (decrease) in accrued salaries payable	89,581	1,015	8,088	23,410	549	122,643
Increase (decrease) in accrued compensated absences	(361)	(5,948)	4,953	7,245	-	5,889
Net cash provided by operating activities	$ (145,277)	$ 42,929	$ 1,616,322	$ 27,447	$ 2,094,597	$ 3,636,018



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.

Russ Morrison Fund - To account for contributions made from the Santa Barbara Athletic Roundtable for the sole purpose of promoting junior golf.

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 rehabilitation loans made by the City through the use of various funding sources.

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

COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
June 30, 2006

	Safety Retirement	Service Retirement	Total
Assets			
Investments, at fair value			
Equity share in city investment pool	$ -	$ 130,140	$ 130,140
Cash and investments with fiscal agent	-	541,168	541,168
Total investments	-	671,308	671,308
Total assets	-	671,308	671,308
Liabilities			
Accrued benefits payable	5,132	4,759	9,891
Due to General Fund	72,779	-	72,779
Total Liabilities	77,911	4,759	82,670
Net assets			
Held in trust for pension benefits	$ (77,911)	$ 666,549	$ 588,638

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2006

	Safety Retirement	Service Retirement	Total
Additions			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	$ -	$ 29,516	$ 29,516
Interest	260	12,437	12,697
Dividends	-	17,685	17,685
Total investment income	260	59,638	59,898
Less investment expenses:			
Banking, interest and fiscal agent expenses	-	(11,084)	(11,084)
Net investment income	260	48,554	48,814
Deductions			
Benefits	150,581	146,527	297,108
Total deductions	150,581	146,527	297,108
Net decrease	(150,321)	(97,973)	(248,294)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	72,410	764,522	836,932
End of fiscal year	$ (77,911)	$ 666,549	$ 588,638

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2006

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
Assets				
Cash and investments	$ 2,087,736	$ 40,046	$ 1,235	$ 2,129,017
Accounts receivable	-	-	303	303
	2,087,736	40,046	1,538	2,129,320
Liabilities				
Accounts payable	-	106	-	106
Net Assets				
Held in trust	$ 2,087,736	$ 39,940	$ 1,538	$ 2,129,214

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2006

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
Additions				
Use of money and property	$ 69,653	$ 1,739	$ -	$ 71,392
Contributions	715,076	-	-	715,076
Total additions	784,729	1,739	-	786,468
Deductions				
Transfers out	182,108	-	-	182,108
Community services	-	11,745	-	11,745
Total deductions	182,108	11,745	-	193,853
Net increase (decrease)	602,621	(10,006)	-	592,615
Net assets, beginning of fiscal year	1,485,115	49,946	1,538	1,536,599
Net assets, end of fiscal year	$ 2,087,736	$ 39,940	$ 1,538	$ 2,129,214

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Cash and investments	$ -	$ 144,429	$ 144,429	$ -
Accounts receivable	37,645	160,558	157,843	40,360
Equipment	66,000	-	18,000	48,000
Total assets	$ 103,645	$ 304,987	$ 320,272	$ 88,360
Liabilities:				
Accounts payable	$ 3,274	$ 55,980	$ 57,735	$ 1,519
Due to General Fund	20,525	3,532	-	24,057
Trust liability	79,846	-	17,062	62,784
Total liabilities	$ 103,645	$ 59,512	$ 74,797	$ 88,360
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	$ 823,955	$ 75,622	$ -	$ 899,577
Accounts receivable	3,005	-	3,005	-
Loans receivable	2,252,877	-	212,397	2,040,480
Total assets	$ 3,079,837	$ 75,622	$ 215,402	$ 2,940,057
Liabilities:				
Accounts payable	$ 1,537	$ 7	$ -	$ 1,544
Contributions	3,078,300	13,218	153,005	2,938,513
Total liabilities	$ 3,079,837	$ 13,225	$ 153,005	$ 2,940,057
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	$ 118,224	$ 49,458	$ 40,404	$ 127,278
Cash and investments held by fiscal agent	93,690	38,970	35,529	97,131
Total assets	$ 211,914	$ 88,428	$ 75,933	$ 224,409
Liabilities:				
Trust liability	211,914	22,495	10,000	224,409
Total liabilities	$ 211,914	$ 22,495	$ 10,000	$ 224,409
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	$ 942,179	$ 269,509	$ 184,833	$ 1,026,855
Accounts receivable	40,650	160,558	160,848	40,360
Loans receivable	2,252,877	-	212,397	2,040,480
Equipment (net)	66,000	-	18,000	48,000
Cash and investments held by fiscal agent	93,690	38,970	35,529	97,131
Total assets	$ 3,395,396	$ 469,037	$ 611,607	$ 3,252,826
Liabilities:				
Accounts payable	$ 4,811	$ 55,987	$ 57,735	$ 3,063
Interfund payable	20,525	3,532	-	24,057
Trust liability	291,760	22,495	27,062	287,193
Contributions	3,078,300	13,218	153,005	2,938,513
Total liabilities	$ 3,395,396	$ 95,232	$ 237,802	$ 3,252,826

Capital Assets Used in the Operation of Governmental Funds

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
AS OF JUNE 30, 2006

	Historic Cost	Accumulated Depreciation	Net
Governmental Funds Capital Assets			
Construction in progress	$ 6,765,029	$ -	$ 6,765,029
Land	48,228,969	-	48,228,969
Streets	159,614,855	-	159,614,855
Building	45,431,544	10,341,386	35,090,158
Building Improvements	4,957,349	2,334,418	2,622,931
Improvements	35,203,778	18,530,713	16,673,065
Equipment	24,181,748	16,340,070	7,841,678
Infrastructure	111,868,087	47,458,481	64,409,606
Total governmental funds capital assets	$ 436,251,359	$ 95,005,068	$341,246,291

This schedule presents the capital asset balances related to governmental funds and capital assets of governmental activities reported in the Internal Service funds. Generally, the capital assets of Internal Service funds are included in governmental activities in the Statement of Net Assets.

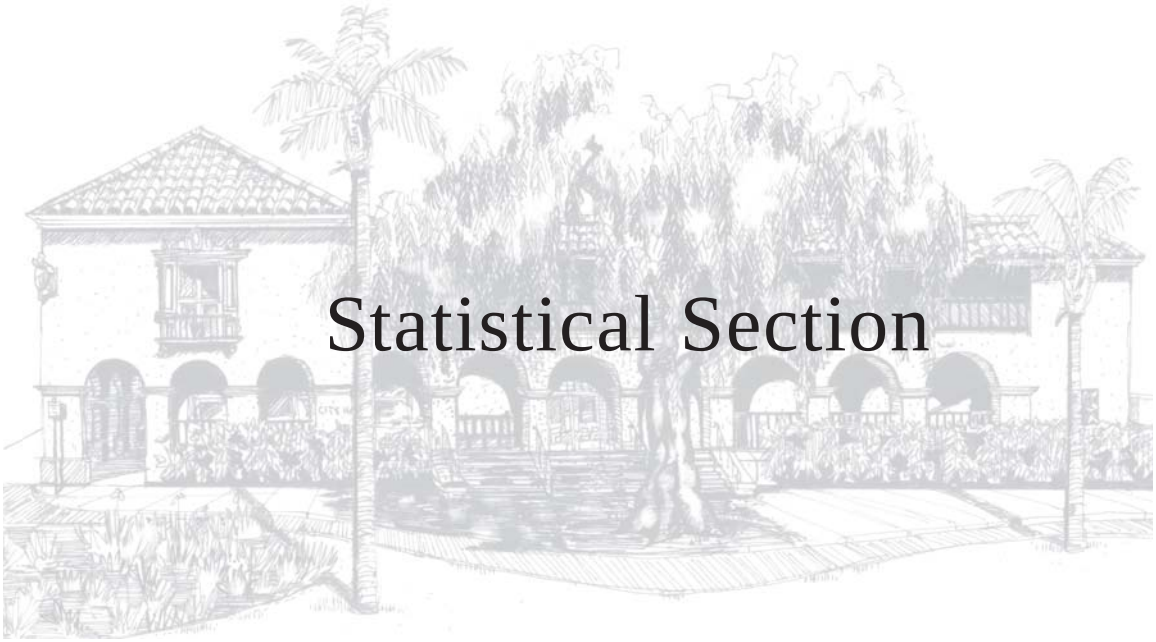
CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2006

	Land	Construction in Progress	Buildings	Building Improvements	Improvements
Function:					
City Attorney	$ -	$ -	$ -	$ -	$ -
City Administrator's Office	1,473,424	-	158,716	-	-
Administrative Services	-	-	-	268,418	-
Finance	-	25,250	51,931	170,589	-
Public Safety	558,158	119,758	3,669,683	898,890	146,828
Public Works	-	4,463,154	1,609,534	288,030	3,025,566
Community Services	6,891,746	466,889	9,919,005	3,331,421	6,863,322
Community Development	39,305,641	1,689,978	30,022,675	-	25,168,062
Total governmental funds capital assets	$ 48,228,969	$ 6,765,029	$ 45,431,544	$ 4,957,348	$ 35,203,778

Equipment	Infrastructure	Total
$ -	$ -	$ -
1,473,953	-	3,106,093
1,480,810	-	1,749,228
327,872	-	575,642
1,910,986	-	7,304,303
17,679,998	266,706,534	293,772,816
1,002,689	1,815,000	30,290,072
305,441	2,961,408	99,453,205
$ 24,181,749	$ 271,482,942	$ 436,251,359

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2006

	Beginning Balance July 1, 2005	Prior Period Adjustments (Note 18)	Restated Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Function:						
City Attorney	$ 32,883	$ (32,883)	$ -	$ -	$ -	$ -
City Administrator's Office	3,504,370	(297,052)	3,207,318	-	(101,225)	3,106,093
Administrative Services	1,642,965	(253,765)	1,389,200	470,358	(110,330)	1,749,228
Finance	428,411	(25,297)	403,114	172,528	-	575,642
Public Safety	6,346,958	(517,961)	5,828,997	1,817,895	(342,589)	7,304,303
Public Works	27,304,263	(6,888,633)	20,415,630	274,578,445	(1,221,259)	293,772,816
Community Services	26,351,642	(383,623)	25,968,019	5,300,996	(978,943)	30,290,072
Community Development	84,719,136	-	84,719,136	28,553,306	(13,819,237)	99,453,205
Total governmental funds capital assets	$ 150,330,628	$ (8,399,214)	$ 141,931,414	$ 310,893,528	$ (16,573,583)	$ 436,251,359



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.

Contents **Page**

Financial Trends 128

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 135

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 139

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 144

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 146

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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 Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2002	**2003**	**2004**	**2005**	**2006**
Governmental activities					
Invested in capital assets, net of related debt	$23,763	$63,294	$73,738	$80,483	$301,827
Restricted	83,447	62,650	59,941	70,888	77,157
Unrestricted	50,741	33,516	31,314	24,228	24,415
Total governmental activities net assets	$157,951	$159,460	$164,993	$175,599	$403,399
Business-type activities					
Invested in capital assets, net of related debt	$126,385	$138,066	$139,780	$135,336	$245,095
Restricted	4,240	-	-	4,704	4,266
Unrestricted	66,958	59,199	64,564	75,088	78,148
Total business-type activities net assets	$197,583	$197,265	$204,344	$215,128	$327,509
Primary government					
Invested in capital assets, net of related debt	$150,148	$201,360	$213,518	$215,819	$546,922
Restricted	87,687	62,650	59,941	75,592	81,423
Unrestricted	117,699	92,715	95,878	99,316	102,563
Total primary government net assets	$355,534	$356,725	$369,337	$390,727	$730,908

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

	Fiscal Year		
Expenses	**2004**	**2005**	**2006**
Governmental activities:			
Administration	$10,094	$10,139	$11,385
Public safety	42,653	45,653	48,836
Public works	18,235	19,915	39,887
Community services	20,778	19,607	20,959
Community development	16,528	17,002	21,021
Interest on long-term debt	3,506	4,081	4,069
Total governmental activities expenses	111,794	116,397	146,157
Business-type activities:			
Water	22,842	23,169	25,937
Wastewater	9,902	10,909	12,618
Airport	12,812	11,786	13,499
Waterfront	10,921	10,164	10,778
Parking	4,582	4,925	5,839
Golf course	1,825	1,877	1,924
Total business-type activities expenses	62,884	62,830	70,595
Total primary government expenses	$174,678	$179,227	$216,752
Program Revenues			
Governmental activities:			
Charges for services:			
Administration	$1,349	$1,600	$1,825
Public safety	7,313	8,092	9,186
Public works	5,707	7,822	21,810
Community services	4,552	4,699	4,784
Community development	4,094	4,259	5,641
Operating grants and contributions	11,064	10,006	12,447
Capital grants and contributions	2,821	3,599	2,313
Total governmental activities program revenues	36,900	40,077	58,006
Business-type activities:			
Charges for services:			
Water	25,153	26,492	27,410
Wastewater	10,120	11,379	12,096
Airport	12,268	13,187	13,939
Waterfront	9,625	9,899	10,253
Parking	4,844	4,968	5,859
Golf course	2,046	1,976	2,060
Capital grants and contributions	5,172	3,453	12,439
Total business-type activities program revenues	69,228	71,354	84,056
Total primary government program revenues	$106,128	$111,431	$142,062

(Continued)

	Fiscal Year		
	2004	**2005**	**2006**
Net (expense)/revenue			
Governmental activities	($74,894)	($76,320)	($88,151)
Business-type activities	6,344	8,524	13,461
Total primary government net expense	($68,550)	($67,796)	($74,690)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property	$24,142	$30,022	$34,078
Sales & use	18,420	18,949	19,968
Transient occupancy	12,439	13,298	14,439
Utility users	11,325	11,977	12,422
Business license	1,926	2,037	2,169
Real property transfer	709	719	685
Franchise fees	2,056	2,124	3,260
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659
Investment income	2,888	3,410	3,955
Other revenue	1,953	2,024	4,384
Transfers	-	70	12
Total governmental activities	80,427	86,927	96,031
Business-type activities:			
Investment earnings	735	2,329	2,836
Transfers	-	(70)	(12)
Total business-type activities	735	2,259	2,824
Total primary government	$81,162	$89,186	$98,855
Change in Net Assets			
Governmental activities	$5,533	$10,607	$7,880
Business-type activities	7,079	10,783	16,285
Total primary government	$12,612	$21,390	$24,165

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

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Trans-portation Tax	Business License Tax	Gas Tax	Real Property Transfer Tax	Total
1997	$14,402	$14,554	$7,429	$8,115	$2,993	$1,400	$1,582	$282	$50,757
1998	14,951	15,343	7,846	8,600	3,328	1,521	1,598	375	53,562
1999	16,761	16,364	8,685	8,330	3,440	1,566	1,620	372	57,138
2000	17,751	17,326	9,392	8,911	3,745	1,666	1,618	372	60,781
2001	19,883	18,237	11,099	9,737	4,587	1,682	1,810	339	67,374
2002	21,366	17,511	11,805	9,996	4,897	1,769	1,668	307	69,319
2003	23,224	17,904	11,837	11,166	4,173	1,832	1,698	875	72,709
2004	24,142	18,420	12,439	11,325	4,621	1,926	1,679	709	75,261
2005	30,022	18,949	13,298	11,977	4,502	2,037	1,684	719	83,188
2006	34,078	19,968	14,439	12,422	4,632	2,169	1,649	685	90,042

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

	Fiscal Year									
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
General Fund										
Reserved	$6,933	$7,214	$5,453	$5,696	$6,742	$29,899	$6,120	$4,720	$4,395	$6,566
Unreserved	22,396	23,186	26,584	29,863	31,099	7,101	29,859	28,147	25,428	23,249
Total general fund	$29,329	$30,400	$32,037	$35,559	$37,841	$37,000	$35,979	$32,867	$29,823	$29,815
All other governmental funds										
Reserved	$42,103	$41,165	$42,331	$46,210	$47,739	$87,923	$92,211	$123,964	$130,317	$116,621
Unreserved, reported in:										
Special revenue funds	(951)	(3,073)	(2,435)	(1,219)	183	543	511	90	(1,390)	(977)
Capital projects funds	6,550	7,636	7,546	7,306	9,230	10,370	7,416	4,032	539	-
Total all other governmental funds	$47,702	$45,728	$47,442	$52,297	$57,152	$98,836	$100,138	$128,086	$129,466	$115,644

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									
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Revenues										
Taxes	$50,757	$53,562	$57,138	$60,781	$67,374	$69,319	$72,709	$75,262	$83,188	$90,142
Franchise fees	1,625	1,512	1,582	1,634	1,784	2,067	2,050	2,383	2,497	3,260
Intergovernmental	11,313	11,904	11,976	9,851	16,844	12,754	12,567	10,278	8,060	7,412
Fines and forfeitures	1,604	1,853	2,112	2,309	2,265	2,649	2,924	3,792	4,072	4,547
Use of money and property	4,111	4,314	3,508	4,256	6,929	6,417	5,019	3,297	3,758	4,361
Charges for services	12,147	12,772	13,559	13,484	15,070	11,781	11,915	13,998	15,562	32,365
Program income	533	492	746	669	845	484	663	746	845	420
Other revenues	2,780	1,600	7,067	4,342	1,059	5,334	5,759	6,713	6,590	10,046
Total revenues	84,870	88,009	97,688	97,326	112,170	110,805	113,606	116,469	124,572	152,553
Expenditures										
General government/administration	8,058	8,802	8,850	9,741	10,644	9,902	9,663	9,656	9,806	11,025
Public safety	27,679	27,820	29,464	30,743	33,419	37,630	37,334	42,081	45,035	47,772
Public works	10,013	13,210	16,498	11,995	12,464	15,029	14,764	17,233	19,025	31,278
Community services	12,959	14,157	14,830	15,470	16,859	16,690	16,356	18,880	18,077	18,870
Community development	8,872	9,464	8,741	9,382	10,097	12,477	13,762	13,507	14,224	17,599
Capital outlay	8,413	8,198	8,857	5,028	12,389	7,521	11,960	7,334	15,775	28,434
Community promotions	1,469	1,554	1,758	1,954	2,003	2,295	2,252	2,267	2,439	2,253
Debt service										
Principal	3,085	3,200	3,350	3,540	3,735	4,490	4,239	5,415	4,750	5,411
Interest	2,764	2,633	2,491	2,305	2,110	2,974	3,350	3,259	3,935	3,904
Other charges	-	-	-	-	-	-	-	941	305	-
Total expenditures	83,312	89,038	94,839	90,158	103,720	109,008	113,680	120,573	133,371	166,546
Excess of revenues over (under) expenditures	1,558	(1,029)	2,849	7,168	8,450	1,797	(74)	(4,104)	(8,799)	(13,993)

(Continued)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other financing sources (uses)										
Transfers in	$11,189	$12,631	$13,134	$15,103	$15,779	$24,630	$16,993	$14,387	$14,115	$11,563
Transfers out	(10,748)	(12,404)	(12,933)	(15,070)	(15,287)	(24,373)	(16,638)	(13,846)	(14,164)	(11,400)
Proceeds from bond issuance	-	-	-	-	-	37,790	-	28,399	7,184	-
Total other financing sources (uses)	441	227	201	33	492	38,047	355	28,940	7,135	163
Net change in fund balances	$1,999	($802)	$3,050	$7,201	$8,942	$39,844	$281	$24,836	($1,664)	($13,830)
Debt service as a percentage of noncapital expenditures	7.81%	7.22%	6.79%	6.87%	6.40%	7.78%	7.67%	8.88%	8.71%	7.87%

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	Trans-portation Tax	Gas tax	Total
1997	$14,554	$8,115	$14,402	$282	$7,429	$1,400	$2,993	$1,582	$50,757
1998	15,343	8,600	14,951	375	7,846	1,521	3,328	1,598	53,562
1999	16,364	8,330	16,761	372	8,685	1,566	3,440	1,620	57,138
2000	17,326	8,911	17,751	372	9,392	1,666	3,745	1,618	60,781
2001	18,237	9,737	19,883	339	11,099	1,682	4,587	1,810	67,374
2002	17,511	9,996	21,366	307	11,805	1,769	4,897	1,668	69,319
2003	17,904	11,166	23,224	875	11,837	1,832	4,173	1,698	72,709
2004	18,420	11,325	24,143	709	12,439	1,926	4,621	1,679	75,262
2005	18,949	11,977	30,022	719	13,298	2,037	4,502	1,684	83,188
2006	20,068	12,422	34,078	685	14,439	2,169	4,632	1,649	90,142

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

	City				Redevelopment Agency				
Fiscal Year	**Secured**	**Unsecured**	**Less: Exemptions**	**Taxable Assessed Value**	**Secured**	**Unsecured**	**Less: Exemptions**	**Taxable Assessed Value**	**Total Direct Tax Rate**
1997	$6,204,196	$466,982	($513,768)	$6,157,410	$721,145	$158,300	($36,937)	$842,508	1.00%
1998	6,482,324	487,917	(538,620)	6,431,621	740,216	162,486	(37,913)	864,789	1.00%
1999	6,991,302	526,227	(552,040)	6,965,489	828,526	181,872	(42,437)	967,961	1.00%
2000	7,489,424	497,403	(580,768)	7,406,059	863,742	189,602	(44,240)	1,009,104	1.00%
2001	8,032,015	597,443	(579,933)	8,049,525	1,022,931	215,719	(52,137)	1,186,513	1.00%
2002	8,641,674	637,216	(622,514)	8,656,376	1,094,347	227,297	(54,310)	1,267,334	1.00%
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%

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.

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

	Direct Rates	Overlapping Rates		
Fiscal Year	General	City Bonds	Schools Bonds	Total
1997	$1.000	$0.011	$0.001	$1.012
1998	1.000	-	0.011	1.011
1999	1.000	-	0.022	1.022
2000	1.000	-	0.019	1.019
2001	1.000	-	0.027	1.027
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026

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

	Fiscal Year 2006		Fiscal Year 1997	
Taxpayer	**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)]	$85,174	0.72%	$51,395	0.83%
Fess Parker Doubletree Hotel	74,983	0.63%	57,000	0.93%
Nettleship Patricia S Trust	43,707	0.37%	17,757	0.29%
MCC BB Property, LLC	38,937	0.33%	-	0.00%
FW CA-Five Points Shopping Center, LLC	33,131	0.28%	-	0.00%
HDG Associates	27,092	0.23%	14,840	0.24%
Riviera Dairy Products	25,983	0.22%	-	0.00%
El Encanto, Inc.	25,075	0.21%	-	0.00%
Chapala Street Investors	23,977	0.20%	-	0.00%
Hotel Carrillo, LP	20,825	0.18%	-	0.00%
AMB Retail Income Fund Inc	-	0.00%	23,495	0.38%
Southern Pacific Transportation Company	-	0.00%	16,738	0.27%
Old Town Mall	-	0.00%	11,910	0.19%
Watling John Trust	-	0.00%	11,874	0.19%
Wright William/Edna Trustees	-	0.00%	10,270	0.17%
Towbes Michael	-	0.00%	10,059	0.16%
	$398,884	3.36%	$225,338	3.66%

(1) The City's Redevelopment 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.

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
1997	$14,402	$14,402	100%	-	$14,402	100%
1998	14,951	14,951	100%	-	14,951	100%
1999	16,761	16,761	100%	-	16,761	100%
2000	17,751	17,751	100%	-	17,751	100%
2001	19,883	19,883	100%	-	19,883	100%
2002	21,366	21,366	100%	-	21,366	100%
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%

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

	Governmental Activities			Business-Type Activities						
Fiscal Year	Certificates of Participation	Tax Allocation Bonds	Loans	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
1997	$4,520	$42,470	-	$8,785	$2,885	$42,605	$6,277	$107,542	1.07%	$1,199
1998	4,405	39,385	-	8,475	2,505	42,085	5,899	102,754	0.99%	1,135
1999	4,280	36,160	-	8,150	2,120	41,535	5,510	97,755	0.87%	1,074
2000	4,150	32,750	-	7,805	1,720	40,955	5,111	92,491	0.78%	1,004
2001	4,015	29,150	-	7,445	1,310	40,345	4,695	86,960	0.67%	951
2002	4,184	63,660	-	7,070	885	35,296	4,268	115,363	0.88%	1,272
2003	3,930	59,675	-	6,675	450	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	5,820	19,735	33,739	34,776	182,981	1.26%	2,021
2006	3,290	79,460	750	5,360	19,210	32,710	37,229	178,009	1.16%	1,988

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 144 for personal income and population data.

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 Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
1997	$4,520	$42,470	$0	$5,473	$41,517	0.67%	$463
1998	4,405	39,385	0	5,496	38,294	0.60%	423
1999	4,280	36,160	0	5,488	34,952	0.50%	384
2000	4,150	32,750	0	5,485	31,415	0.42%	341
2001	4,015	29,150	0	5,514	27,651	0.34%	302
2002	4,184	63,660	0	5,412	62,432	0.72%	688
2003	3,930	59,675	0	5,342	58,263	0.63%	644
2004	3,726	82,035	0	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

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 135 for property value data.

[2] Population data can be found in the Schedule of Demographic and Economic Statistics on page 144.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2006
(amounts expressed in thousands)

2005-06 Assessed Valuation	$12,659,948
Redevelopment Agency Incremental Valuation	1,671,786
Adjusted Assessed Valuation	$10,988,162

Overlapping Debt Repaid with Property Taxes	**Debt Outstanding**	**Estimated Percentage Applicable[1]**	**Estimated Share of Overlapping Debt**
Santa Barbara School Districts	$28,480	100%	$28,480
Total overlapping debt repaid with property taxes	$28,480		$28,480
Direct and Overlapping General Obligation Debt			
Santa Barbara County General Fund Obligations	$52,890	21%	$11,233
City of Santa Barbara Certificates of Participation	4,985	100%	4,985
Total direct and overlapping general obligation debt	$57,875		$16,218
Total direct and overlapping debt			$44,698
Ratio to 2005-06 Assessed Valuation			
Total direct and overlapping debt			0.35%

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] Population estimates for the City and County were used to calculate the estimated percentage applicable of the overlapping debt. Of the County's 421,625 population, 21% (or 89,548) 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									
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Assessed valuation	$6,671,178	$6,970,241	$7,517,529	$7,986,827	$8,629,458	$9,278,890	$9,965,554	$10,728,263	$11,506,947	$12,659,948
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$1,667,795	$1,742,560	$1,879,382	$1,996,707	$2,157,365	$2,319,723	$2,491,389	$2,682,066	$2,876,737	$3,164,987
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	$250,169	$261,384	$281,907	$299,506	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748
Total net debt applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal debt margin	$250,169	$261,384	$281,907	$299,506	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748
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)

	Water Revenue Bonds						Wastewater Revenue Bonds						Tax Allocation Bonds			
Fiscal Year	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Waste-water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
1997	$24,735	$13,424	$11,311	$280	$440	15.71	$8,996	$5,298	$3,698	$375	$114	7.56	$7,745	$2,970	$2,438	1.43
1998	19,793	13,458	6,335	305	420	8.74	8,631	5,356	3,275	385	99	6.77	8,040	3,085	2,374	1.47
1999	21,699	14,332	7,367	325	399	10.18	9,047	5,682	3,365	385	84	7.17	9,235	3,225	2,235	1.69
2000	22,888	12,429	10,459	345	383	14.37	9,092	6,670	2,422	400	69	5.16	9,624	3,410	2,058	1.76
2001	22,517	15,072	7,445	360	366	10.25	8,975	6,639	2,336	410	52	5.06	11,183	3,600	1,868	2.05
2002	22,813	17,931	4,882	375	348	6.75	8,802	8,177	625	425	35	1.36	11,853	4,345	2,739	1.67
2003	23,172	18,149	5,023	395	330	6.93	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	310	9.53	10,120	7,920	2,200	450	0	4.89	12,945	5,210	3,075	1.56
2005	26,492	18,547	7,945	435	290	10.96	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	268	10.49	12,096	8,828	3,268	525	829	2.41	15,273	5,190	3,511	1.76

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.

City of Santa Barbara
Demographic and Economic Statistics
Last Four Fiscal Years

Fiscal Year	Population [1]	Personal Income (in millions) [2]	Per Capita Personal Income [2]	June 30 Unemployment Rate [3]
1997	89,700	$10,007	$25,918	4.3%
1998	90,500	10,377	26,520	3.8%
1999	91,000	11,301	28,629	3.4%
2000	92,100	11,890	29,957	4.1%
2001	91,429	12,911	32,302	3.8%
2002	90,696	13,107	32,709	4.8%
2003	90,464	13,059	32,519	4.9%
2004	90,569	13,638	33,851	4.6%
2005	90,518	14,493	36,079	4.1%
2006	89,548	15,342	38,282	4.0%

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

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
Current Year and Nine Years Ago

	Fiscal Year 2006		Fiscal Year 1997	
Employer	**Number of Employees [1]**	**Percentage of Total City Employment [2]**	**Number of Employees [1]**	**Percentage of Total City Employment [2]**
University of California, Santa Barbara	9,578	17.38%	8,740	17.84%
County of Santa Barbara	4,144	7.52%	4,065	8.30%
Santa Barbara Cottage Hospital	2,464	4.47%	1,679	3.43%
Santa Barbara City Community College	2,241	4.07%	1,221	2.49%
Raytheon/ E-Systems	1,923	3.49%	900	1.84%
Santa Barbara High School District	2,800	5.08%	1,006	2.05%
Sansum-Santa Barbara Medical Foundation Clinic	1,170	2.12%	N/A	N/A
City of Santa Barbara	1,061	1.93%	995	2.03%
U. S. Postal Service	1,005	1.82%	1,039	2.12%
Santa Barbara Bank & Trust	820	1.49%	N/A	N/A
	27,206	49.38%	19,645	40.09%

Notes:
(2) Data is for the month of June.

Sources:
(1) Santa Barbara Chamber of Commerce
(2) California Employment Development Department

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

	Full-time Equivalent Employees as of June 30		
Function	**2004**	**2005**	**2006**
Administration	111	111	107
Public safety	343	343	333
Public works	135	138	142
Community services	135	135	134
Community development	84	85	88
Water	59	56	60
Wastewater	55	55	53
Airport	50	51	53
Waterfront	46	46	46
Parking	31	31	32
Golf course	12	12	13
Total	1,061	1,063	1,061

Source: City's Human Resources Department

City of Santa Barbara
Operating Indicators by Function
This Fiscal Year

Function	Fiscal Year 2006
Police	
Criminal citations issued	1,990
Parking citations	64,300
Street sweeping citations	35,392
Fire	
Number of calls received	7,302
Engine company fire inspections	946
Public works	
Street resurfacing (miles)	75
Tons of debris collected by street sweepers	1,056
Community services	
Facility permits processed	870
Library items checked out	709,000
Community development	
Building inspections completed	14,400
Total permits issued	3,000
Water	
Million gallons water treated	7,790
Percent of drinking water regulations met	100%
Wastewater	
Million gallons waste water treated	3,100
Miles of wastewater collection system pipes cleaned	200
Percent of discharge requirements met	99%
Airport	
Total number of annual passengers	850,000
Annual tons of airfreight	3,000
Waterfront	
Number of lease contracts managed	58
Number of parking permits distributed	1,320,600
Parking	
Vehicles parked in city lots	5,000,000
Golf course	
Rounds of golf	80,000

Source: Various City Departments

City of Santa Barbara
Capital Asset Statistics by Function
This Fiscal Year

Function	Fiscal Year 2006
Police	
Stations	1
Fire	
Stations	8
Public works	
Streets (miles)	280
Traffic signals	750
Community services	
Parks acreage	1,765
Parks	59
Swimming pools	2
Tennis courts	34
Community buildings	8
Libraries	2
Number of volumes (books, periodicals, tapes, etc.)	251,052
Water	
Number of reservoirs	14
Number of pump stations	12
Number of treatment plants	1
Number of wells	9
Wastewater	
Number of treatment plants	1
Number of lift stations	10
Airport	
Runways (sq. footage)	1,639,525
Taxiways (sq. footage)	1,560,570
Waterfront	
Number of harbor slips	1,133
Parking	
Number of parking structures and lots	14
Number of parking spaces	3,595

Source: Various City Departments