City of Santa Barbara
California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

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, 2007

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SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

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

November 12, 2007

Accounting
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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
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Santa Barbara, CA
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Purchasing
805.564.5349

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PO Box 1990
Santa Barbara, CA
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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 for the fiscal year ended June 30, 2007, 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 opinion on the City's financial statements for the fiscal year ended June 30, 2007. 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 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

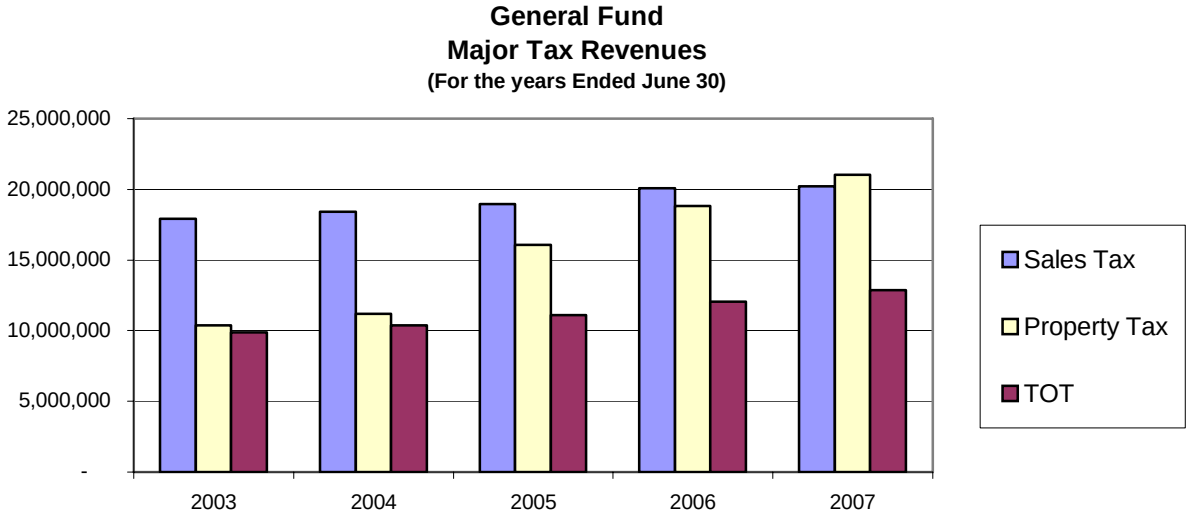
The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks; it is often referred to 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.



In fiscal year 2007, property tax surpassed sales tax as the General Fund's largest revenue source, making up approximately 21.2% of total General Fund revenues. Sales tax revenues accounted for approximately 20.3% 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 and improving water quality. Historically, sales tax, TOT, and property tax revenues have been sensitive to swings in the state and local economies.

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 an average of almost 9% annually. These growth rates have lifted property tax revenues to approximately $21 million in fiscal year 2007. While property tax revenues continued to increase this year, real estate values have been easing and the turnover rate has slowed to the lowest level in more than ten years. These factors may have an impact on revenues over the next few years and have been reflected in next year's budget.

Beginning in fiscal year 2005, pursuant to an agreement between local governments and the Governor, cities and counties received an increase in property taxes in lieu of approximately 90% of vehicle license fees allocated by the State. In the first year, the amount of property taxes received corresponded to the amount of vehicle license fees that would have been received. However, the additional property taxes are no longer tied to vehicle license fee receipts; they are now part of the ongoing property tax base, subject to changes in

assessed values. Overall, this was a favorable change as property tax revenues are much more stable than vehicle license fees, and for the last several years, growth in property tax revenues has well exceeded the growth in vehicle license fee revenues.

Unfortunately, the strong growth in real estate values has worsened the availability 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 continues to affect 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 several years, this will become an even greater dilemma in the near term. In recognition of this, the City has established programs to train and prepare employees to move into leadership positions in coming years. These programs include coaching, internships, interdepartmental teams, talent exchange, and the City Leadership Academy. The City Leadership Academy, an intensive two year training program for potential future City leaders, will be started early next fiscal year with 25 participants.

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 been working to pass a ballot measure that would extend the county-wide ½ cent transportation sales tax imposed by Measure D. Measure D was approved by voters in 1989 and is due to sunset in 2009. The funds will continue funding that goes towards maintaining and improving streets in the County, as well as provide funding for potential solutions to traffic congestion such as light rail, improved intercity bus service, and a new lane on the 101 Freeway between the Santa Barbara and the Ventura County to the south. A measure on the November 2006 ballot to extend the tax and add an additional ¼ cent to the tax was defeated by County voters. Another ballot measure will appear on the November 2008 ballot.

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, 2007, the City's investments had an average maturity of approximately 1.63 years and a book yield of 4.9%. As interest rates changed, the market value of investments held was modified accordingly; 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 $1 billion 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 general and automobile 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 $30 million in excess of the City's self-insured retention and a $4 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, 2007, 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, 2006. This was the fourth

consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements

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

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department. 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, 2006

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

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2007

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

Irene Macias
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

Marcelo Lopez
Administrative Services Director

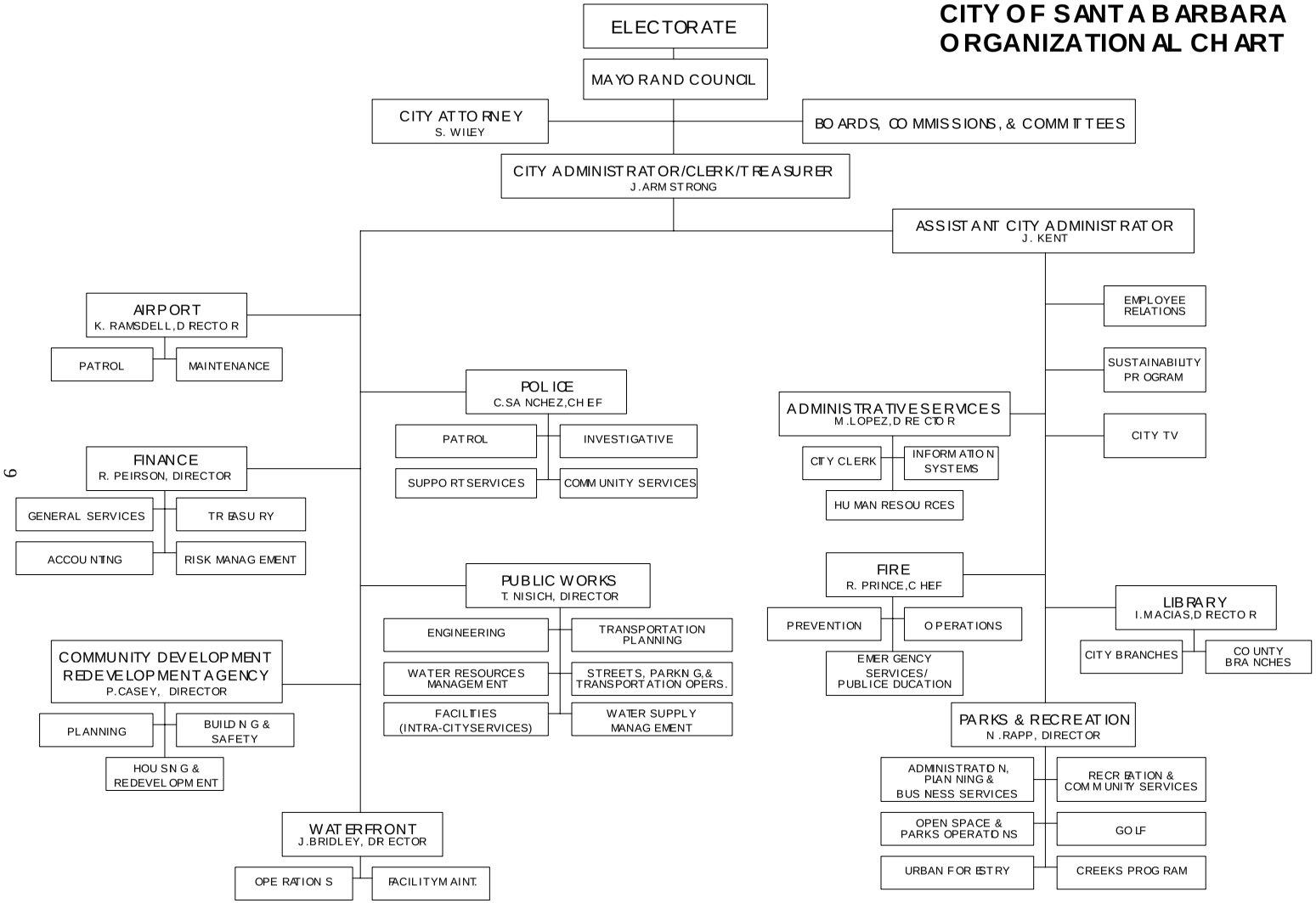
CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2007

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	7
Downtown Parking Committee	7
Franklin Center Advisory Committee	7
Living Wage Advisory Committee	7
Lower Westside Center Advisory Committee	7
Measure P 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 Board	1

CITY OF SANTA BARBARA ORGANIZATIONAL CHART



SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007 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.

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
November 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2007

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, 2007. 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 2007, net assets of the City totaled $779.2 million, an increase of approximately $38.1 million from the prior year. Of the total net assets, $120.5 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of $144.2 million, a decrease of $2 million from prior year.
- Approximately 16.7% 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, 2007, unreserved fund balance in the General Fund was $23 million, equating to approximately 23.6% 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 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 funds.

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 Governmental Accounting Standards Board Statement No. 34 (GASB 34). The City adopted the provisions of GASB 34 beginning in fiscal year ended June 30, 2002. 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, 2007, with comparative totals as of June 30, 2006.

Table 1
Statement of Net Assets
Governmental Activities
As of June 30, 2007 and 2006

	2007	2006
Assets:		
Current and other assets	$ 182,614,450	$ 182,305,393
Capital assets (net of depreciation)	349,725,255	341,246,291
Total Assets	532,339,705	523,551,684
Liabilities:		
Current and other liabilities	17,667,510	16,005,231
Long-term liabilities	87,381,098	93,998,219
Total Liabilities	105,048,608	110,003,450
Net Assets:		
Invested in capital assets, net of related debt	305,449,066	301,826,749
Restricted	85,568,821	77,906,821
Unrestricted	36,273,210	33,814,664
Total Net Assets	$ 427,291,097	$ 413,548,234

As shown in Table 1, total assets of Governmental Activities were $532.3 million at June 30, 2007, including $349.7 million in capital assets (net of depreciation). Of the total $182.6 million in current assets, $117.6 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, 2007 include tax allocation bonds issued by the City's Redevelopment Agency, certificates of participation issued by the City, and estimated self-insurance claims payable (see the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). Long-term liabilities decreased by $6.6 million this year. This includes a decrease of $763,000 in claims payable and a reduction of $5.6 million due to scheduled principal payments made on outstanding debt during the year.

Net assets totaling $427.3 million include $85.6 million subject to external restrictions. Net assets also include $34 million in unrestricted net assets that are available for discretionary spending, although a portion is designated for emergencies and economic uncertainties pursuant to reserve policies 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 governmental activities of the

City are better off at June 30, 2007, than they were at June 30, 2006. For the fiscal year ended June 30, 2007, total net assets increased by approximately $13.7 million.

Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2007, with comparative totals for the fiscal year ended June 30, 2006.

Table 2
STATEMENT OF ACTIVITIES
Governmental Activities
Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
REVENUES:		
Program Revenues:		
Charges for Service	$ 43,924,992	$ 43,245,872
Operating Grants and Contributions	15,979,223	12,446,731
Capital Grants and Contributions	4,178,108	2,313,000
General Revenues:		
Taxes	89,199,765	83,760,741
Franchise fees	3,582,547	3,260,062
Motor Vehicle License Fees	853,447	658,911
Investment Income	4,761,981	3,955,387
Other Revenue	3,111,512	4,383,511
TOTAL REVENUES	165,591,575	154,024,215
EXPENSES:		
Program Expenses:		
Administration	12,323,272	11,385,345
Public Safety	51,162,751	48,836,119
Public Works	45,281,613	39,887,069
Community Services	22,023,519	20,958,542
Community Development	17,934,580	20,804,068
Interest expense	3,809,541	4,068,458
TOTAL EXPENSES	152,535,276	145,939,601
Increase in Net Assets Before Transfers	13,056,299	8,084,614
Transfers in	686,564	12,453
Increase in Net Assets	13,742,863	8,097,067
Net Assets, July 1	413,548,234	405,451,167
Net Assets, June 30	$ 427,291,097	$ 413,548,234

Revenues of Governmental Activities totaled $165.6 million for the fiscal year ended June 30, 2007. Of this total, $89.2 million (53.9%) 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 $43.9 million (26.5%) 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.

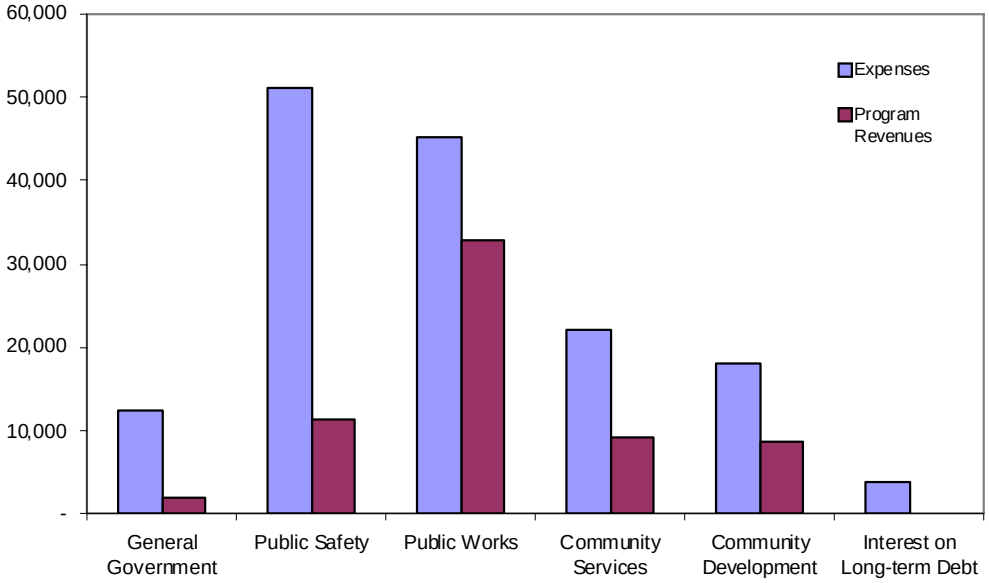
Total revenues increased by approximately $11.6 million (7.5%) from the prior year, from $154 million to $165.6 million. As discussed in more detail in connection with the analysis of the General Fund later in this report, tax revenues realized the largest growth of all revenues from the prior year.

Expenses for the year totaled approximately $152.5 million. The largest component of total expenses was for public safety (fire and police), representing $51.2 million (33.5%) of the total. Community Services expenses,

which include parks, recreation, and library services, totaled $22 million, and Public Works expenses totaled $45.3 million. Depreciation contributed approximately $3.6 million to total Public Works expenses.

Overall expenses increased by approximately $6.6 million from the prior year. Approximately $4.6 million of the increase was attributable to increased salary & benefit costs. The remainder is primarily due to increased capital expenditures on the City's streets and roads. Under the Modified Approach (see page 83 of this report) used by the City for streets and road construction, maintenance and repairs, these expenses are not capitalized but shown as expenses on the Statement of Activities.

Expenses and Program Revenues - Governmental Activities
(in thousands)



Business-Type Activities

Statement of Net Assets

Table 3 below summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2007, with comparative totals as of June 30, 2006.

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 $467.2 million in total assets at June 30, 2007, approximately $351 million (75.1%) relate to capital assets. The increase of $25.5 million is a result of capital 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 Sheffield Reservoir Project, renovations to the wastewater treatment & collection system, on-going water main replacements, and airport & runway improvements.

In total, net assets of the business-type activities increased by $24.4 million for the year ended June 30, 2007. 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 $6.1 million during this fiscal year. While the unrestricted net asset change varies between funds, the increase is primarily due to activities in the Water, Wastewater, and Downtown Parking Funds. Unrestricted net assets in the Water and Downtown Parking Funds increased $4.3 million and $980,000 respectively, while the Wastewater Fund decreased $1.2 million.

Table 3
Statement of Net Assets
Business-Type Activities
As of June 30, 2007 and 2006

	2007	2006
Assets:		
Current and other assets	$ 116,199,476	$ 114,436,537
Capital assets (net of depreciation)	350,955,167	325,467,493
Total Assets	467,154,643	439,904,030
Liabilities:		
Current and other liabilities	19,578,877	17,719,057
Long-term liabilities	95,663,108	94,675,969
Total Liabilities	115,241,985	112,395,026
Net Assets:		
Invested in capital assets, net of related debt	263,021,465	245,094,946
Restricted for debt service	4,649,503	4,265,973
Unrestricted	84,241,690	78,148,085
Total net Assets	$ 351,912,658	$ 327,509,004

Statement of Activities

Table 4 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2007 and June 30, 2006.

Table 4
STATEMENT OF ACTIVITIES
Business-Type Activities
Fiscal Years Ended June 30, 2007 and 2006

REVENUES:	**2007**	**2006**
Program Revenues:		
Charges for Service	$ 77,613,743	$ 71,616,012
Operating Grants and Contributions	114,973	57,167
Capital Grants and Contributions	17,154,977	12,382,745
General Revenues:		
Investment Income	4,687,029	2,836,817
TOTAL REVENUES	99,570,722	86,892,741
EXPENSES:		
Business Activities:		
Water	27,310,533	25,937,430
Wastewater	13,252,490	12,618,010
Airport	14,862,294	13,498,679
Waterfront	11,004,206	10,778,044
Other Non-Major Funds	8,050,981	7,763,490
TOTAL EXPENSES	74,480,504	70,595,653
Change in Net Assets Before Transfers	25,090,218	16,297,088
Transfers	(686,564)	(12,453)
Change in Net Assets	24,403,654	16,284,635
Net Assets, July 1	327,509,004	311,224,369
Net Assets, June 30	$ 351,912,658	$ 327,509,004

Total revenues for the fiscal year ended June 30, 2007 were $99.6 million, an increase of $12.7 million (14.6%) from the prior year. Charges for services, the largest source of revenue, increased $6 million (8.4%) while revenues from capital grants and contributions increased $4.8 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 $6 million from prior year results from a combination of fee or rate increases and increased activity throughout the various funds. For example, the Water and the Wastewater Funds raised their rates in fiscal year 2007 by 3.5% and 4%, respectively. The rate increase, combined with higher usage due to extremely dry weather throughout the year, generated additional revenues of $2.8 million and $585,000, respectively in these two funds. Downtown Parking Fund raised parking rates midway through fiscal year 2006. With the new rates in effect for the entire year, the Fund generated an additional $725,000 in revenues during this fiscal year. The Airport Fund negotiated new agreements with the rental car companies this year. The new agreements contributed significantly to the $441,000 increase in revenues this fiscal year.

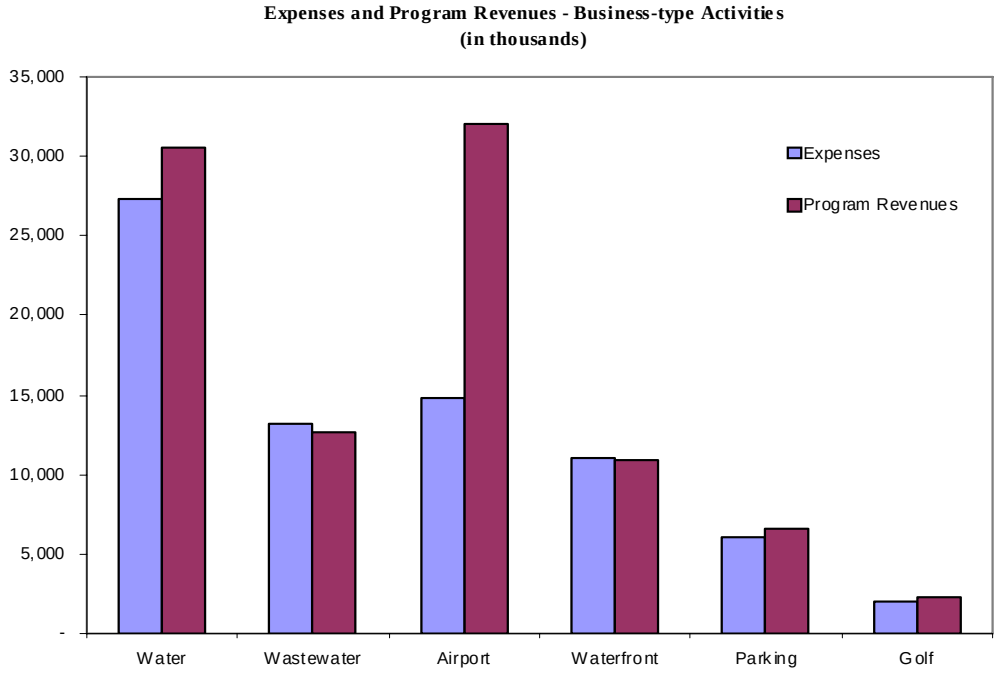
Capital grant revenue includes $17.2 million from the Federal Aviation Administration for several large capital projects at the airport, including the terminal expansion, runway relocation and improvements, and airport safety projects.

Investment income showed a $1.9 million increase from the prior year; however, $941,000 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 a decrease of $259,000 in fiscal year 2006 to an increase of $682,000 this year. The actual increase in investment earnings of approximately $900,000 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 City's average yield on investments rose from 3.8% at June 30, 2006 to 4.9% at June 30, 2007. As noted in the previous paragraph, investment earnings were increased $682,000 to reflect the increase in fair market value of the City's proprietary funds' portfolio at June 30, 2007, pursuant to GASB 31. This increase in market value represents only a "paper" gain, 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, 2007 totaled $74.5 million, a $3.9 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 $1 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 $2.5 million increase in depreciation expense, with a significant portion of that resulting from infrastructure assets and several large capital projects.

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 basis of accounting. As of June 30, 2007, governmental fund assets totaled $166.9 million. Of this total, $63.8 million consisted of cash and investments, and $34.7 million consisted of cash and investments held with fiscal agents (bond trustees). An additional $52.7 million represents outstanding loans receivable, of which the vast majority relates to the City's home

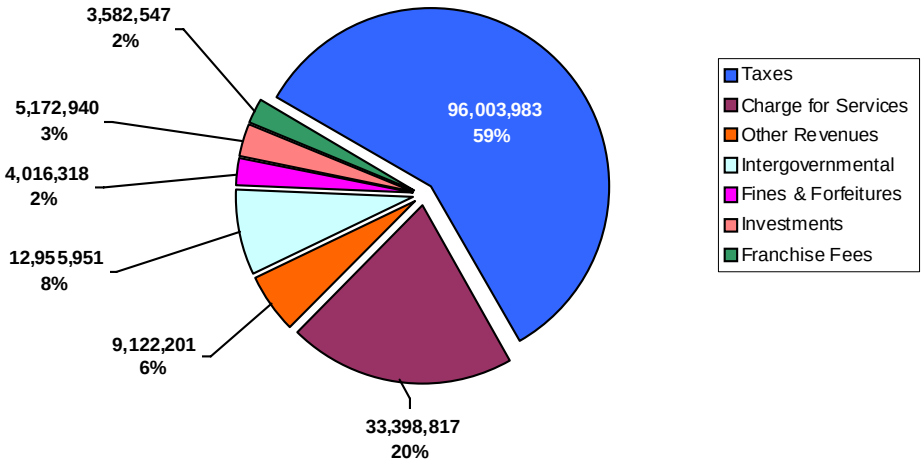
rehabilitation loan program funded from the Community Development Block Grant program and the Redevelopment Agency's Housing Program.

Fund balance (assets minus liabilities) of governmental funds totaled $144.2 million at June 30, 2007. Of this total, $120.1 million was reserved and $23 million was designated. The *reserved* portion of total fund balance includes $33.4 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 housing and other redevelopment projects in the downtown area. Reserved fund balance also includes $37.4 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 several years reserves were used to balance the budget in the General Fund and, accordingly, reserves fell below the policy amount. This use of reserves was due to an economic downturn between 2001 and 2004. A multi-year plan has been implemented to restore policy reserves to their proper levels over the next few years.

Results of Operations

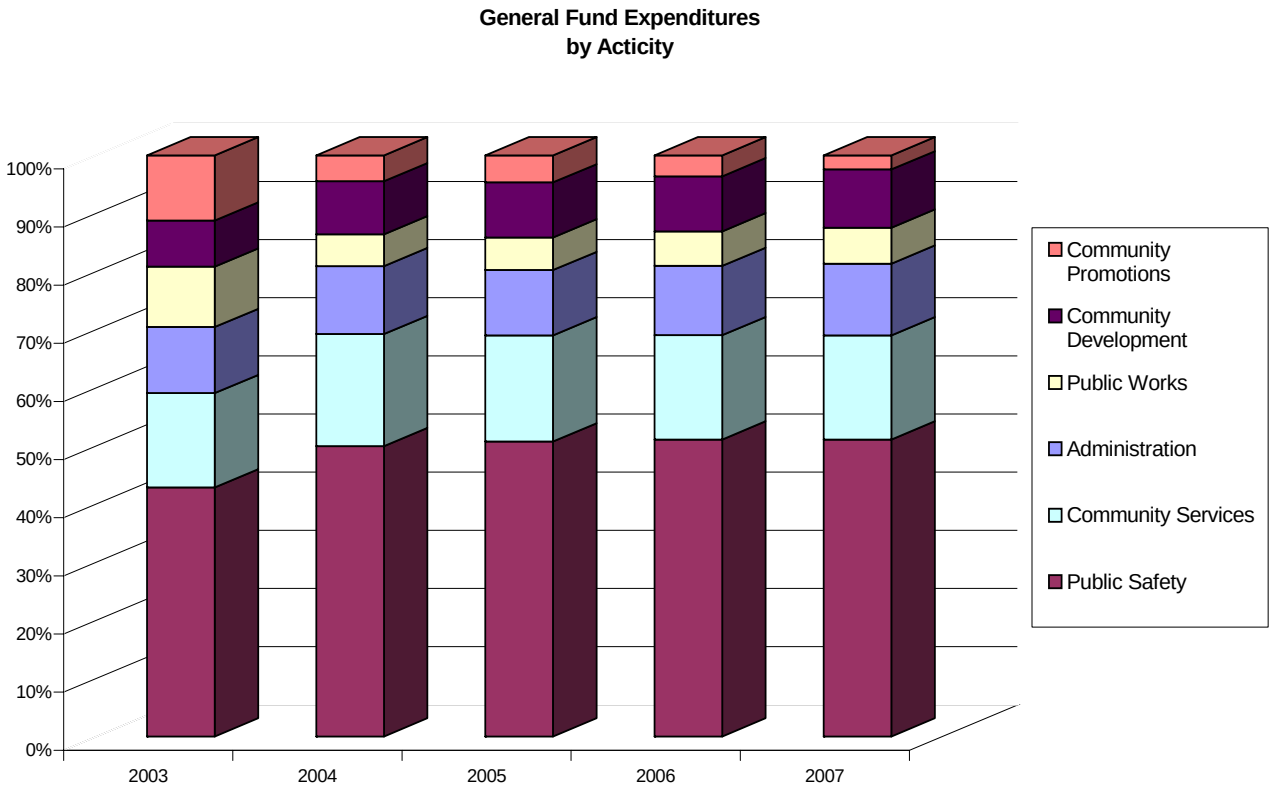
Revenues of the governmental funds totaled $164.3 million for the fiscal year ended June 30, 2007. As shown in the chart below, the largest component of total revenue was Taxes at $96 million, making up 59% of total revenue in the governmental funds. This is consistent with the nature and purpose of 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

Governmental Funds Revenues



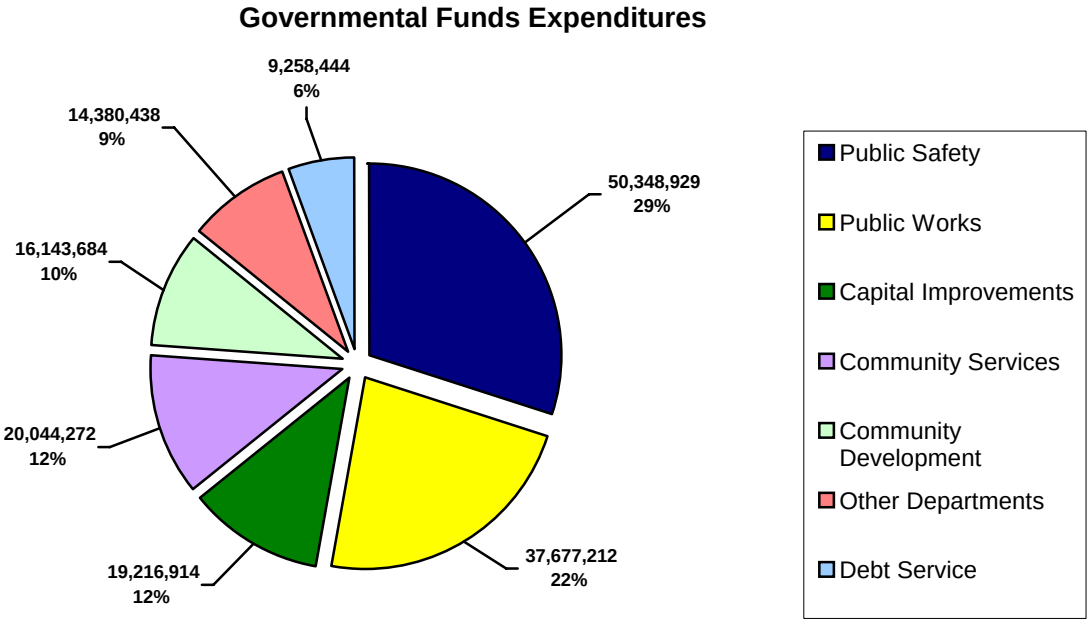
nature and purpose of redevelopment agencies in that improvements to "blighted" areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties after the improvements are made.

The adopted General Fund budget called for $99.9 million of expenditures, including transfers. Budget amendments totaling $6.7 million increased the amended budget to $106.6 million. The budget amendments are comprised of two components: (1) Appropriations tied to outstanding encumbrances of $2.2 million were carried



forward from fiscal year 2006; (2) Amendments totaling $4.6 million approved by City Council during the year. The amendments include an $898,000 transfer that was required to close out the 1995 FEMA Storm Fund.

Total governmental expenditures were $167.1 million for the fiscal year. 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 51% of total General Fund revenues. A total of $20 million was expended for Community Services, which includes library, parks, and recreation; $37.7 million was spent on



Public Works, which includes $14.2 million in payments to the waste haulers and over $7 million towards the City's streets maintenance and capital programs; and $12.2 million was spent on other capital improvements.

In total, governmental funds ended the year with a net decrease in fund balance of $2.0 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 decrease in fund balance was primarily attributable to $10.3 million capital expenditures and $5.2 million in debt service expenditures in the Redevelopment Agency Capital Projects Fund. The General Fund's final amended budget included the planned use of reserves totaling over $5.9 million but the fund only used $1.6 million in reserves due to better-than-expected expenditure results. The RDA general & housing funds ended the year with a $6.7 million increase in fund balance while the RDA capital projects funds showed a $10 million decrease in fund balance primarily due to capital projects and grants made throughout the year. These projects include, but are not limited to, the Granada Theater, sidewalk improvements, street improvements and public restrooms.

Proprietary Funds

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

Analysis of Year-End Balances

Assets of the proprietary funds totaled $464.5 million as of June 30, 2007. Of this total, $351 million (75.6%) 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 19.3% of total assets. As of June 30, 2007, total cash and investments (including cash and investments with fiscal agents) of proprietary funds totaled $89.8 million, which is a $4.1million decrease from the prior year balance of $93.9 million. Cash increased by $3.6 million in the Water Fund and decreased $7.7 million in the Wastewater Fund, accounting for most of the change in total cash of the proprietary funds.

The $3.6 million increase in the Water Fund cash is the net result of a $9.6 million increase in cash from operations, less $7 million used for capital expenditures and debt service. Extreme drought conditions resulted in higher water usage and revenues in excess of budget. The capital expenditures were primarily due to renovations to the Sheffield Reservoir this year.

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 $7.7 million as a result of approximately $11.6 million spent on capital projects and debt service during the year and an increase of $2.9 million cash from the fund's operations.

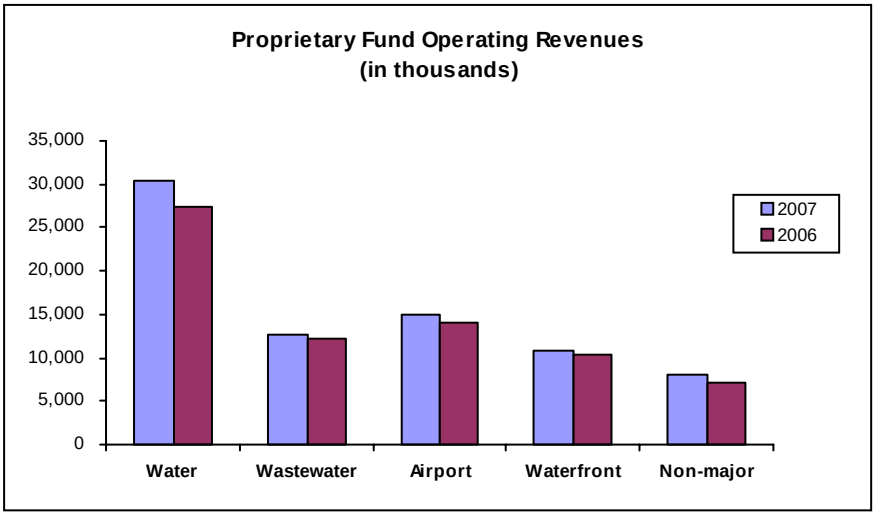
Airport operating activities generated a $6.5 million increase in cash, due in large part to strong passenger counts and favorable lease agreements with the rental car companies. Capital expenditures, net of grants and debt proceeds, consumed $8.3 million. Investment earnings increased Airport cash an additional $1.1 million for a net decrease of $814,000 in cash this fiscal year

Net assets of proprietary funds totaled $346.1 million as of June 30, 2007, an increase of $22.8 million from the prior year. Net assets include amounts invested in capital assets net of net of related debt, restricted for debt service, and unrestricted amounts. As of June 30, 2007, the portion of net assets invested in capital assets (net of related debt) was $263 million. The increase from prior year is from capital expenditures in fiscal year 2007, 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 increased $384,000 from $4.3 million to $4.6 million. The unrestricted portion of net assets increased $4.5 million from approximately $73.9 million to $78.4 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 2007 operating revenues of the proprietary funds were approximately $76.7 million, an increase of approximately $6 million (8.5%) from the prior year. Operating revenues increased in all funds, with the largest dollar increase of $3.1 million (11.2%) occurring in the Water Fund. Wastewater Fund and Airport Fund revenues increased $463,000 (3.8%) and $922,000 (6.6%), respectively. Effective on July 1, 2006, water service rates were increased by 3.5% and wastewater charges were increased by 4%. The actual increase in revenue in the Water and Wastewater Funds 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. This fiscal year was the driest in over 100 years which resulted in higher than anticipated water usage and revenues. Since water usage impacts wastewater revenues, this extra water usage also resulted in increased wastewater revenues. Airport passenger counts did not show the larges increases of the past few years but still remained strong. The largest reason for the variance in Airport Fund operating revenues was related to favorable new agreements that were negotiated with the rental car companies that operate at the airport. The increase in the non-major funds was attributable to the Downtown Parking Fund. The increase in Downtown Parking Fund revenue is primarily due to a rate increase that was implemented in the middle of last fiscal year. With twelve months at the new parking rates, revenues outpaced those of the prior year which only included six months of the higher rates.



Operating expenses of proprietary funds totaled approximately $72.3 million in fiscal year 2007, a $3.9 million increase from the prior year. Depreciation accounted for $2.5 million of the increase while salary and benefit costs accounted for another $1 million of the change.

Water and Airport Fund expenses each increased by $1.4 million this year. Approximately $1 million of the expense increase in the Water Fund, and the entire $1.4 million increase in the Airport Fund is attributable to increased depreciation. The increased depreciation is the result of several large capital projects that have been completed recently and are now being depreciated. Salary and benefit increases accounted for most of the remaining expense increase in the Water Fund. Wastewater Fund expenses increased $684,000 from the prior year. Salary and benefit expenses increased $383,000 and depreciation increased $192,000. The rest of the increase was spread throughout various other accounts. Waterfront Fund expenses increased slightly with a $206,000 increase in salary & benefits expense that was mostly offset by decreases in other expenses.

Non-operating revenues and expenses, which include downtown merchants' parking assessments, investment income, grants/contributions, interest expense, and other miscellaneous revenues, increased $6.6 million from

the prior year. Airport grant revenues from the FAA increased $4.8 million due to the large projects that are in various stages at the Airport. Additionally, investment revenue increased approximately $1.8 million due to increased investment yields and an increase in the investment portfolio's current market value.

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 $99.9 million including $2 million in transfers to other funds. Budgeted revenues were $99.4 million, thus yielding a $497,000 budgeted net use of reserves. The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2006, as well as Council-approved adjustments during the year, totaled $106.7 million. The amended revenue budget was $100.8 million, resulting in a $5.9 million budgeted net use of reserves. The actual use of reserves was only $1.6 million, resulting in a $4.3 million favorable budget variance.

This favorable result was attributable to a combination of variances in revenues and expenditures: For the first time ever, the City budget included a $2.25 million anticipated year-end variance. While no revenues were to be recognized for the anticipated year-end variance, the net positive year-end variances in expenditures and revenues were expected to equal or exceed this amount. In fact the combination of the positive revenue and expenditure variances exceeded the $2.25 budgeted year-end variance.

Excluding the budgeted year-end variance, revenues exceeded budget by $762,000. This positive variance is due to a $685,000 favorable variance in investment revenues, a $350,000 positive variance in intergovernmental revenues, and $314,000 favorable variance in tax revenues. As discussed in other areas of this document, investment revenues exceeded budget due to an increase in the portfolio's yield and the GASB 31 adjustment to reflect the increase in market value of the portfolio. Intergovernmental revenues exceeded budget due to reimbursements from the extraordinary mutual aid assistance provided by the Fire Department during the year. Sales tax revenues finished the year $664,000 below budget. This negative variance was offset by a $978,000 positive variance in other tax revenues, with property tax revenues exceeding budget by approximately $451,000 while utility user tax and transient occupancy tax revenues each finished the year more than $200,000 over budget. Fines & forfeitures and charges for services ended the year below budget by $386,000 and $349,000, respectively.

Table 6
SUMMARY OF EXPENDITURES
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

Department	Amended Budget	YTD Actual	Budget Variance $	Budget Variance %
Mayor & council	$ 807,049	$ 798,484	$ 8,565	1.1%
City attorney	2,137,697	2,005,388	132,309	6.2%
City administration	2,216,148	2,072,027	144,121	6.5%
Administrative services	2,241,051	1,896,343	344,708	15.4%
Finance	5,482,081	5,234,903	247,178	4.5%
Police	30,966,222	30,770,147	196,075	0.6%
Fire	19,295,376	19,005,934	289,442	1.5%
Public works	6,835,942	6,034,568	801,374	11.7%
Parks & recreation	14,390,354	13,236,257	1,154,097	8.0%
Library	4,566,743	4,220,491	346,252	7.6%
Community development	11,743,211	9,750,292	1,992,919	17.0%
General government	2,383,869	2,373,293	10,576	0.4%
Transfers	3,585,869	3,508,183	77,686	2.2%
Total	$ 106,651,612	$ 100,906,310	$ 5,745,302	5.4%

As shown in Table 6 above, General Fund expenditures for the year ended June 30, 2007, were $100.9 million, resulting in a $5.7 million (5.4%) favorable budget variance. All departments kept within their legal spending authority.

This positive variance is primarily due staff vacancies caused by turnover, retirements, and positions intentionally not filled. The savings in materials, supplies, and services is due to conservative budgeting. These expenditures are budgeted many months before the start of the fiscal year based on historical information and estimates of future operations. Due to actual needs and the timing of various projects, professional and non-professional services contracts were responsible for most of the $2 million variance in supplies and services. The savings in special projects is primarily due to a multi-year underground storage tank abatement project that will occur over several years.

In general, year-end expenditures fell below budget due to three key factors: 1) staff vacancies, 2) encumbrances, 3) special projects and capital expenditures. While virtually every General Fund department realized some savings in salaries and benefits, the largest salary & benefits savings were realized in the Parks & Recreation ($462,000), Community Development ($356,000), and Library ($353,000) departments. These three departments generated a combined $1.2 million of the total $1.6 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 $3.2 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 $499,000 in fiscal year 2007. Finally, equipment and other capital expenditures were $377,000 below 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 $700.7 million. Net capital assets (i.e. new additions less current year depreciation) in governmental funds increased $8.8 million and the increase in business-type funds was $25.5 million. The additions in the governmental funds were primarily due to various Redevelopment Agency projects as well as infrastructure improvements & replacements and other capital expenditures.

TABLE 7
SUMMARY OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
As of June 30, 2007

	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in Progress	$ 13,929,593	$ 48,856,424	$ 62,786,017
Land	48,228,969	19,201,133	67,430,102
Streets	160,101,179	-	160,101,179
Depreciating assets:			
Buildings	34,088,675	11,667,119	45,755,794
Building Improvements	3,961,197	5,477,269	9,438,466
Equipment	7,683,377	11,365,905	19,049,282
Improvements Other Than Buildings	17,892,563	154,084,815	171,977,378
Infrastructure	63,839,702	8,874,220	72,713,922
Underground Piping	-	91,428,282	91,428,282
TOTALS	$ 349,725,255	$ 350,955,167	$ 700,680,422

The $25.5 million net capital asset additions in the business-type funds are spread across all of the funds. Water Fund expenses for the Cater Water Treatment Plant Project and water main replacements were the primary reason for the $868,000 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 Wastewater Fund added $6.9 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 $9.7 million for various projects, including the terminal expansion, runway renovation and relocation, and security enhancements.

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 $172 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 $232.8 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 acquired or constructed after 1982. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

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, 2007, 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 $173.4 million in long-term debt outstanding at June 30, 2007, a net decrease of $4.6 million from the prior year.

TABLE 8
SUMMARY OF OUTSTANDING DEBT
Fiscal Year Ended June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Certificates of Participation	$ 3,069,000	$ 31,656,000	$ 34,725,000
Revenue Bonds	-	23,545,000	23,545,000
Tax Allocation Bonds	74,110,000	-	74,110,000
Loans	750,000	40,302,987	41,052,987
	$ 77,929,000	$ 95,503,987	$ 173,432,987

With respect to the Governmental Activities, the outstanding $3.1 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 3.1% of total General Fund revenues. The outstanding $74.1 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 the Granada Garage, senior affordable housing, and other redevelopment projects.

Of the outstanding $41.1 million in loans payable, $40.3 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 $4.9 million in 1994 Series A revenue bonds outstanding at June 30. The $18.7 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 $16.7 million and $13.4 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. After several years of uncertainty, the local economy seemed to normalize in fiscal years 2006 and 2007 and the City is still in a reasonably good financial position. However, the national and local economies showed signs of weakening in the last half of this fiscal year. The real estate market throughout the entire country has weakened significantly after several years of stellar growth. Tightening in the credit markets and rising interest rates have resulted in an increase in the number of mortgage defaults this year. Home sales have stagnated nationwide with the number of resales and new housing starts declining by the largest rate in more than a decade. The Federal Reserve responded by lowering the discount rate late in the year in an attempt to ease the tightening in the credit markets. The turmoil in the real estate and credit markets, the continuing military conflicts in the Middle East, and high energy costs have created significant concerns about the overall health of the national economy. The State of California has continued to rely on borrowing to balance its budget. State tax collections this year were approximately $2 billion below expectations and the recent passage of several bond measures will add even more pressure to the State's General Fund.

The City's fiscal year 2008 operating budget was balanced without the use of reserves and the City's multi-year forecast projects a balanced operating budget over the next four years. Current revenues are projected to be sufficient to fund the General Fund capital program in the next two years. With a balanced budget 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, the economy has been slowing and this will likely affect growth rates in sales tax and transient occupancy revenues. Sales tax revenues did not meet budget this year but the shortfall was made up by other tax revenues. Transient Occupancy tax revenues were strong but the growth rate declined in the second half of the year. Property tax revenues surpassed budget but the growth rate slowed significantly this year with supplemental assessment revenues decreasing significantly. Supplemental assessments occur when a property is reassessed upon change of ownership or when it undergoes significant improvements between levy dates.

Real estate prices in Santa Barbara County have continued to decline. 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, 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. The City has begun several of these programs in the last part of this year. One of the most heralded programs is the City's Leadership Academy which will help prepare the next generation of executive management over a two year program. The first Leadership Academy Class will commence in early fiscal year 2008.

Lastly, General Fund reserves are now 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 increasing surpluses each year 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. Despite reserve levels below policy, unreserved fund balance in the General Fund is approximately 24% of General Fund expenditures. We recently made it through one of the most challenging economic periods in recent memory while maintaining 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*.

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 82,961,198	$ 77,461,041	$ 160,422,239
Accounts receivable, net	8,559,561	4,617,634	13,177,195
Accrued interest receivable	1,926,158	-	1,926,158
Due from other agencies	1,341,593	5,233,746	6,575,339
Due from fiduciary funds	213,191	-	213,191
Internal balances	(2,684,596)	2,684,596	-
Inventory	732,743	-	732,743
Prepaid assets and deposits	239,030	4,099,400	4,338,430
Deferred charges	1,976,961	3,255,965	5,232,926
Loans receivable	52,662,603	6,544,834	59,207,437
Restricted assets:			
Cash and investments with fiscal agents	34,686,008	12,302,260	46,988,268
Capital assets not being depreciated:			
Construction in progress	13,929,593	48,856,424	62,786,017
Land	48,228,969	19,201,133	67,430,102
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	34,088,675	11,667,119	45,755,794
Building improvements	3,961,197	5,477,269	9,438,466
Equipment	7,683,377	11,365,905	19,049,282
Infrastructure	63,839,702	8,874,220	72,713,922
Other improvements and drainage systems	17,892,563	154,084,815	171,977,378
Underground piping	-	91,428,282	91,428,282
Total capital assets	349,725,255	350,955,167	700,680,422
Total assets	532,339,705	467,154,643	999,494,348
LIABILITIES			
Current liabilities:			
Accounts payable	3,799,701	7,700,998	11,500,699
Accrued interest payable	1,109,466	640,759	1,750,225
Salaries and benefits payable	4,887,620	1,004,936	5,892,556
Deposits	1,199,513	1,620,175	2,819,688
Unearned revenue	1,097,372	732,152	1,829,524
Deferred revenue	-	6,544,835	6,544,835
Compensated absences payable	5,056,954	1,201,519	6,258,473
Total current liabilities	17,150,626	19,445,374	36,596,000
Noncurrent liabilities:			
Due within one year	7,846,161	4,208,275	12,054,436
Due in more than one year	78,730,525	91,295,712	170,026,237
Long-term portion compensated absences	561,884	133,502	695,386
Unamortized debt premium	804,412	159,122	963,534
Total noncurrent liabilities	87,942,982	95,796,611	183,739,593
Total liabilities	105,093,608	115,241,985	220,335,593
NET ASSETS			
Invested in capital assets, net of related debt	305,449,066	263,026,362	568,475,428
Restricted for capital projects	17,983,317	7,652,757	25,636,074
Restricted for specific projects and programs	65,802,307	-	65,802,307
Restricted for debt service	1,783,197	4,649,503	6,432,700
Unrestricted	36,228,210	76,584,036	112,812,246
Total net assets	427,246,097	351,912,658	779,158,755
Total liabilities and net assets	$ 532,339,705	$ 467,154,643	$ 999,494,348

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2007

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:							
Current:							
Administration	$ 12,328,958	$ 1,981,951	$ -	$ -	$ (10,347,007)	$ -	$ (10,347,007)
Public safety	51,186,323	9,194,924	2,007,874	101,554	(39,881,971)	-	(39,881,971)
Public works	45,284,471	22,254,389	6,546,320	4,076,554	(12,407,208)	-	(12,407,208)
Community services	22,031,786	4,945,344	4,212,512	-	(12,873,930)	-	(12,873,930)
Community development	17,939,197	5,548,384	3,212,517	-	(9,178,296)	-	(9,178,296)
Interest on long term debt	3,809,541	-	-	-	(3,809,541)	-	(3,809,541)
Total governmental activities	152,580,276	43,924,992	15,979,223	4,178,108	(88,497,953)	-	(88,497,953)
Business activities:							
Water	27,310,533	30,477,254	54,588	-	-	3,221,309	3,221,309
Wastewater	13,252,490	12,558,768	27,233	-	-	(666,489)	(666,489)
Airport	14,862,294	14,860,788	-	17,154,977	-	17,153,471	17,153,471
Waterfront	11,004,206	10,893,969	33,152	-	-	(77,085)	(77,085)
Parking	6,018,111	6,592,335	-	-	-	574,224	574,224
Golf course	2,032,870	2,230,629	-	-	-	197,759	197,759
Total business-type activities	74,480,504	77,613,743	114,973	17,154,977	-	20,403,189	20,403,189
Total	$ 227,060,780	$ 121,538,735	$ 16,094,196	$ 21,333,085	(88,497,953)	20,403,189	(68,094,764)
General revenues:							
Taxes:							
Property					37,871,381	-	37,871,381
Sales & use					19,926,855	-	19,926,855
Transient occupancy					15,408,869	-	15,408,869
Utility users					13,132,880	-	13,132,880
Business license					2,214,235	-	2,214,235
Real property transfer					645,545	-	645,545
Franchise fees					3,582,547	-	3,582,547
Unrestricted motor vehicle license-in-lieu					853,447	-	853,447
Investment income					4,761,981	4,687,029	9,449,010
Other revenue					3,111,512	-	3,111,512
Transfers					686,564	(686,564)	-
Total general revenues and transfers					102,195,816	4,000,465	106,196,281
Change in net assets					13,697,863	24,403,654	38,101,517
Net assets, beginning of fiscal year					413,548,234	327,509,004	741,057,238
Net assets, end of fiscal year					$ 427,246,097	$ 351,912,658	$ 779,158,755

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	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	$ 19,951,032	$ 14,905,814	$ 2,077,140	$ 5,058,016	$ 21,856,156	$ 63,848,158
Cash and investments with fiscal agents	-	541,049	-	32,885,033	1,259,926	34,686,008
Accounts receivable	6,377,991	-	885,196	-	1,162,004	8,425,191
Accrued interest receivable	1,719,356	206,802	-	-	-	1,926,158
Loans receivable	3,210,752	37,424,524	-	535,791	11,491,536	52,662,603
Due from fiduciary funds	213,191	-	-	-	-	213,191
Due from other agencies	-	-	-	-	1,341,593	1,341,593
Interfund receivable	437,162	-	-	-	-	437,162
Advances to other funds	3,124,765	-	-	-	-	3,124,765
Prepaid assets and deposits	239,030	-	-	-	-	239,030
Total assets	$ 35,273,279	$ 53,078,189	$ 2,962,336	$ 38,478,840	$ 37,111,215	$ 166,903,859
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 776,103	$ 192,972	$ 9,152	$ 860,426	$ 1,758,782	$ 3,597,435
Salaries and benefits payable	4,376,034	-	21,849	-	252,461	4,650,344
Interest payable	-	175,370	-	-	31,133	206,503
Interfund payables	-	-	-	-	437,162	437,162
Deposits	815,931	168,108	-	-	215,474	1,199,513
Unearned revenue	1,097,372	-	-	-	-	1,097,372
Deferred revenue	-	-	-	-	11,489,190	11,489,190
Total liabilities	7,065,440	536,450	31,001	860,426	14,184,202	22,677,519
Fund balances:						
Reserved	5,175,231	52,541,739	2,931,335	37,618,414	21,581,085	119,847,804
Unreserved:						
Designated	23,032,608	-	-	-	-	23,032,608
Undesignated, reported in:						
Special revenue funds	-	-	-	-	1,345,928	1,345,928
Total fund balances	28,207,839	52,541,739	2,931,335	37,618,414	22,927,013	144,226,340
Total liabilities and fund balances	$ 35,273,279	$ 53,078,189	$ 2,962,336	$ 38,478,840	$ 37,111,215	$ 166,903,859

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, 2007

Total Governmental fund balances (page 32)		$ 144,226,340
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. (Note 5)		344,609,087
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		1,172,549
Governmental long-term debt is not due and payable in the current period and, therefore, are not reported in the funds. (Note 7)		(77,929,000)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds. (Note 1Q)		(5,342,049)
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.		(902,963)
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. (See Statement of Net Assets Proprietary Funds, p. 37)		
Internal Service Funds fund balance	$ 15,646,904	
Less business-type portion	(5,809,361)	9,837,543
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. (Note 3)		11,489,190
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		85,400
Net assets of governmental activities (page 30)		$ 427,246,097

See accompanying notes to thebasic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2007

	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	$ 63,518,427	$ 16,830,763	$ -	$ -	$ 15,654,793	$ 96,003,983
Franchise fees	2,812,296	-	408,437	-	361,814	3,582,547
Intergovernmental	2,455,426	-	24,289	-	10,476,236	12,955,951
Fines and forfeitures	2,424,628	-	-	-	1,591,690	4,016,318
Use of money and property	2,255,017	1,367,962	-	928,562	621,399	5,172,940
Charges for services	17,650,947	-	15,391,957	-	355,913	33,398,817
Program income	-	-	-	-	512,483	512,483
Other revenues	7,375,043	5,169	206,942	20,900	1,001,664	8,609,718
Total revenues	98,491,784	18,203,894	16,031,625	949,462	30,575,992	164,252,757
Expenditures:						
Current:						
Mayor and council	798,484	-	-	-	-	798,484
City attorney	2,005,388	-	-	-	-	2,005,388
City administration	2,072,027	-	-	-	-	2,072,027
Administrative services	1,896,343	-	-	-	-	1,896,343
Finance	5,234,903	-	-	-	-	5,234,903
Public safety	49,776,081	-	-	-	572,849	50,348,930
Public works	6,034,568	-	15,944,888	-	15,697,756	37,677,212
Community services	17,456,748	-	-	-	2,587,524	20,044,272
Community development	9,750,292	3,235,803	-	-	3,157,587	16,143,682
Community promotions	2,373,293	-	-	-	-	2,373,293
Capital improvements	-	-	-	10,321,125	8,895,789	19,216,914
Debt service:						
Principal	-	430,000	-	2,205,000	2,936,100	5,571,100
Interest	-	243,140	-	2,955,084	489,120	3,687,344
Total expenditures	97,398,127	3,908,943	15,944,888	15,481,209	34,336,725	167,069,892
Excess (deficiency) of revenues over (under) expenditures	1,093,657	14,294,951	86,737	(14,531,747)	(3,760,733)	(2,817,135)
Other financing sources (uses):						
Transfers in	807,529	2,000,000	-	7,528,503	8,866,370	19,202,402
Transfers out	(3,508,183)	(9,548,173)	(87,448)	(3,022,800)	(2,201,286)	(18,367,890)
Total other financing sources (uses)	(2,700,654)	(7,548,173)	(87,448)	4,505,703	6,665,084	834,512
Net change in fund balances	(1,606,997)	6,746,778	(711)	(10,026,044)	2,904,352	(1,982,622)
Fund balances, beginning of fiscal year	29,814,836	45,794,961	2,932,046	47,644,458	20,022,661	146,208,962
Fund balances, end of fiscal year	$ 28,207,839	$ 52,541,739	$ 2,931,335	$ 37,618,414	$ 22,927,013	$ 144,226,340

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
Fiscal Year Ended June 30, 2007

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)		$ (1,982,622)
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	$ 14,207,748	
Less current year depreciation	(5,446,426)	8,761,322
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		5,571,100
Loans made and repayments received are expenditures or revenues in the governmental funds, but the repayments reduce, and new loans increase, loans receivable in the Statement of net Assets.		1,340,229
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		(181,522)
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		59,325
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. (See Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds p. 38)		
Change in net assets - Internal service funds	2,648,570	
Less: amount related to enterprise funds	(1,554,762)	1,093,808
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.		(580,545)
Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(283,968)
Adjusted change in net assets of governmental activities (page 31)		$ 13,697,863

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Water	Wastewater	Airport
Assets			
Current assets:			
Cash and investments	$ 28,951,098	$ 10,754,180	$ 20,071,307
Accounts receivable, net	3,433,073	1,154,062	-
Due from other agencies	-	-	5,233,746
Inventory	-	-	-
Prepaid assets	4,099,400	-	-
Total current assets	36,483,571	11,908,242	25,305,053
Non-current assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,891,029	9,016,881	-
Unamortized bond issuance costs, net	327,531	413,577	-
Deferred charge-loss on defeasance, net	989,640	-	-
Loans receivable	6,544,834	-	-
Total other assets	9,753,034	9,430,458	-
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	2,432,486
Improvements other than building	122,225,347	29,252,798	81,670,661
Equipment	7,727,520	9,375,660	4,411,853
Underground piping	100,221,009	72,699,240	-
Other Infrastructure	-	-	14,885,287
Construction in progress	4,286,684	17,230,984	25,736,926
Less: accumulated depreciation	(103,057,967)	(65,891,506)	(43,366,652)
Total capital assets, net	141,190,484	80,583,047	97,045,104
Total non-current assets	150,943,518	90,013,505	97,045,104
Total assets	187,427,089	101,921,747	122,350,157
Liabilities			
Current liabilities:			
Accounts payable	1,221,496	1,045,135	4,965,726
Accrued interest payable	300,550	132,000	-
Salaries and benefits payable	248,517	178,125	177,391
Deposits	134,345	-	948,226
Unearned revenue	-	-	544,350
Deferred revenue	6,544,835	-	-
Compensated absences payable	418,695	238,490	245,960
Current portion claims payable	-	-	-
Current portion long term debt	2,880,144	565,000	94,131
Total current liabilities	11,748,582	2,158,750	6,975,784
Non-current liabilities:			
Long-term debt, net of current portion	53,262,504	18,100,000	2,356,208
Unamortized bond premium	-	-	-
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	53,262,504	18,100,000	2,356,208
Total liabilities	65,011,086	20,258,750	9,331,992
Net Assets			
Invested in capital assets, net of related debt	85,050,346	69,484,733	94,594,765
Restricted for debt service	1,888,519	1,367,721	-
Unrestricted	35,477,138	10,810,543	18,423,400
Total net assets	$ 122,416,003	$ 81,662,997	$ 113,018,165
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
$ 9,269,248	$ 8,415,208	$ 77,461,041	$ 19,113,040
12,481	18,018	4,617,634	48,970
-	-	5,233,746	-
-	-	-	732,743
-	-	4,099,400	-
9,281,729	8,433,226	91,411,821	19,894,753
1,394,350	-	12,302,260	-
569,941	-	1,311,049	-
837,973	117,303	1,944,916	-
-	-	6,544,834	-
2,802,264	117,303	22,103,059	-
878,201	5,286,073	19,201,133	-
3,690,671	5,876,451	33,747,302	105,889
3,246,573	90,749	7,531,074	162,584
44,394,403	6,645,365	284,188,574	257,165
939,373	1,150,912	23,605,318	17,050,765
-	-	172,920,249	-
-	-	14,885,287	-
169,884	1,431,946	48,856,424	-
(34,147,025)	(7,517,044)	(253,980,194)	(12,460,235)
19,172,080	12,964,452	350,955,167	5,116,168
21,974,344	13,081,755	373,058,226	5,116,168
31,256,073	21,514,981	464,470,047	25,010,921
263,508	205,133	7,700,998	202,266
208,209	-	640,759	-
210,654	190,249	1,004,936	237,276
501,673	35,931	1,620,175	-
187,802	-	732,152	-
-	-	6,544,835	-
278,467	153,409	1,335,021	276,789
-	-	-	2,770,161
550,000	119,000	4,208,275	-
2,200,313	703,722	23,787,151	3,486,492
16,115,000	1,462,000	91,295,712	-
159,122	-	159,122	-
3,124,765	-	3,124,765	-
-	-	-	5,877,525
19,398,887	1,462,000	94,579,599	5,877,525
21,599,200	2,165,722	118,366,750	9,364,017
2,508,168	11,383,452	263,021,464	5,116,168
1,393,263	-	4,649,503	-
5,755,442	7,965,807	78,432,330	10,530,736
$ 9,656,873	$ 19,349,259	346,103,297	$ 15,646,904
		5,809,361	
		$ 351,912,658	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2007

	Water	Wastewater	Airport
Operating Revenues:			
Charges for sales and services			
Sales	$ 27,588,409	$ 12,009,978	$ -
Service charges	2,848,170	507,978	2,349,293
Leases and rents	-	-	12,179,541
Other revenues	40,675	40,812	331,954
Total operating revenues	30,477,254	12,558,768	14,860,788
Operating Expenses:			
Salaries, wages and benefits	6,014,411	4,460,644	4,344,843
Materials, supplies and services	14,102,844	4,838,933	7,118,943
Depreciation	5,781,839	3,377,502	3,713,748
Other expenses	52,928	20,978	11,584
Total operating expenses	25,952,022	12,698,057	15,189,118
Operating income (loss)	4,525,232	(139,289)	(328,330)
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	1,562,580	1,072,949	1,063,814
Interest expense	(1,916,922)	(805,183)	-
Grants and contributions	14,548	27,233	17,154,977
Other, net	40,040	(22,474)	-
Total non-operating revenues (expenses)	(299,754)	272,525	18,218,791
Income (loss) before transfers	4,225,478	133,236	17,890,461
Transfers in	-	-	-
Transfers out	(554,871)	(77,681)	(37,170)
Change in net assets	3,670,607	55,555	17,853,291
Net assets, beginning of year	118,745,396	81,607,442	95,164,874
Net assets, end of year	$ 122,416,003	$ 81,662,997	$ 113,018,165

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 the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
$ -	$ -	$ 39,598,387	$ -
6,692,625	7,641,169	20,039,235	18,102,710
4,041,525	299,945	16,521,011	-
159,819	17,414	590,674	384,817
10,893,969	7,958,528	76,749,307	18,487,527
4,986,697	4,397,431	24,204,026	6,090,947
3,539,552	3,145,542	32,745,814	9,380,232
1,744,424	604,505	15,222,018	1,138,490
-	-	85,490	-
10,270,673	8,147,478	72,257,348	16,609,669
623,296	(188,950)	4,491,959	1,877,858
-	864,436	864,436	-
584,065	403,621	4,687,029	772,622
(893,691)	(78,812)	(3,694,608)	-
33,152	-	17,229,910	-
(60,836)	-	(43,270)	(29,373)
(337,310)	1,189,245	19,043,497	743,249
285,986	1,000,295	23,535,456	2,621,107
-		-	143,157
-	(16,842)	(686,564)	(115,694)
285,986	983,453	22,848,892	2,648,570
9,370,887	18,365,806		12,998,334
$ 9,656,873	$ 19,349,259		$ 15,646,904
		1,554,762	
		$ 24,403,654	

CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2007

	Water	Wastewater	Airport
Cash flows from operating activities:			
Cash received from services	$ 30,134,329	$ 12,415,169	$ 2,338,267
Cash received from rents and leases	-	-	12,403,648
Cash payments for goods and services	(14,560,033)	(5,134,823)	(4,374,040)
Cash payments to employees for services	(5,958,662)	(4,386,882)	(4,287,766)
Cash received (returned) for deposits	6,739	-	78,760
Other operating receipts	40,675	40,812	331,954
Other operating disbursements	(52,928)	(20,978)	-
Net cash provided (used) by operating activities	9,610,120	2,913,298	6,490,823
Cash flows from noncapital financing activities:			
Transfers to other funds	(554,871)	(77,681)	(37,170)
Transfers from other funds	-	-	-
Cash received from taxes and assessments	-	-	-
Net cash provided (used) by non-capital financing activities	(554,871)	(77,681)	(37,170)
Cash flows from capital and related financing activities:			
Proceeds from capital debt	2,138,519	-	2,450,339
Proceeds from capital grants and contributions	54,588	27,233	12,657,787
Payments on long term debt	(2,329,924)	(526,201)	-
Acquisition of capital assets	(4,914,105)	(10,241,269)	(23,439,203)
Interest paid on debt	(1,930,987)	(830,657)	-
Net cash used for capital and related financing activities	(6,981,909)	(11,570,894)	(8,331,077)
Cash flows from investing activities:			
Cash received on investments	1,562,580	1,072,949	1,063,814
Net increase (decrease) in cash and cash equivalents	3,635,920	(7,662,328)	(813,610)
Cash and cash equivalents, beginning of fiscal year	27,206,207	27,433,389	20,884,917
Cash and cash equivalents, end of fiscal year	$ 30,842,127	$ 19,771,061	$ 20,071,307
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 4,525,232	$ (139,289)	$ (328,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,781,839	3,377,502	3,713,748
Changes in operating assets and liabilities:			

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
$ 6,699,387	$ 1,928,609	$ 53,515,761	$ 18,101,339
4,044,215	5,988,910	22,436,773	-
(3,503,146)	(3,420,340)	(30,992,382)	(10,530,036)
(4,924,720)	(4,371,445)	(23,929,475)	(6,051,294)
(5,784)	9,930	89,645	-
159,819	17,414	590,674	384,817
-	-	(73,906)	-
2,469,771	153,078	21,637,090	1,904,826
-	(16,842)	(686,564)	(115,694)
-	-	-	143,157
-	864,436	864,436	-
-	847,594	177,872	27,463
(10,752)	-	4,578,106	-
33,152	-	12,772,760	-
(557,956)	(113,900)	(3,527,981)	-
(1,802,508)	(381,021)	(40,778,106)	(885,506)
(898,912)	(68,149)	(3,728,705)	-
(3,236,976)	(563,070)	(30,683,926)	(885,506)
584,065	403,621	4,687,029	772,623
(183,140)	841,223	(4,181,935)	1,819,406
10,846,738	7,573,985	93,945,236	17,293,634
$ 10,663,598	$ 8,415,208	$ 89,763,301	$ 19,113,040
$ 623,296	$ (188,950)	$ 4,491,959	$ 1,877,858
1,744,424	604,505	15,222,018	1,138,490

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Current assets:			
Cash and investments	$ -	$ 2,376,345	$ 1,043,968
Accounts receivable, net	-	303	39,229
Loans receivable	-	-	2,024,152
Total current assets	-	2,376,648	3,107,349
Capital assets:			
Equipment	-	-	878,164
Less: accumulated depreciation	-	-	(848,164)
Capital assets, net	-	-	30,000
Other assets:			
Due from other agencies	-	-	-
Cash and investments with fiscal agents:			
Cash and cash equivalents	93,203	-	179,184
Other investments	515,987	-	-
Total other assets	609,190	-	179,184
Total assets	609,190	2,376,648	$ 3,316,533
Liabilities			
Current liabilities:			
Accounts payable	-	421	2,522
Accrued benefits payable	5,132	-	-
Due to General Fund	192,747	-	20,444
Total current liabilities	197,879	421	22,966
Noncurrent liabilities:			
Trust liabilities	-	-	346,899
Contributions	-	-	2,946,668
Total noncurrent liabilities	-	-	3,293,567
Total liabilities	197,879	421	$ 3,316,533
Net Assets			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	411,311	-	
Police	-	29,417	
Library	-	2,345,272	
Parks and recreation	-	1,538	
Total net assets	$ 411,311	$ 2,376,227	

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Current assets:			
Cash and investments	$ -	$ 2,376,345	$ 1,043,968
Accounts receivable, net	-	303	39,229
Loans receivable	-	-	2,024,152
Total current assets	-	2,376,648	3,107,349
Capital assets:			
Equipment	-	-	878,164
Less: accumulated depreciation	-	-	(848,164)
Capital assets, net	-	-	30,000
Other assets:			
Due from other agencies	-	-	-
Cash and investments with fiscal agents:			
Cash and cash equivalents	93,203	-	179,184
Other investments	515,987	-	-
Total other assets	609,190	-	179,184
Total assets	609,190	2,376,648	$ 3,316,533
Liabilities			
Current liabilities:			
Accounts payable	-	421	2,522
Accrued benefits payable	5,132	-	-
Due to General Fund	192,747	-	20,444
Total current liabilities	197,879	421	22,966
Noncurrent liabilities:			
Trust liabilities	-	-	346,899
Contributions	-	-	2,946,668
Total noncurrent liabilities	-	-	3,293,567
Total liabilities	197,879	421	$ 3,316,533
Net Assets			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	411,311	-	
Police	-	29,417	
Library	-	2,345,272	
Parks and recreation	-	1,538	
Total net assets	$ 411,311	$ 2,376,227	

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, 2007

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Private donations	$ -	$ 325,235
Investment earnings:		
Interest	13,161	109,538
Dividends	12,512	-
Net change in fair value of investments	57,353	-
Total investment earnings	83,026	109,538
Less investment expense	18,629	-
Net investment income	64,397	109,538
Total additions	64,397	434,773
Deductions		
Benefits	241,724	-
Community services	-	12,349
Transfers out	-	175,411
Total deductions	241,724	187,760
Net increase (decrease)	(177,327)	247,013
Net assets, beginning of fiscal year	588,638	2,129,214
Net assets, end of fiscal year	$ 411,311	$ 2,376,227

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, 2007.

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 completed capitalization of infrastructure assets pursuant to GASB 34 in the fiscal year ended June 30, 2006.

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 Miscellaneous Grants fund and the FEMA Reimbursement Storm special revenue fund. Annual budgets are also adopted for the enterprise and internal service funds. 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 February of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In April, the City Administrator presents a recommended budget to the City Council. From April through mid-June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee and City Council. The budget is adopted by June 30.

There were no violations of the budget in fiscal year 2007.

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, 2007, 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 in the table below, all of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2007, is current and expected to be paid within the next 12 months 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, 2007, was $5,618,838 and $1,335,021 for governmental and business-type activities, respectively.

	Beginning Balance July 1, 2006	Additions	Deductions	Ending Balance June 30, 2007	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Governmental funds	$ 4,765,618	$ 6,690,771	$ 6,114,340	$ 5,342,049	$ 4,807,844	$ 534,205
Internal service funds	262,348	351,036	336,595	276,789	249,110	27,679
Compensated Absences	$ 5,027,966	$ 7,041,807	$ 6,450,935	$ 5,618,838	$ 5,056,954	$ 561,884
Business-Type Activities:						
Compensated Absences	$ 1,187,327	$ 1,671,047	$ 1,523,353	$ 1,335,021	$ 1,201,519	$ 133,502

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.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$160,422,239
Cash and investments with fiscal agents	46,988,268
Fiduciary funds:	
Cash and investments	3,420,313
Cash and investments with fiscal agents	788,374
Total cash and investments	$211,619,194

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	$ 52,315
Demand deposit accounts with financial institutions	4,218,181
Investments	207,348,698
Total cash and investments	$211,619,194

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	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	3%
U.S. Government Money Market Funds	N/A	20%	10%
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, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days. 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	$ 4,939,930	1.4
Federal agency securities	105,894,324	2.0
Corporate medium term notes	16,751,450	2.4
Certificates of deposit	2,000,000	1.4
Local Agency Investment Fund (LAIF)	29,986,351	N/A
Held by bond trustee:		
Money market funds	9,751,594	N/A
Investment contracts	38,025,049	N/A
Total	$207,348,698	

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	$ 4,939,930	N/A	$ 4,939,930	$ -	$ -	$ -
Federal agency securities	105,894,324	N/A	-	105,894,324	-	-
Corporate med term notes	16,751,450	A	-	10,865,150	5,886,300	-
Certificates of Deposit	2,000,000	Collateralized	-	-	-	2,000,000
State investment pool (LAIF)	29,986,351	N/A	-	-	-	29,986,351

Held by bond trustee:						
Money market funds	9,751,594	A	-	9,751,594	-	-
Investment contracts	38,025,049	N/A	38,025,049	-	-	-
Total	$207,348,698		$42,964,979	$126,511,068	$5,886,300	$31,986,351

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	$16,853,620	8.1
Federal Farm Credit Bank	Federal agency securities	14,924,855	7.2
Federal Home Loan MTG Corp	Federal agency securities	13,771,950	6.6
Federal Home Loan Bank	Federal agency securities	60,343,899	29.1

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, 2007, $10,544,395 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

Investment in State Investment Pool

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

NOTE 3. DEFERRED AND UNEARNED REVENUE

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net assets as well as governmental and proprietary funds defer revenue recognition in

connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue. Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

At June 30, 2007 the various components of deferred and unearned revenue reported are as follows:

	Unearned	Deferred (Unavailable)	Total
Governmental funds:			
General Fund:			
Deferred business license tax	$ 1,097,372	$ -	$ 1,097,372
Nonmajor Governmental Funds:			
Advances on federal grants for low-income housing	-	11,489,190	11,489,190
Total governmental funds	$ 1,097,372	$ 11,489,190	$ 12,586,562
Business-type activities:			
Water fund:			
Advances to local water districts	$ -	6,544,835	$ 6,544,835
Airport fund:			
Prepaid lease revenue	544,350	-	544,350
Waterfront fund:			
Prepaid lease and slipholder revenue	187,802	-	187,802
Total business-type activities	$ 732,152	$ 6,544,835	$ 7,276,987

NOTE 4. SPECIAL ASSESSMENTS

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

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. At June 30, 2007, the amount of bonds outstanding was $225,000.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance July 1, 2006	Increases	Decreases	Ending Balance June 30, 2007	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:						
Non-Depreciating Capital Assets:						
Construction in progress	$ 6,765,029	$ 9,411,509	$ (2,246,945)	$ 13,929,593	$ -	$ 13,929,593
Land	48,228,969	-	-	48,228,969	-	48,228,969
Streets	159,614,855	486,324	-	160,101,179	-	160,101,179
Total Non-Depreciating Capital Assets	214,608,853	9,897,833	(2,246,945)	222,259,741	-	222,259,741
Depreciating Capital Assets:						
Buildings	45,325,655	-	-	45,325,655	105,889	45,431,544
Building improvements	4,794,765	1,525,964	-	6,320,729	162,584	6,483,313
Improvements other than buildings	34,946,613	2,799,162	-	37,745,775	257,165	38,002,940
Drainage	-	-	-	-	-	-
Equipment	7,556,571	551,517	-	8,108,088	17,050,766	25,158,854
Infrastructure	111,868,087	1,804,280	(124,063)	113,548,304	-	113,548,304
Total depreciating capital assets	204,491,691	6,680,923	(124,063)	211,048,551	17,576,404	228,624,955
Less Accumulated Depreciation:						
Buildings	10,250,057	998,836	-	11,248,893	93,976	11,342,869
Building improvements	2,331,065	183,633	-	2,514,698	7,418	2,522,116
Improvements other than buildings	18,524,936	1,569,377	-	20,094,313	16,064	20,110,377
Drainage systems	-	-	-	-	-	-
Equipment	4,688,240	444,459	-	5,132,699	12,342,778	17,475,477
Infrastructure	47,458,481	2,250,121	-	49,708,602	-	49,708,602
Total accumulated depreciation	83,252,779	5,446,426	-	88,699,205	12,460,236	101,159,441
Total capital assets, being depreciated, net	121,238,912	1,234,497	(124,063)	122,349,346	5,116,168	127,465,514
Total governmental capital assets, net	$ 335,847,765	$ 11,132,330	$ (2,371,008)	$ 344,609,087	$ 5,116,168	$ 349,725,255

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

Governmental activities:	
Administration	$ 37,520
Administrative Services	24,133
Finance	7,978
Public Safety	106,788
Public Works	3,617,693
Community Services	393,063
Community Development	1,259,250
General Governmental Depreciation	5,446,426
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	1,138,490
Total depreciation expense - governmental activities	$ 6,584,916

	Beginning Balance July 1, 2006	Increases	Decreases	Ending Balance June 30, 2007
Business Type Activities:				
Non-depreciating capital assets:				
Land	$ 19,201,133	$ -	$ -	$ 19,201,133
Construction in progress	53,601,641	31,483,534	(36,228,751)	48,856,424
Total non-depreciating capital assets	72,802,774	31,483,534	(36,228,751)	68,057,557
Depreciating capital assets:				
Buildings	33,747,302	-	-	33,747,302
Building improvements	7,317,765	213,310	-	7,531,075
Other Improvements and Drainage	244,909,707	39,365,373	(86,507)	284,188,573
Equipment	21,182,871	2,422,446	-	23,605,317
Underground piping	170,554,782	2,365,467	-	172,920,249
Infrastructure	13,745,413	1,139,874	-	14,885,287
Total depreciating capital assets	491,457,840	45,506,470	(86,507)	536,877,803
Less accumulated depreciation:				
Buildings	21,356,645	723,538	-	22,080,183
Building improvements	1,850,362	203,444	-	2,053,806
Other Improvements and Drainage	121,380,255	8,810,010	(86,507)	130,103,758
Equipment	10,956,045	1,283,367	-	12,239,412
Underground piping	77,562,025	3,929,942	-	81,491,967
Infrastructure	5,687,789	323,278	-	6,011,067
Total accumulated depreciation	238,793,121	15,273,579	(86,507)	253,980,193
Net depreciating capital assets	252,664,719	30,232,891	-	30,232,891
Total business-type activities Capital assets, net	$ 325,467,493	$ 61,716,425	$ (36,228,751)	$ 350,955,167

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

Business-type activities:	
Water	$ 5,781,839
Wastewater	3,377,502
Airport	3,713,748
Waterfront	1,744,424
Downtown parking	405,907
Golf	198,598
Total depreciation expense - business-type activities	15,222,018
Depreciation reclassed from Other Improvements and Drainage to Infrastructure- Airport	51,561
Total increases of accumulated depreciation	$ 15,273,579

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2007, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Governmental Activities		
General Fund	Other Governmental Funds	$ 310,041
General Fund	Community Development Block Grant Fund	127,121
	Total Governmental Activities	$ 437,162
Fiduciary Funds		
General Fund	California Law Enforcement Telecommunications System Agency Fund	$ 20,444
General Fund	Safety Retirement Fund	192,747
		$ 213,191

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Governmental Activity:	**Business Type Activity:**	
General Fund	Waterfront	$ 3,124,765

The interfund balances at June 30, 2007, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling $3,124,765 at June 30, 2007, 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 $175,411 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:

	Transfer In:					
	Governmental Activities					
Transfer Out:	General Fund	Redevelopment Agency Special Revenue	Redevelopment Agency Capital Project	Other Governmental Funds	Internal Service Funds	Total
Governmental Funds						
General Fund	$ -	$ -	$ -	$ 3,398,770	$ 109,413	$ 3,508,183
Redevelopment Agency						
Special Revenue	-	2,000,000	4,505,703	3,042,470	-	9,548,173
Capital Projects		-	3,022,800	-	-	3,022,800
Solid Waste	-	-	-	87,448	-	87,448
Other Governmental Funds	516,424	-	-	1,664,862	20,000	2,201,286
Total Governmental Funds	516,424	2,000,000	7,528,503	8,193,550	129,413	18,367,890
Internal Service Funds	115,694	-	-	-	-	115,694
Total Governmental Activities	$ 632,118	$ 2,000,000	$ 7,528,503	$ 8,193,550	$ 129,413	$ 18,483,584
Business-Type Activities						
Water	$ -	$ -	$ -	$ 554,871	$ -	$ 554,871
Wastewater	-	-	-	77,681	-	77,681
Airport	-	-	-	37,170	-	37,170
Other Enterprise Funds	-	-	-	3,098	13,744	16,842
Total Business - Type Activities	$ -	$ -	$ -	$ 672,820	$ 13,744	$ 686,564
Fiduciary Funds	$ 175,411	$ -	$ -	$ -	$ -	$ 175,411
Net Transfers	$ 807,529	$ 2,000,000	$ 7,528,503	$ 8,866,370	$ 143,157	$ 19,345,559

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 7. LONG-TERM DEBT

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the Redevelopment Agency are pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies. Long-term liability activity for the year ended June 30, 2007, is as follows:

	Beginning Balance July 1, 2006	Additions	Deductions	Ending Balance June 30, 2007	Due Within One Year	Due in More Than One Year
Governmental Activities						
Certificates of participation	$ 3,290,100	$ -	$ 221,100	$ 3,069,000	$ 231,000	$ 2,838,000
Tax allocation bonds	79,460,000	-	5,350,000	74,110,000	4,845,000	69,265,000
Loans	750,000	-	-	750,000	-	750,000
Governmental funds debt issues	83,500,100	-	5,571,100	77,929,000	5,076,000	72,853,000
Claims liability	9,410,301	2,383,443	3,146,058	8,647,686	2,770,161	5,877,525
Governmental activity Long-term liabilities	92,910,401	2,383,443	8,717,158	86,576,686	7,846,161	78,730,525
Business-Type Activities						
Revenue Bonds	24,570,000	-	1,025,000	23,545,000	1,075,000	22,470,000
Certificates of participation	32,709,900	-	1,053,900	31,656,000	1,099,000	30,557,000
Loans	37,229,369	4,588,858	1,515,240	40,302,987	2,034,275	38,268,712
Business-type activity Long-term liabilities	94,509,269	4,588,858	3,594,140	95,503,987	4,208,275	91,295,712
Total debt activity	$ 187,419,670	$ 6,972,301	$ 12,311,298	$ 182,080,673	$ 12,054,436	$ 170,026,237

A description of long-term obligations outstanding at June 30, 2007, by category follows:

	Amount Outstanding June 30, 2007
Governmental Activities	
Tax Allocation Bonds	
Redevelopment Agency:	
$7,150,000 - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from $440,000 to $620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	$ 6,250,000
$34,810,000 - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from $1,140,000 to $2,835,000 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.	26,290,000
$38,855,000 - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from $2,785,000 to $4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	38,305,000

$28,170,000 - 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. The remaining annual principal installment on these serial bonds is $3,265,000 due March 1, 2008. Interest rate is 6.00% payable semi-annually.	3,265,000
Total tax allocation bonds	74,110,000
Certificates of Participation	
General Fund :	
$4,184,400 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from $231,000 to $339,900 beginning August 1, 2007 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.	3,069,000
Loans Payable	
Redevelopment Agency:	
$750,000 - California Housing Finance Agency Loan issued November 15, 1999. Due in 10 years with payment deferred until then. Interest rate 3% simple per annum.	750,000
Total Governmental Activities	$ 77,929,000
Business-Type Activities	
Revenue Bonds	
Water Fund :	
$9,780,000 – 1994A water revenue refunding serial bonds. Bonds issued to provide funds in order to refund the outstanding City of Santa Barbara Water Revenue and Refunding Bonds of 1979, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from $510,000 to $720,000 through September 1, 2014. Interest rates range from 4.3% to 4.8% payable semi-annually on March 1st and September 1st.	$ 4,880,000
Wastewater Fund :	
$20,410,000 – 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from $565,000 to $1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.	18,665,000
Total revenue bonds	23,545,000
Certificates of Participation	
Waterfront Fund:	
19,405,000 - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from $525,000 to $1,230,000 through October 1, 2027. Term certificates of $16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually.	16,665,000

$2,155,600 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from $113,900 to $175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.	1,581,000
Water Fund:	
$15,535,000 - 2002 Refunding Water Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from $415,000 to $675,000 through September 1, 2027. Interest rates range from 3.0% through 4.75% payable semi-annually.	13,410,000
Total certificates of participation	31,656,000
Loans Payable	
Water Fund:	
$2,000,000 - State Department of Water Resources Loan. Funds used to finance capital improvements to the water distribution system. Due in 20 annual payments of $150,894 each on April 30. Interest is 4.0128% per annum. The final payment is due April 30, 2009.	298,881
$5,000,000 - State Department of Water Resources Loan. Funds used to finance capital improvements to the water distribution system. 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.	1,446,732
$17,900,849 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of $572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025.	16,485,730
$19,997,929 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments commencing January 1, 2007. Interest is 2.7934% per annum. The final payment is due July 1, 2026.	19,621,305
Airport Fund:	
$2,450,339 - State Department of Transportation Loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of $218,714. Interest is 3.0% per annum. The final payment is due April 30, 2023.	2,450,339
Total loans payable	40,302,987
Total business-type activities	$ 95,503,987

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 12).

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2007, 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
2008	$ 4,845,000	$ 231,000	$ -	$ 1,075,000	$ 1,099,000	$ 2,034,275	$ 9,284,275
2009	5,100,000	240,900	-	1,115,000	1,134,100	2,109,577	9,699,577
2010	5,285,000	247,500	-	1,155,000	1,182,500	2,005,426	9,875,426
2011	5,470,000	254,100	750,000	1,200,000	1,140,900	2,062,914	10,877,914
2012	5,705,000	264,000	-	1,250,000	1,191,000	1,985,533	10,395,533
2013 - 2017	32,480,000	1,491,600	-	5,585,000	6,788,400	9,717,811	56,062,811
2018 - 2022	15,225,000	339,900	-	4,295,000	7,890,100	11,183,166	38,933,166
2023 - 2027	-	-	-	5,350,000	10,000,000	9,204,285	24,554,285
2028 - 2029	-	-	-	2,520,000	1,230,000	-	3,750,000
Total Principal	$ 74,110,000	$ 3,069,000	$ 750,000	$ 23,545,000	$ 31,656,000	$ 40,302,987	$ 173,432,987
Fiscal Year Ending	Interest Payments						Total
2008	$ 3,301,959	$ 123,192	$ -	$ 1,011,108	$ 1,522,148	$ 1,133,926	$ 7,092,333
2009	3,052,734	115,044	-	972,468	1,480,193	1,074,185	6,694,623
2010	2,869,353	106,068	220,370	930,527	1,435,017	1,011,880	6,573,214
2011	2,679,979	96,345	-	885,078	1,388,587	954,393	6,004,381
2012	2,443,030	85,983	-	836,213	1,341,267	892,650	5,599,143
2013 - 2017	8,247,280	250,508	-	3,402,718	5,839,043	3,656,336	21,395,885
2018 - 2022	1,065,443	7,860	-	2,479,148	3,974,924	2,190,982	9,718,357
2023 - 2027	-	-	-	1,421,915	1,625,193	569,295	3,616,403
2028 - 2029	-	-	-	190,500	30,750	-	221,250
Total Interest	$ 23,659,777	$ 785,000	$ 220,370	$ 12,129,675	$ 18,637,122	$ 11,483,647	$ 66,915,590
Total Debt Service Obligation	$ 97,769,777	$ 3,854,000	$ 970,370	$ 35,674,675	$ 50,293,122	$ 51,786,634	$ 240,348,578

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 8. 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 9. SEGMENT INFORMATION

Summary financial information, as of and for the fiscal year ended June 30, 2007 for the City's enterprise funds is presented below:

Condensed Statement of Net Assets:

	Golf Course
Assets:	
Current assets	$ 1,122,033
Capital assets	3,077,436
Other non-current assets	117,303
Total assets	4,316,772
Liabilities:	
Current liabilities	245,908
Non-current liabilities	1,462,000
Total liabilities	1,707,908
Net assets:	
Invested in capital assets, net of related debt	1,496,436
Unrestricted	1,112,428
Total net assets	$ 2,608,864

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

	Golf Course
Charges for services pledged	
-against bonds	$ 2,230,629
-not pledged against bonds	-
Depreciation expense	(198,598)
Other operating expenses	(1,798,430)
Operating income (loss)	233,601
Non-operating revenues (expenses):	
Investment earnings	50,334
Interest expense	(78,812)
Change in net assets	205,123
Beginning net assets	2,403,741
Ending net assets	$ 2,608,864

Condensed Statement of Cash Flows:

	Golf Course
Net cash provided (used) by:	
Operating activities	$ 277,532
Capital and related financing activities	(358,410)
Investing activities	50,334
Net increase (decrease)	(30,544)
Beginning cash and equivalents	1,152,577
Ending cash and equivalents	$ 1,122,033

NOTE 10. 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, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. 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 8% and safety members contribute 9% of their annual covered salary. The City makes a portion of the contributions required of City employees on their behalf and for their account. The City paid 1.3% of the miscellaneous, non-safety employees' required contribution in the fiscal year ended June 30, 2007. 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, 2007, the City's annual pension costs for all of the retirement plans, in the amount of $20,681,841 for PERS, was equal to the City's required and actual contributions. The required contribution for fiscal year 2007 was determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2004
(b) Amortization method	level percent of payroll
(c) Average remaining period	24 years (non-safety), 32 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.75% (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. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

Three-year Trend Information (all Plans):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/05	$ 15,763,303	100%	$0
06/30/06	20,364,574	100%	$0
06/30/07	20,681,841	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, 2005 as provided by CalPERS.

Required Supplementary Information

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:							
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%
2008	06/30/05	255,720,658	198,200,895	57,519,763	77.5%	46,712,874	123.1%
Safety Fire Plan:							
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%
2008	06/30/05	101,575,435	82,519,834	19,055,601	81.2%	8,195,490	232.5%
Safety Police Plan:							
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%
2008	06/30/05	125,487,092	102,700,503	22,786,589	81.8%	13,246,248	172.0%

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 eighteen (18) 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, 2007, ten (10) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and eight (8) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund.

Funding Policy

All of the pensioners are retirees. The annual required contribution (ARC) for the City was $112,887 for fiscal year 2007. The City paid the entire ARC and has no net pension obligation (NPO) for the year ended June 30, 2007.

Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	June 30, 2005	June 30, 2005
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	10	8
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	4%	4%
Mortality	GAM 1994 Mortality Table for males and females	

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

Financial statements for the funds are available from the City of Santa Barbara Finance Director. 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 hourly employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of $15,500 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

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

NOTE 11. 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, 2007, 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	$ 1,827,513	$ 340,994	$ 92,432	$ 1,309,007	$ 8,427,508	$ 11,997,454
Non-current receivables	3,347,718	37,424,524	-	-	-	40,772,242
Due from other agencies	-	-	-	-	581,675	581,675
Redevelopment projects	-	7,549,857	-	36,309,407	-	43,859,264
Low and moderate income housing	-	7,226,364	-	-	-	7,226,364
Debt service	-	-	-	-	1,259,926	1,259,926
Library	-	-	-	-	278,950	278,950
Public safety	-	-	-	-	674,653	674,653
Community development	-	-	-	-	2,864,574	2,864,574
Community services	-	-	-	-	262,840	262,840
Future projects	-	-	2,838,903	-	5,296,585	8,135,488
Street improvements	-	-	-	-	2,203,201	2,203,201
Total reserved	5,175,231	52,541,739	2,931,335	37,618,414	21,849,912	120,116,631
Designated:						
Capital	1,000,000	-	-	-	-	1,000,000
Continuing appropriations	1,190,660	-	-	-	-	1,190,660
Contingencies	20,841,948	-	-	-	-	20,841,948
Total designated	23,032,608	-	-	-	-	23,032,608
Unreserved - undesignated	-	-	-	-	1,077,101	1,077,101
Total fund balances	$ 28,207,839	$ 52,541,739	$ 2,931,335	$ 37,618,414	$ 22,927,013	$ 144,226,340

NOTE 12. SELF-INSURANCE FUND

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1974, and partially self-insured for general and automobile liability since 1978. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past 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 $1,000,000,000. 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 twentieth program year July 2007 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, 2007, the estimated outstanding liabilities are $6,669,685 for workers' compensation and $1,978,001 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2006. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2007, the liability for unemployment claims was $23,269.

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:

	2007	2006
Claims liabilities, July 1	$ 9,410,301	$ 8,974,608
Incurred claims	2,007,546	3,803,820
Payments on claims attributable to events of current and prior years	(2,770,161)	(3,368,127)
Claims liabilities, June 30	$ 8,647,686	$ 9,410,301

NOTE 13. JOINT VENTURES

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

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

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

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

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

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

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

Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown 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
2007-08	$ 2,298,923	$ 180,710	$ 137,198	$ 16	$ 1,632,154	$ 1,769,368	$ 4,249,001
2008-09	2,421,974	195,267	150,351	20	1,758,170	1,908,541	4,525,782
2009-10	2,320,603	85,391	162,158	(19)	1,758,764	1,920,903	4,326,897
2010-11	2,571,015	70,628	172,090	(19)	1,758,741	1,930,812	4,572,455
2011-12	2,413,296	-	17,252	-	1,732,507	1,749,759	4,163,055
Thereafter	53,409,669	-	6,285,238	-	17,267,883	23,553,121	76,962,790
Total	$ 65,435,480	$ 531,996	$ 6,924,287	$ (2)	$ 25,908,219	$ 32,832,504	$ 98,799,980

(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 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, 2007, the outstanding balance on the Certificates is $12,790,000.

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 $1,262,500. Therefore, the maximum second deed of trust loan available to an employee is $189,375 (15% of $1,262,500). Interest on the City loan is variable, adjusted annually, and is set equal to the most recent quarterly interest rate paid the City on its State of California Local Agency Investment Fund ("LAIF rate") balances. The loan is repayable over 15 years, with interest only due for the first five years, converting to a thirty year amortization schedule payable over 10 years with a balloon payment due at the end of 15 years. Payment is made by payroll deduction. To assist the employee, the City will also pay up to four (4) points to the bank on the employee's first deed of trust loan up to $40,400 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, 2007, the City has $3,210,752 in employee loans outstanding. A total of $3,500,000 is authorized for employee mortgage loans.

NOTE 17. DEFICIT FUND EQUITY

The Safety Retirement Pension Trust Fund has a deficit fund balance of ($197,879) as of June 30, 2007. The deficit will be eliminated through reimbursements from other funds.

NOTE 18. OTHER POST-EMPLOYMENT BENEFITS

Postretirement Health Care Benefits

The City provides a retiree medical insurance contribution benefit, in accordance with employee Memorandum of Understanding, to retired employees. The benefit is applicable to employees who retire from City service and,

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

The City shall contribute an amount each month, per year of service up to a maximum of 35 years towards the purchase of medical insurance for the retiree and his/her spouse or domestic partner registered with the City Clerk or the Secretary of State, if applicable. The amount each month is subject to the applicable Memorandum of Agreement of the retired employee. The City made payments of $375,584 on postretirement health care benefits for fiscal year 2007.

The City shall continue to make its contribution until the retiree reaches age 65 or dies, whichever occurs first, provided however, that if the retiree dies before reaching the age of 65 and there is a surviving spouse or registered domestic partner, the City's contribution shall cease when the retiree would have reached age 65. Thereafter, the spouse may remain on the insurance plan, at his/her own cost, subject to the conditions set forth by the insurance company.
Police Only:

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

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	$ 99,907,878
Re-appropriated Prior Year Encumbrances	2,154,843
Amendments	4,588,891
Amended Budget	$ 106,651,612

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 63,204,600	$ 63,204,600	$ 63,518,427	$ 313,827
Franchise fees	2,621,000	2,621,000	2,812,296	191,296
Intergovernmental	910,598	2,150,054	2,455,426	305,372
Fines and forfeitures	2,810,662	2,810,662	2,424,628	(386,034)
Use of money and property	1,569,900	1,569,900	2,255,017	685,117
Charges for services	18,000,079	18,000,079	17,650,947	(349,132)
Other revenues	9,497,150	9,499,201	7,375,043	(2,124,158)
Total revenues	98,613,989	99,855,496	98,491,784	(1,363,712)
Expenditures:				
Current:				
Mayor and council	803,038	807,049	798,484	8,565
City attorney	2,107,759	2,137,698	2,005,388	132,310
City administration	2,078,496	2,216,148	2,072,027	144,121
Administrative services	1,964,977	2,241,051	1,896,343	344,708
Finance	5,333,774	5,482,081	5,234,903	247,178
Fire	17,854,144	19,295,376	19,005,934	289,442
Police	30,155,407	30,966,222	30,770,147	196,075
Public works	6,348,323	6,835,942	6,034,568	801,374
Parks and recreation	13,916,269	14,390,354	13,236,257	1,154,097
Library	4,367,587	4,566,743	4,220,491	346,252
Community development	10,575,889	11,743,211	9,750,292	1,992,919
Community promotions	2,425,109	2,383,869	2,373,293	10,576
Total expenditures	97,930,772	103,065,743	97,398,127	5,667,616
Excess (deficiency) of revenues over (under) expenditures	683,217	(3,210,247)	1,093,657	4,303,904
Other financing sources (uses):				
Transfers in	797,196	932,196	807,529	(124,667)
Transfers out	(1,977,106)	(3,585,869)	(3,508,183)	77,686
Total other financing sources (uses)	(1,179,910)	(2,653,673)	(2,700,654)	(46,981)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(496,693)	(5,863,920)	(1,606,997)	4,256,923
Fund balances, beginning of fiscal year	29,814,836	29,814,836	29,814,836	-
Fund balances, end of fiscal year	$ 29,318,143	$ 23,950,916	$ 28,207,839	$ 4,256,923

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 15,400,000	$ 15,400,000	$ 16,830,763	$ 1,430,763
Use of money and property	658,000	658,000	1,367,962	709,962
Other revenues	-	-	5,169	5,169
Total revenues	16,058,000	16,058,000	18,203,894	2,145,894
Expenditures:				
Current:				
Community development	5,216,440	11,569,301	3,235,803	8,333,498
Debt service:				
Principal	430,000	430,000	430,000	-
Interest	208,125	208,125	243,140	(35,015)
Total expenditures	5,854,565	12,207,426	3,908,943	8,298,483
Excess (deficiency) of revenues over (under) expenditures	10,203,435	3,850,574	14,294,951	18,145,525
Other financing sources (uses):				
Transfers in	-	2,000,000	2,000,000	-
Transfers out	(8,250,000)	(9,595,976)	(9,548,173)	(47,803)
Total other financing sources (uses)	(8,250,000)	(7,595,976)	(7,548,173)	(47,803)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,953,435	(3,745,402)	6,746,778	10,492,180
Fund balances, beginning of fiscal year	45,794,961	45,794,961	45,794,961	-
Fund balances, end of fiscal year	$ 47,748,396	$ 42,049,559	$ 52,541,739	$ 10,492,180

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SOLID WASTE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Franchise fees	$ 395,572	$ 395,572	$ 408,437	$ 12,865
Intergovernmental	26,000	93,792	24,289	(69,503)
Charges for services	15,371,598	15,371,598	15,391,957	20,359
Other revenues	90,000	90,000	206,942	116,942
Total revenues	15,883,170	15,950,962	16,031,625	80,663
Expenditures:				
Current:				
Public works	15,952,419	16,177,589	15,944,888	232,701
Excess (deficiency) of revenues over (under) expenditures	(69,249)	(226,627)	86,737	313,364
Other financing sources (uses):				
Operating transfers out	(87,448)	(87,448)	(87,448)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(156,697)	(314,075)	(711)	313,364
Fund balances, beginning of fiscal year	-	2,932,046	2,932,046	-
Fund balances, end of fiscal year	$ (156,697)	$ 2,617,971	$ 2,931,335	$ 313,364

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, 2004 and 2006 which were 74, 75, 72 and 71 ("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, 2007, 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%

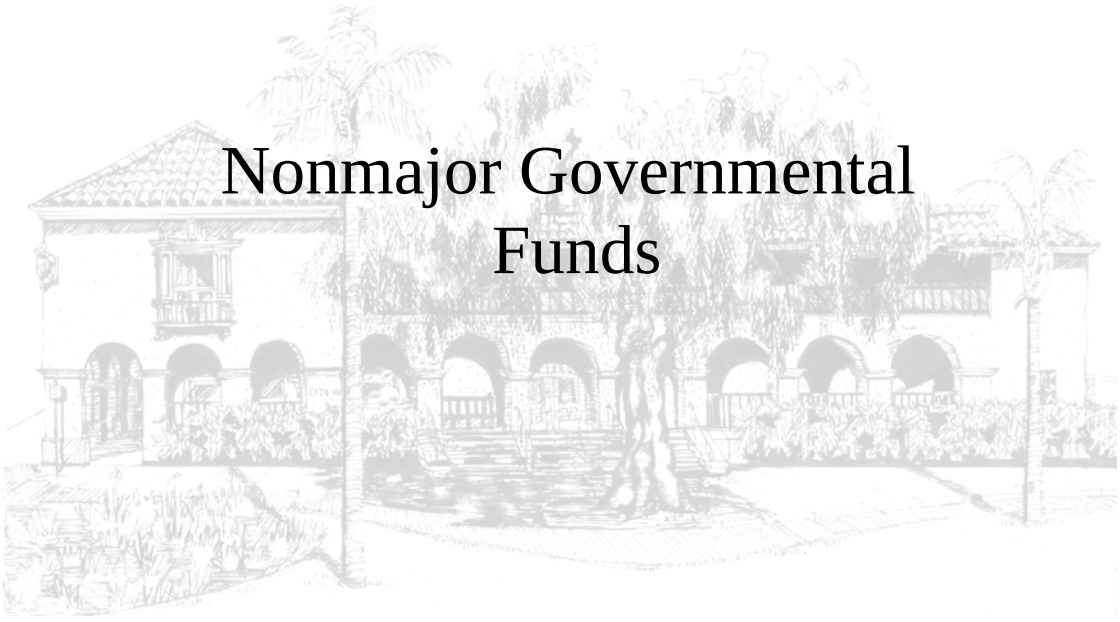
In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage 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 $3,230,977 on street maintenance for the fiscal year ended June 30, 2007. The City has estimated that the average amount of annual expenditures required for fiscal years 2008-2012 to maintain the City's streets at an average PCI rating of at least 70 is approximately $4,000,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is $14.8 million at June 30, 2007. 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
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
2006-2007	6,355,188	3,230,977	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.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

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.

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

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

Police - Asset Forfeiture Fund (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, 2007

	Special Revenue						
Assets	Traffic Safety	Community Development Block Grant	Creek Restoration/ Water Quality	Transpor-tation Develop.	HOME Program	County Library	Street Sweeping
Cash and investments	$ 3,885	$ -	$ 4,035,599	$ 367,344	$ -	$ 389,000	$ 1,390,278
Accounts receivable	-	-	249,963	-	-	-	-
Loans receivable	-	6,761,518	-	-	4,730,018	-	-
Due from other agencies	-	252,719	-	-	507,199	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Total assets	$ 3,885	$ 7,014,237	$ 4,285,562	$ 367,344	$ 5,237,217	$ 389,000	$ 1,390,278
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 3,885	$ 115,699	$ 20,940	$ -	$ 285,246	$ 47,779	$ 898
Salaries and benefits payable	-	9,898	23,536	-	1,408	52,481	12,524
Interest payable	-	-	-	-	-	-	-
Interfund payables	-	127,121	-	-	220,545	-	-
Deposits	-	-	-	-	-	-	-
Deferred revenue	-	6,759,172	-	-	4,730,018	-	-
Total liabilities	3,885	7,011,890	44,476	-	5,237,217	100,260	13,422
Fund balances:							
Reserved:							
Encumbrances	-	-	216,383	123,468	-	9,790	30,928
Due from other agencies	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Street improvements	-	-	-	243,876	-	-	-
Library	-	-	-	-	-	278,950	-
Community development	-	2,347	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Future projects	-	-	4,024,703	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	1,345,928
Total fund balances	-	2,347	4,241,086	367,344	-	288,740	1,376,856
Total liabilities and fund balances	$ 3,885	$ 7,014,237	$ 4,285,562	$ 367,344	$ 5,237,217	$ 389,000	$ 1,390,278

Special Revenue								Capital Projects
Measure D Road Maintenance	Wildland Fire Suppression	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
$ 3,590,048	$ 78,409	$ 906,979	$ 828,585	$ 571,907	$ -	$ 8,487	$ 13,795	$ 2,065,569
318,595	-	26,463	5,021	1,356	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	127,159	432,800	-	-	-
-	-	-	-	-	-	-	-	-
$ 3,908,643	$ 78,409	$ 933,442	$ 833,606	$ 700,422	$ 432,800	$ 8,487	$ 13,795	$ 2,065,569
$ 401,862	$ 2,316	$ -	$ 75	$ 9,236	$ 179,331	$ -	$ -	$ 190,792
19,296	-	-	-	-	-	8,487	-	-
-	-	-	31,133	-	-	-	-	-
-	-	-	-	-	89,496	-	-	-
-	-	-	215,474	-	-	-	-	-
-	-	-	-	-	-	-	-	-
421,158	2,316	-	246,682	9,236	268,827	8,487	-	190,792
1,528,159	-	-	10,365	35,084	-	-	-	850,471
-	-	-	-	127,159	163,973	-	-	-
-	76,093	-	576,559	8,206	-	-	13,795	-
1,959,326	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	933,442	-	10,322	-	-	-	-
-	-	-	-	262,840	-	-	-	-
-	-	-	-	247,575	-	-	-	1,024,306
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,487,485	76,093	933,442	586,924	691,186	163,973	-	13,795	1,874,777
$ 3,908,643	$ 78,409	$ 933,442	$ 833,606	$ 700,422	$ 432,800	$ 8,487	$ 13,795	$ 2,065,569

(Continued)

CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2007

	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	$ 5,640,936	$ 1,965,335	$ -	$ -	$ 21,856,156
Accounts receivable	560,606	-	-	-	1,162,004
Loans receivable	-	-	-	-	11,491,536
Due from other agencies	21,716	-	-	-	1,341,593
Cash and investments with fiscal agents	-	-	698,627	561,299	1,259,926
Total assets	$ 6,223,258	$ 1,965,335	$ 698,627	$ 561,299	$ 37,111,215
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 453,851	$ 46,872	$ -	$ -	$ 1,758,782
Salaries and benefits payable	124,831	-	-	-	252,461
Interest payable	-	-	-	-	31,133
Interfund payables	-	-	-	-	437,162
Deposits	-	-	-	-	215,474
Deferred revenue	-	-	-	-	11,489,190
Total liabilities	578,682	46,872	-	-	14,184,202
Fund balances:					
Reserved:					
Encumbrances	5,622,860	-	-	-	8,427,508
Due from other agencies	21,716	-	-	-	312,848
Public safety	-	-	-	-	674,653
Street improvements	-	-	-	-	2,203,202
Library	-	-	-	-	278,950
Community development	-	1,918,463	-	-	2,864,574
Community services	-	-	-	-	262,840
Future projects	-	-	-	-	5,296,584
Debt service	-	-	698,627	561,299	1,259,926
Unreserved	-	-	-	-	1,345,928
Total fund balances	5,644,576	1,918,463	698,627	561,299	22,927,013
Total liabilities and fund balances	$ 6,223,258	$ 1,965,335	$ 698,627	$ 561,299	$ 37,111,215

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, 2007

	Special Revenue						
	Traffic Safety	Community Development Block Grant	Creek Restoration/ Water Quality	Transpor-tation Develop.	HOME Program	County Library	Street Sweeping
Revenues:							
Taxes	$ -	$ -	$ 2,568,103	$ 66,406	$ -	$ -	$ -
Franchise fees	-	-	-	-	-	-	-
Intergovernmental	-	1,176,578	-	-	1,432,014	1,247,054	-
Fines and forfeitures	487,505	-	-	-	-	187,302	916,883
Use of money and property	-	-	267,107	18,244	-	-	-
Charges for services	-	-	-	-	-	-	-
Program income	-	506,332	-	-	6,151	-	-
Other revenues	-	-	18,563	-	-	73,576	-
Total revenues	487,505	1,682,910	2,853,773	84,650	1,438,165	1,507,932	916,883
Expenditures:							
Current:							
Public safety	39,736	-	-	-	-	-	-
Public works	-	-	1,315,361	41,532	-	-	964,550
Community services	-	-	-	-	-	1,813,328	
Community development	-	1,682,910	-	-	1,438,165	-	-
Capital Outlay:							
Capital improvements	-	-	-	-	-	-	-
Debt Service:							
Principle retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	39,736	1,682,910	1,315,361	41,532	1,438,165	1,813,328	964,550
Excess (deficiency) of revenues over (under) expenditures	447,769	-	1,538,412	43,118	-	(305,396)	(47,667)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	482,329
Transfers out	(445,424)	-	(762,318)	-	-	(71,000)	-
Total other financing sources (uses)	(445,424)	-	(762,318)	-	-	(71,000)	482,329
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	2,345	-	776,094	43,118	-	(376,396)	434,662
Fund balances, beginning of fiscal year	(2,345)	2,347	3,464,992	324,226	-	665,136	942,194
Fund balances, end of fiscal year	$ -	$ 2,347	$ 4,241,086	$ 367,344	$ -	$ 288,740	$ 1,376,856

Special Revenue								Capital Projects
Measure D Road Maintenance	Wildland Fire Suppression	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
$ 4,811,382	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	361,814	-	-	-	-	-	-
-	-	-	126,239	454,121	382,674	175,478	-	-
-	-	-	-	-	-	-	-	-
243,127	-	10,399	17,944	-	-	-	1,093	-
-	-	5,750	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	211,444	-	91,443	581,533	-	-	-	-
5,054,509	211,444	377,963	235,626	1,035,654	382,674	175,478	1,093	-
-	-	-	95,945	206,631	-	175,478	55,059	-
6,441,870	135,351	126,899	-	18,695	252,897	-	-	-
-	-	-	-	774,196	-	-	-	-
-	-	-	-	36,512	-	-	-	-
-	-	-	-	-	-	-	-	2,187,439
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
6,441,870	135,351	126,899	95,945	1,036,034	252,897	175,478	55,059	2,187,439
(1,387,361)	76,093	251,064	139,681	(380)	129,777	-	(53,966)	(2,187,439)
-	-	375,000	-	107,385	1,512,859	-	-	2,300,378
(170,011)	-	-	-	-	-	-	-	-
(170,011)	-	375,000	-	107,385	1,512,859	-	-	2,300,378
(1,557,372)	76,093	626,064	139,681	107,005	1,642,636	-	(53,966)	112,939
5,044,857	-	307,378	447,243	584,181	(1,478,663)	-	67,761	1,761,838
$ 3,487,485	$ 76,093	$ 933,442	$ 586,924	$ 691,186	$ 163,973	$ -	$ 13,795	$ 1,874,777

(Continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2007

	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	$ 8,208,902	$ -	$ -	$ -	$ 15,654,793
Franchise fees	-	-	-	-	361,814
Intergovernmental	3,693,880	1,788,198	-	-	10,476,236
Fines and forfeitures	-	-	-	-	1,591,690
Use of money and property	-	-	33,571	29,914	621,399
Charges for services	350,163	-	-	-	355,913
Program income	-	-	-	-	512,483
Other revenues	5,106	20,000	-	-	1,001,665
Total revenues	12,258,051	1,808,198	33,571	29,914	30,575,993
Expenditures:					
Current:					
Public safety	-	-	-	-	572,849
Public works	6,400,601	-	-	-	15,697,756
Community services	-	-	-	-	2,587,524
Community development	-	-	-	-	3,157,587
Capital Outlay:					
Capital improvements	4,570,965	2,137,385	-	-	8,895,789
Debt Service:					
Principle retirement	-	-	2,715,000	221,100	2,936,100
Interest	-	-	358,800	130,320	489,120
Total expenditures	10,971,566	2,137,385	3,073,800	351,420	34,336,725
Excess (deficiency) of revenues over (under) expenditures	1,286,485	(329,187)	(3,040,229)	(321,506)	(3,760,732)
Other financing sources (uses):					
Transfers in	124,400	600,000	3,042,470	321,549	8,866,370
Transfers out	(752,533)	-	-	-	(2,201,286)
Total other financing sources (uses)	(628,133)	600,000	3,042,470	321,549	6,665,084
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	658,352	270,813	2,241	43	2,904,352
Fund balances, beginning of fiscal year	4,986,224	1,647,650	696,386	561,256	20,022,661
Fund balances, end of fiscal year	$ 5,644,576	$ 1,918,463	$ 698,627	$ 561,299	$ 22,927,013

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 580,000	$ 580,000	$ 487,505	$ (92,495)
Expenditures:				
Current:				
Protection of persons and property	30,000	30,000	39,736	(9,736)
Excess (deficiency) of revenues over (under) expenditures	550,000	550,000	447,769	(102,231)
Other financing sources (uses):				
Transfers out	(550,000)	(550,000)	(445,424)	104,576
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	2,345	2,345
Fund balances, beginning of fiscal year	-	-	(2,345)	(2,345)
Fund balances, end of fiscal year	$ -	$ -	$ -	$ -

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,114,474	$ 2,762,482	$ 1,176,578	$ (1,585,904)
Program income	450,000	450,000	506,332	56,332
Total revenues	1,564,474	3,212,482	1,682,910	(1,529,572)
Expenditures:				
Current:				
Community development	1,564,474	3,035,926	1,682,910	1,353,016
Excess (deficiency) of revenues over (under) expenditures	-	176,556	-	(176,556)
Fund balances, beginning of fiscal year	-	2,347	2,347	-
Fund balances, end of fiscal year	$ -	$ 178,903	$ 2,347	$ (176,556)

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 2,526,100	$ 2,526,100	$ 2,568,103	$ 42,003
Use of money and property	139,309	139,309	267,107	127,798
Other revenues	-	20,790	18,563	(2,227)
Total revenues	2,665,409	2,686,199	2,853,773	167,574
Expenditures:				
Current:				
Public works	1,783,458	2,188,585	1,315,361	873,224
Excess (deficiency) of revenues over (under) expenditures	881,951	497,614	1,538,412	1,040,798
Other financing sources (uses):				
Transfers out	(762,318)	(762,318)	(762,318)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	119,633	(264,704)	776,094	1,040,798
Fund balances, beginning of fiscal year	-	3,464,992	3,464,992	-
Fund balances, end of fiscal year	$ 119,633	$ 3,200,288	$ 4,241,086	$ 1,040,798

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 50,000	$ 50,000	$ 66,406	$ 16,406
Use of money and property	5,000	5,000	18,244	13,244
Total revenues	55,000	55,000	84,650	29,650
Expenditures:				
Current:				
Public works	55,000	165,000	41,532	123,468
Excess of revenues over expenditures	-	(110,000)	43,118	153,118
Fund balances, beginning of fiscal year	-	189,016	324,226	135,210
Fund balances, end of fiscal year	$ -	$ 79,016	$ 367,344	$ 288,328

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 811,539	$ 3,734,695	$ 1,432,014	$ (2,302,681)
Program income	10,000	10,000	6,151	(3,849)
Total revenues	821,539	3,744,695	1,438,165	(2,306,530)
Expenditures:				
Current:				
Community development	821,539	3,744,695	1,438,165	2,306,530
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
COUNTY LIBRARY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,201,859	$ 1,201,859	$ 1,247,054	$ 45,195
Fines and forfeitures	139,872	139,872	187,302	47,430
Other revenues	65,000	65,000	73,576	8,576
Total revenues	1,406,731	1,406,731	1,507,932	101,201
Expenditures:				
Current:				
Community services	1,722,639	1,824,106	1,813,328	10,778
Excess (deficiency) of revenues over (under) expenditures	(315,908)	(417,375)	(305,396)	111,979
Other financing sources:				
Transfers in	233,852	233,852	-	(233,852)
Operating transfers out	-	(71,000)	(71,000)	-
Total other financing sources (uses)	233,852	162,852	(71,000)	(233,852)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(82,056)	(254,523)	(376,396)	(121,873)
Fund balances, beginning of fiscal year	-	665,136	665,136	-
Fund balances, end of fiscal year	$ (82,056)	$ 410,613	$ 288,740	$ (121,873)

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 750,000	$ 750,000	$ 916,883	$ 166,883
Expenditures:				
Current:				
Public works	1,261,561	1,407,351	964,550	442,801
Excess (deficiency) of revenues over (under) expenditures	(511,561)	(657,351)	(47,667)	609,684
Other financing sources (uses):				
Transfers in	482,329	482,329	482,329	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(29,232)	(175,022)	434,662	609,684
Fund balances, beginning of fiscal year	-	942,194	942,194	-
Fund balances, end of fiscal year	$ (29,232)	$ 767,172	$ 1,376,856	$ 609,684

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 4,680,000	$ 4,680,000	$ 4,811,382	$ 131,382
Use of money and property	152,000	152,000	243,127	91,127
Total revenues	4,832,000	4,832,000	5,054,509	222,509
Expenditures:				
Current:				
Public works	4,660,335	9,531,248	6,441,870	3,089,378
Excess (deficiency) of revenues over (under) expenditures	171,665	(4,699,248)	(1,387,361)	3,311,887
Other financing sources (uses):				
Transfers out	(170,011)	(170,011)	(170,011)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,654	(4,869,259)	(1,557,372)	3,311,887
Fund balances, beginning of fiscal year	-	5,044,857	5,044,857	-
Fund balances, end of fiscal year	$ 1,654	$ 175,598	$ 3,487,485	$ 3,311,887

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
WILDLAND FIRE SUPPRESSION ASSESSMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Other revenues	$ 215,203	$ 215,203	$ 211,444	$ (3,759)
Expenditures:				
Current:				
Protection of persons and property	215,203	215,203	135,351	79,852
Excess (deficiency) of revenues over (under) expenditures	-	-	76,093	76,093
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ 76,093	$ 76,093

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
UNDERGROUNDING UTILITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Franchise fees	$ 326,400	$ 326,400	$ 361,814	$ 35,414
Use of money and property	-	-	10,399	10,399
Charges for services	-	-	5,750	5,750
Total revenues	326,400	326,400	377,963	51,563
Expenditures:				
Current:				
Public works	500,000	875,000	126,899	748,101
Excess (deficiency) of revenues over (under) expenditures	(173,600)	(548,600)	251,064	799,664
Other financing sources (uses):				
Operating transfers in	-	375,000	375,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(173,600)	(173,600)	626,064	799,664
Fund balances, beginning of fiscal year	-	307,378	307,378	-
Fund balances, end of fiscal year	$ (173,600)	$ 133,778	$ 933,442	$ 799,664

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 100,000	$ 100,000	$ 175,478	$ 75,478
Expenditures:				
Current:				
Protection of persons and property	100,000	100,000	175,478	(75,478)
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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Use of money and property	$ -	$ -	$ 1,093	$ 1,093
Expenditures:				
Current:				
Protection of persons and property	-	54,919	55,059	(140)
Excess (deficiency) of revenues over (under) expenditures	-	(54,919)	(53,966)	953
Fund balances, beginning of fiscal year	-	67,761	67,761	-
Fund balances, end of fiscal year	$ -	$ 12,842	$ 13,795	$ 953

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 2,448,946	$ -	$ (2,448,946)
Other revenues	-	51,137	-	(51,137)
Total revenues	-	2,500,083	-	(2,500,083)
Expenditures:				
Capital outlay:				
Capital improvements	1,746,925	6,449,313	2,187,439	4,261,874
Excess (deficiency) of revenues over (under) expenditures	(1,746,925)	(3,949,230)	(2,187,439)	1,761,791
Other financing sources:				
Transfers in	1,746,925	2,307,606	2,300,378	(7,228)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(1,641,624)	112,939	1,754,563
Fund balances, beginning of fiscal year	-	1,761,838	1,761,838	-
Fund balances, end of fiscal year	$ -	$ 120,214	$ 1,874,777	$ 1,754,563

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, 2007

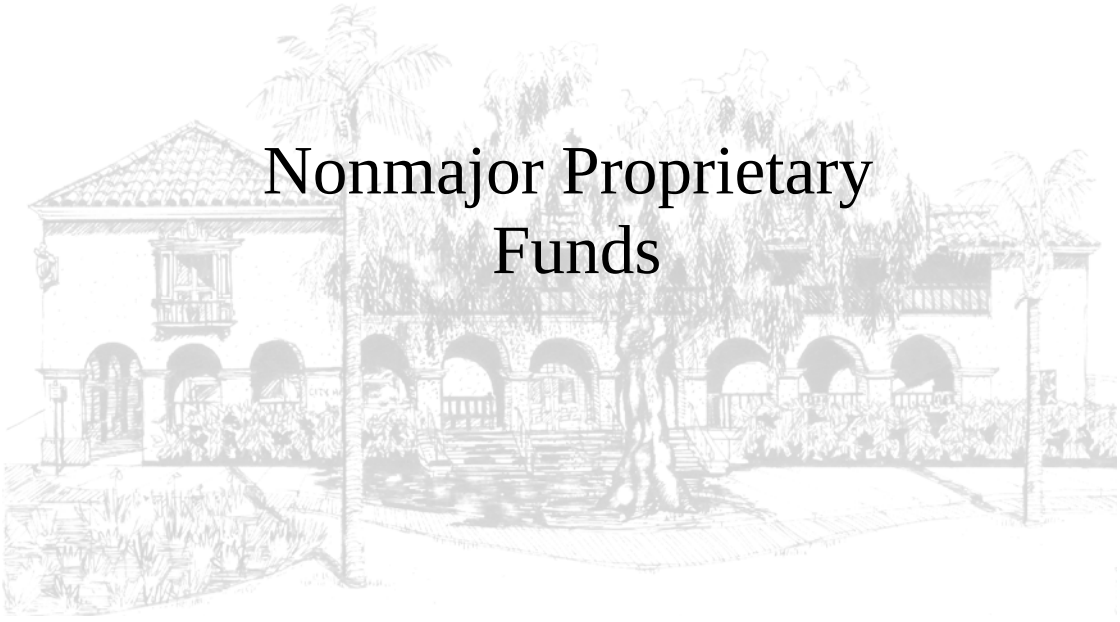
	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 8,059,800	$ 8,059,800	$ 8,208,902	$ 149,102
Intergovernmental	8,752,000	16,520,792	3,693,880	(12,826,912)
Charges for services	385,000	385,000	350,163	(34,837)
Other revenues	-	24,000	5,106	(18,894)
Total revenues	17,196,800	24,989,592	12,258,051	(12,731,541)
Expenditures:				
Capital outlay:				
Public works	6,381,092	6,523,407	6,400,601	122,806
Capital improvements	10,761,161	22,203,821	4,570,965	17,632,856
Total expenditures	17,142,253	28,727,228	10,971,566	17,755,662
Excess (deficiency) of revenues over (under) expenditures	54,547	(3,737,636)	1,286,485	5,024,121
Other financing sources (uses):				
Transfers in	124,400	124,400	124,400	-
Transfers out	(150,000)	(732,533)	(752,533)	20,000
Total other financing sources (uses)	(25,600)	(608,133)	(628,133)	20,000
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	28,947	(4,345,769)	658,352	5,044,121
Fund balances, beginning of fiscal year	-	4,986,224	4,986,224	-
Fund balances, end of fiscal year	$ 28,947	$ 640,455	$ 5,644,576	$ 5,044,121

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, 2007

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 2,530,018	$ 1,788,198	$ (741,820)
Other revenues	-	180,000	20,000	(160,000)
Total revenues	-	2,710,018	1,808,198	(901,820)
Expenditures:				
Capital Outlay:				
Capital improvements	600,000	4,793,579	2,137,385	2,656,194
Excess (deficiency) of revenues over (under) expenditures	(600,000)	(2,083,561)	(329,187)	1,754,374
Other financing sources:				
Transfers in	600,000	600,000	600,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(1,483,561)	270,813	1,754,374
Fund balances, beginning of fiscal year	-	1,647,650	1,647,650	-
Fund balances, end of fiscal year	$ -	$ 164,089	$ 1,918,463	$ 1,754,374

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, 2007

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Assets			
Current Assets:			
Cash and investments	$ 7,293,175	$ 1,122,033	$ 8,415,208
Accounts receivable, net	18,018	-	18,018
Total current assets	7,311,193	1,122,033	8,433,226
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	378,702	772,210	1,150,912
Construction in progress	904,955	526,991	1,431,946
Less accumulated depreciation	(5,043,098)	(2,473,946)	(7,517,044)
Total capital assets, (net)	9,887,016	3,077,436	12,964,452
Other Assets:			
Deferred charge-loss on defeasance, net	-	117,303	117,303
Total assets	17,198,209	4,316,772	21,514,981
Liabilities			
Current liabilities:			
Accounts payable	176,048	29,085	205,133
Salaries and benefits payable	144,939	45,310	190,249
Deposits	35,931	-	35,931
Compensated absences payable	100,896	52,513	153,409
Current portion long term debt	-	119,000	119,000
Total current liabilities	457,814	245,908	703,722
Non-current liabilities:			
Long-term debt, net of current portion	-	1,462,000	1,462,000
Total liabilities	457,814	1,707,908	2,165,722
Net Assets:			
Invested in capital assets net of related debt	9,887,016	1,496,436	11,383,452
Unrestricted	6,853,379	1,112,428	7,965,807
Total net assets	$ 16,740,395	$ 2,608,864	$ 19,349,259

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2007

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for sales and services:			
Service charges	$ 5,712,560	$ 1,928,609	$ 7,641,169
Leases and rents	-	299,945	299,945
Other revenues	15,339	2,075	17,414
Total revenues	5,727,899	2,230,629	7,958,528
Operating Expenses:			
Salaries, wages and benefits	3,277,209	1,120,222	4,397,431
Materials, supplies and services	2,467,334	678,208	3,145,542
Depreciation	405,907	198,598	604,505
Total operating expenses	6,150,450	1,997,028	8,147,478
Operating income (loss)	(422,551)	233,601	(188,950)
Non-operating revenues (expenses):			
Taxes	864,436	-	864,436
Investment income	353,287	50,334	403,621
Interest expense	-	(78,812)	(78,812)
Total non-operating revenues (expenses)	1,217,723	(28,478)	1,189,245
Income (loss)	795,172	205,123	1,000,295
Transfers out	(16,842)	-	(16,842)
Change in net assets	778,330	205,123	983,453
Net assets, beginning of fiscal year	15,962,065	2,403,741	18,365,806
Net assets, end of fiscal year	$ 16,740,395	$ 2,608,864	$ 19,349,259

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2007

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Cash received from services	$ -	$ 1,928,609	$ 1,928,609
Cash received from rents and leases	5,688,965	299,945	5,988,910
Cash payments for goods and services	(2,574,668)	(845,672)	(3,420,340)
Cash payments to employees for services	(3,264,020)	(1,107,425)	(4,371,445)
Cash returned for deposits	9,930	-	9,930
Other operating receipts	15,339	2,075	17,414
Net cash provided (used) by operating activities	(124,454)	277,532	153,078
Cash flows from noncapital financing activities			
Transfers to other funds	(16,842)	-	(16,842)
Cash received from taxes and assessments	864,436	-	864,436
Net cash provided (used) by non-capital financing activities	847,594	-	847,594
Cash flows from capital and related financing activities:			
Payments on long term debt	-	(113,900)	(113,900)
Acquisition of capital assets	(204,660)	(176,361)	(381,021)
Interest paid on debt	-	(68,149)	(68,149)
Net cash provided (used) by capital and related financing activities	(204,660)	(358,410)	(563,070)
Cash flows from investing activities:			
Cash received on investments	353,287	50,334	403,621
Net increase (decrease) in cash and cash equivalents	871,767	(30,544)	841,223
Cash and cash equivalents, beginning of fiscal year	6,421,408	1,152,577	7,573,985
Cash and cash equivalents, end of fiscal year	$ 7,293,175	$ 1,122,033	$ 8,415,208
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (422,551)	$ 233,601	$ (188,950)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	405,907	198,598	604,505
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(6,994)	-	(6,994)
Increase (decrease) in accounts payable	(107,334)	(167,464)	(274,798)
Increase (decrease) in accrued salaries payable	12,463	4,793	17,256
Increase (decrease) in deferred revenue	(16,601)		(16,601)
Increase (decrease) in accrued compensated absences	726	8,004	8,730
Increase (decrease) in deposits	9,930	-	9,930
Net cash provided (used) by operating activities	$ (124,454)	$ 277,532	$ 153,078

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. This operation officially closed during the current fiscal year.

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, 2007

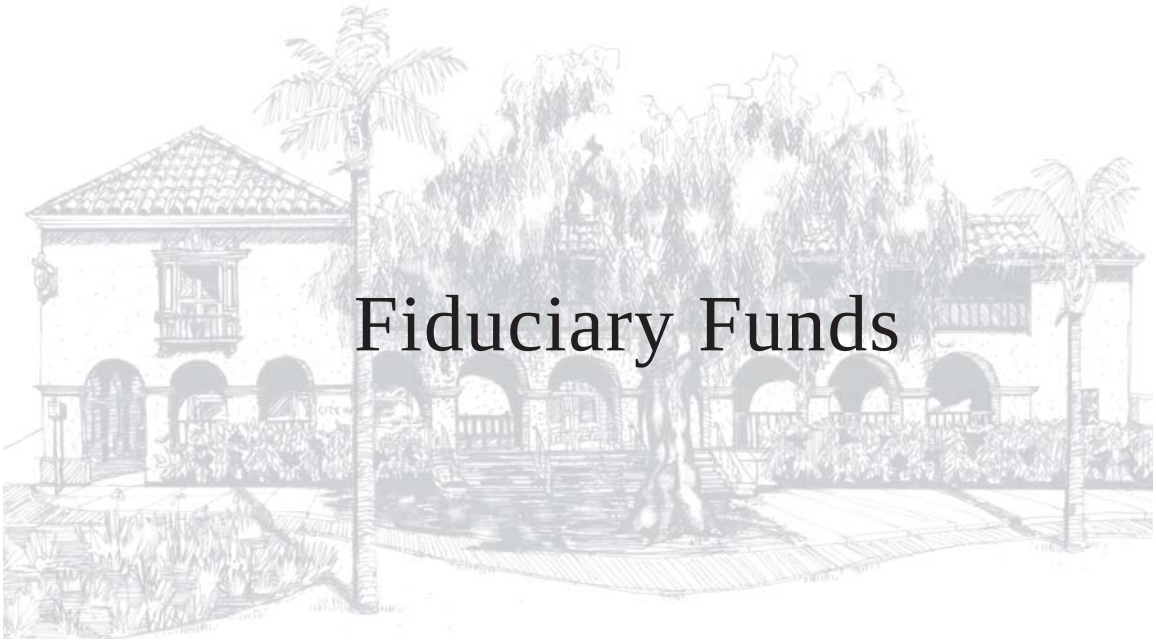
	Intra-City Service	Duplicating Services	Self-Insurance	Information Systems	Vehicle Capital	Total
Assets						
Current Assets:						
Cash and investments	$ 1,841,088	$ -	$ 11,442,563	$ 621,697	$ 5,207,692	$ 19,113,040
Accounts receivable	2,833	-	42,276	-	3,861	48,970
Inventory, at cost	732,743	-	-	-	-	732,743
Total current assets	2,576,664	-	11,484,839	621,697	5,211,553	19,894,753
Capital assets:						
Buildings	105,889	-	-	-	-	105,889
Building improvements	162,584	-	-	-	-	162,584
Improvements other than building	257,165	-	-	-	-	257,165
Equipment	305,865	-	-	-	16,744,900	17,050,765
Less accumulated depreciation	(167,686)	-	-	-	(12,292,549)	(12,460,235)
Total capital assets, net	663,817	-	-	-	4,452,351	5,116,168
Total assets	3,240,481	-	11,484,839	621,697	9,663,904	25,010,921
Liabilities						
Current Liabilities:						
Accounts payable	121,426	-	51,702	7,037	22,101	202,266
Salaries and benefits payable	160,390	-	16,839	57,944	2,103	237,276
Compensated absences payable	166,670	-	30,042	80,077	-	276,789
Current portion claims payable	-	-	2,770,161	-	-	2,770,161
Total current liabilities	448,486	-	2,868,744	145,058	24,204	3,486,492
Non-current Liabilities:						
Estimated claims payable, net of current portion	-	-	5,877,525	-	-	5,877,525
Total liabilities	448,486	-	8,746,269	145,058	24,204	9,364,017
Net Assets						
Invested in net assets, net of related debt	663,817	-	-	-	4,452,351	5,116,168
Unrestricted	2,128,178	-	2,738,570	476,639	5,187,349	10,530,736
Total net assets	$ 2,791,995	$ -	$ 2,738,570	$ 476,639	$ 9,639,700	$ 15,646,904

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2007

	Intra-City Service	Duplicating Services	Self-Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:						
Service charges	$ 7,527,490	$ -	$ 6,294,058	$ 2,287,366	$ 1,993,796	$ 18,102,710
Other revenues	82,431	-	243,338	-	59,048	384,817
Total operating revenues	7,609,921	-	6,537,396	2,287,366	2,052,844	18,487,527
Operating Expenses:						
Salaries, wages and benefits	3,999,889	-	494,404	1,484,442	112,212	6,090,947
Materials, supplies and services	3,236,625	-	5,221,526	920,016	2,065	9,380,232
Depreciation	32,292	-	-	-	1,106,198	1,138,490
Total operating expenses	7,268,806	-	5,715,930	2,404,458	1,220,475	16,609,669
Operating income (loss)	341,115	-	821,466	(117,092)	832,369	1,877,858
Non-operating Revenues and Expenses:						
Investment income	-	-	534,257	-	238,365	772,622
Other	-	-	-	-	(29,373)	(29,373)
	-	-	534,257	-	208,992	743,249
Income (loss) before transfers	341,115	-	1,355,723	(117,092)	1,041,361	2,621,107
Transfers In	-	-	-	-	143,157	143,157
Transfers Out	-	(115,694)	-	-	-	(115,694)
Change in net assets	341,115	(115,694)	1,355,723	(117,092)	1,184,518	2,648,570
Net assets, beginning of fiscal year	2,450,880	115,694	1,382,847	593,731	8,455,182	12,998,334
Net assets, end of fiscal year	$ 2,791,995	$ -	$ 2,738,570	$ 476,639	$ 9,639,700	$ 15,646,904

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2007

	Intra-City Service	Duplicating Services	Self-Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:						
Cash received from services	$ 7,529,980	$ -	$ 6,294,058	$ 2,287,366	$ 1,989,935	$ 18,101,339
Cash payments for goods and services	(3,408,444)	21,084	(6,080,997)	(920,066)	(141,613)	(10,530,036)
Cash payments to employees for services	(4,008,419)	(8,860)	(490,308)	(1,431,409)	(112,298)	(6,051,294)
Other operating receipts	82,431	-	243,338	-	59,048	384,817
Net cash provided (used) by operating activities	195,548	12,224	(33,909)	(64,109)	1,795,072	1,904,826
Cash flows from non-capital financing activities:						
Transfers from other funds	-	-	-	-	143,157	143,157
Transfers to other funds	-	(115,694)	-	-	-	(115,694)
Net cash provided (used) by non-capital financing activities	-	(115,694)	-	-	143,157	27,463
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	-	(885,506)	(885,506)
Net cash provided (used) by capital and related financing activities	-	-	-	-	(885,506)	(885,506)
Cash flows from investing activities:						
Cash received on investments	-	-	534,258	-	238,365	772,623
Net increase (decrease) in cash and cash equivalents	195,548	(103,470)	500,349	(64,109)	1,291,088	1,819,406
Cash and cash equivalents, beginning of fiscal year	1,645,540	103,470	10,942,214	685,806	3,916,604	17,293,634
Cash and cash equivalents, end of fiscal year	$ 1,841,088	$ -	$ 11,442,563	$ 621,697	$ 5,207,692	$ 19,113,040
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 341,115	$ -	$ 821,466	$ (117,092)	$ 832,369	$ 1,877,858
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	32,292	-	-	-	1,106,198	1,138,490
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	2,489	-	-	-	(3,861)	(1,372)
(Increase) decrease in inventories	(2,693)	21,084	-	-	-	18,391
(Increase) decrease in prepaid assets	-	-	11,008	-	-	11,008
Increase (decrease) in accounts payable	(169,126)	(517)	(107,864)	(50)	(139,548)	(417,105)
Increase (decrease) in accrued claims	-	-	(762,615)	-	-	(762,615)
Increase (decrease) in accrued salaries payable	17,645	(4,229)	1,503	15,011	(86)	29,844
Increase (decrease) in accrued compensated absences	(26,174)	(4,114)	2,593	38,022	-	10,327
Net cash provided by operating activities	$ 195,548	$ 12,224	$ (33,909)	$ (64,109)	$ 1,795,072	$ 1,904,826



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, 2007

	Safety Retirement	Service Retirement	Total
Assets			
Investments, at fair value			
Equity share in city investment pool	$ -	$ 93,203	$ 93,203
Cash and investments with fiscal agent	-	515,987	515,987
Total investments	-	609,190	609,190
Total assets	-	609,190	609,190
Liabilities			
Accrued benefits payable	5,132	-	5,132
Due to General Fund	192,747	-	192,747
Total Liabilities	197,879	-	197,879
Net assets			
Held in trust for pension benefits	$ (197,879)	$ 609,190	$ 411,311

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2007

	Safety Retirement	Service Retirement	Total
Additions			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	$ -	$ 57,353	$ 57,353
Interest	-	13,161	13,161
Dividends	-	12,512	12,512
Total investment income	-	83,026	83,026
Less investment expenses:			
Banking, interest and fiscal agent expenses	(7,081)	(11,548)	(18,629)
Net investment income	(7,081)	71,478	64,397
Deductions			
Benefits	112,887	128,837	241,724
Total deductions	112,887	128,837	241,724
Net decrease	(119,968)	(57,359)	(177,327)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	(77,911)	666,549	588,638
End of fiscal year	$ (197,879)	$ 609,190	$ 411,311

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2007

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
Assets				
Cash and investments	$ 2,345,272	$ 29,838	$ 1,235	$ 2,376,345
Accounts receivable	-	-	303	303
	2,345,272	29,838	1,538	2,376,648
Liabilities				
Accounts payable	-	421	-	421
Net Assets				
Held in trust	$ 2,345,272	$ 29,417	$ 1,538	$ 2,376,227

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2007

	Library Gifts	Canine Unit	Russ Morrison Trust	Total
Additions				
Use of money and property	$ 107,762	$ 1,776	$ -	$ 109,538
Contributions	325,185	50	-	325,235
Total additions	432,947	1,826	-	434,773
Deductions				
Transfers out	175,411	-	-	175,411
Community services	-	12,349	-	12,349
Total deductions	175,411	12,349	-	187,760
Net increase (decrease)	257,536	(10,523)	-	247,013
Net assets, beginning of fiscal year	2,087,736	39,940	1,538	2,129,214
Net assets, end of fiscal year	$ 2,345,272	$ 29,417	$ 1,538	$ 2,376,227

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Cash and investments	$ -	$ 135,173	$ 135,173	$ -
Accounts receivable	40,360	149,119	154,889	34,590
Equipment	48,000	-	18,000	30,000
Total assets	$ 88,360	$ 284,292	$ 308,062	$ 64,590
Liabilities:				
Accounts payable	$ 1,519	$ 56,629	$ 57,178	$ 970
Due to General Fund	24,057		3,613	20,444
Trust liability	62,784	-	19,608	43,176
Total liabilities	$ 88,360	$ 56,629	$ 80,399	$ 64,590
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	$ 899,577	$ 24,491	$ -	$ 924,068
Loans receivable	2,040,480	-	16,328	2,024,152
Total assets	$ 2,940,057	$ 24,491	$ 16,328	$ 2,948,220
Liabilities:				
Accounts payable	$ 1,544	$ 8	$ -	$ 1,552
Contributions	2,938,513	8,155	-	2,946,668
Total liabilities	$ 2,940,057	$ 8,163	$ -	$ 2,948,220
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	$ 127,278	$ 186,428	$ 193,806	$ 119,900
Accounts receivable	-	4,639	-	4,639
Cash and investments held by fiscal agent	97,131	120,690	38,637	179,184
Total assets	$ 224,409	$ 311,757	$ 232,443	$ 303,723
Liabilities:				
Trust liability	224,409	123,557	44,243	303,723
Total liabilities	$ 224,409	$ 123,557	$ 44,243	$ 303,723
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	$ 1,026,855	$ 346,092	$ 328,979	$ 1,043,968
Accounts receivable	40,360	153,758	154,889	39,229
Loans receivable	2,040,480	-	16,328	2,024,152
Equipment (net)	48,000	-	18,000	30,000
Cash and investments held by fiscal agent	97,131	120,690	38,637	179,184
Total assets	$ 3,252,826	$ 620,540	$ 556,833	$ 3,316,533
Liabilities:				
Accounts payable	$ 3,063	$ 56,637	$ 57,178	$ 2,522
Interfund payable	24,057	-	3,613	20,444
Trust liability	287,193	123,557	63,851	346,899
Contributions	2,938,513	8,155	-	2,946,668
Total liabilities	$ 3,252,826	$ 188,349	$ 124,642	$ 3,316,533

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, 2007

	Historic Cost	Accumulated Depreciation	Net
Governmental Funds Capital Assets			
Construction in progress	$ 13,929,593	$ -	$ 13,929,593
Land	48,228,969	-	48,228,969
Streets	160,101,179	-	160,101,179
Building	45,431,543	11,342,868	34,088,675
Building Improvements	6,483,314	2,522,117	3,961,197
Improvements	38,002,940	20,110,377	17,892,563
Equipment	25,158,853	17,475,476	7,683,377
Infrastructure	113,548,304	49,708,602	63,839,702
Total governmental funds capital assets	$ 450,884,695	$ 101,159,440	$ 349,725,255

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.

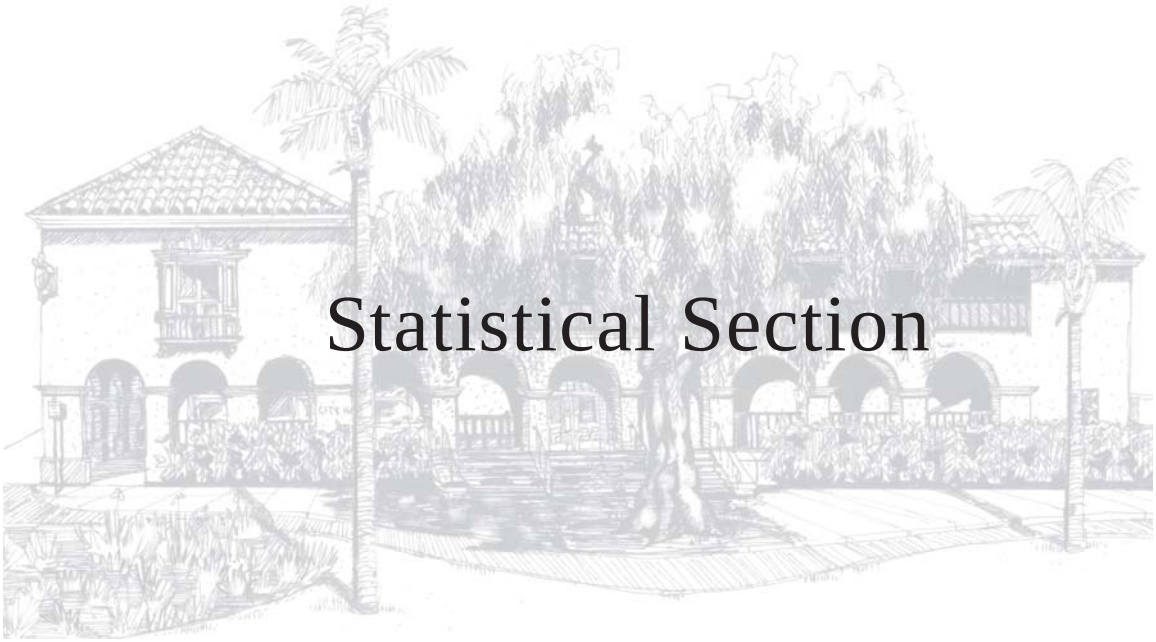
CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2007

	Land	Construction in Progress	Buildings	Building Improvements	Improvements
Function:					
City Attorney	$ -	$ -	$ -	$ -	$ -
City Administrator's Office	1,473,424	-	158,716	-	-
Administrative Services	-	6,326	-	268,418	-
Finance	-	-	51,931	208,717	-
Public Safety	558,158	1,191,942	3,669,683	949,379	146,828
Public Works	-	7,113,945	1,609,534	393,465	4,192,299
Community Services	6,891,746	321,770	9,919,005	3,974,167	7,996,195
Community Development	39,305,641	5,295,610	30,022,674	689,168	25,667,618
Total governmental funds capital assets	$ 48,228,969	$ 13,929,593	$ 45,431,543	$ 6,483,314	$ 38,002,940

Equipment	Infrastructure	Total
$ -	$ -	$ -
1,473,953	-	3,106,093
1,723,131	-	1,997,875
399,802	-	660,450
2,324,529	-	8,840,519
17,797,972	268,385,060	299,492,275
1,134,025	2,303,015	32,539,923
305,441	2,961,408	104,247,560
$ 25,158,853	$ 273,649,483	$ 450,884,695

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Function:				
City Attorney	$ -	$ -	$ -	$ -
City Administrator's Office	3,106,093	-	-	3,106,093
Administrative Services	1,749,228	248,647	-	1,997,875
Finance	575,642	110,058	(25,250)	660,450
Public Safety	7,304,303	1,650,312	(114,096)	8,840,519
Public Works	293,772,816	6,691,403	(971,944)	299,492,275
Community Services	30,290,072	2,888,308	(638,457)	32,539,923
Community Development	99,453,205	5,846,160	(1,051,805)	104,247,560
Total governmental funds capital assets	$ 436,251,359	$ 17,434,888	$ (2,801,552)	$ 450,884,695



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 130

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 137

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

Debt Capacity 141

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 146

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 148

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

	Fiscal Year					
	2002	**2003**	**2004**	**2005**	**2006**	**2007**
Governmental activities						
Invested in capital assets, net of related debt	$23,763	$63,294	$73,738	$80,483	$301,827	$307,426
Restricted	83,447	62,650	59,941	70,888	77,906	85,834
Unrestricted	50,741	33,516	31,314	24,228	33,815	34,031
Total governmental activities net assets	$157,951	$159,460	$164,993	$175,599	$413,548	$427,291
Business-type activities						
Invested in capital assets, net of related debt	$126,385	$138,066	$139,780	$135,336	$245,095	$265,486
Restricted	4,240	-	-	4,704	4,266	4,650
Unrestricted	66,958	59,199	64,564	75,088	78,148	81,777
Total business-type activities net assets	$197,583	$197,265	$204,344	$215,128	$327,509	$351,913
Primary government						
Invested in capital assets, net of related debt	$150,148	$201,360	$213,518	$215,819	$546,922	$572,912
Restricted	87,687	62,650	59,941	75,592	82,172	90,484
Unrestricted	117,699	92,715	95,878	99,316	111,963	115,808
Total primary government net assets	$355,534	$356,725	$369,337	$390,727	$741,057	$779,204

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

	Fiscal Year			
Expenses	**2004**	**2005**	**2006**	**2007**
Governmental activities:				
Administration	$10,094	$10,139	$11,385	$12,323
Public safety	42,653	45,653	48,836	51,163
Public works	18,235	19,915	39,887	45,282
Community services	20,778	19,607	20,959	22,024
Community development	16,528	17,002	20,804	17,934
Interest on long-term debt	3,506	4,081	4,069	3,809
Total governmental activities expenses	111,794	116,397	145,940	152,535
Business-type activities:				
Water	22,842	23,169	25,937	27,311
Wastewater	9,902	10,909	12,618	13,253
Airport	12,812	11,786	13,499	14,862
Waterfront	10,921	10,164	10,778	11,004
Parking	4,582	4,925	5,839	6,018
Golf course	1,825	1,877	1,924	2,033
Total business-type activities expenses	62,884	62,830	70,595	74,481
Total primary government expenses	$174,678	$179,227	$216,535	$227,016
Program Revenues				
Governmental activities:				
Charges for services:				
Administration	$1,349	$1,600	$1,825	$1,982
Public safety	7,313	8,092	9,186	9,195
Public works	5,707	7,822	21,781	22,255
Community services	4,552	4,699	4,784	4,945
Community development	4,094	4,259	5,670	5,548
Operating grants and contributions	11,064	10,006	12,447	15,979
Capital grants and contributions	2,821	3,599	2,313	4,178
Total governmental activities program revenues	36,900	40,077	58,006	64,082
Business-type activities:				
Charges for services:				
Water	25,153	26,492	27,410	30,477
Wastewater	10,120	11,379	12,096	12,559
Airport	12,268	13,187	13,939	14,861
Waterfront	9,625	9,899	10,253	10,894
Parking	4,844	4,968	5,859	6,592
Golf course	2,046	1,976	2,060	2,231
Capital grants and contributions	5,172	3,453	12,439	17,271
Total business-type activities program revenues	69,228	71,354	84,056	94,885
Total primary government program revenues	$106,128	$111,431	$142,062	$158,967

(Continued)

	Fiscal Year			
	2004	**2005**	**2006**	**2007**
Net (expense)/revenue				
Governmental activities	($74,894)	($76,320)	($87,934)	($88,453)
Business-type activities	6,344	8,524	13,461	20,404
Total primary government net expense	($68,550)	($67,796)	($74,473)	($68,049)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property	$24,142	$30,022	$34,078	37,871
Sales & use	18,420	18,949	19,968	19,927
Transient occupancy	12,439	13,298	14,439	15,409
Utility users	11,325	11,977	12,422	13,133
Business license	1,926	2,037	2,169	2,214
Real property transfer	709	719	685	646
Franchise fees	2,056	2,124	3,260	3,583
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853
Investment income	2,888	3,410	3,955	4,762
Other revenue	1,953	2,024	4,384	3,111
Transfers	-	70	12	687
Total governmental activities	80,427	86,927	96,031	102,196
Business-type activities:				
Investment earnings	735	2,329	2,836	4,687
Transfers	-	(70)	(12)	(687)
Total business-type activities	735	2,259	2,824	4,000
Total primary government	$81,162	$89,186	$98,855	$106,196
Change in Net Assets				
Governmental activities	$5,533	$10,607	$8,097	$13,743
Business-type activities	7,079	10,783	16,285	24,404
Total primary government	$12,612	$21,390	$24,382	$38,147

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
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
2007	37,871	19,927	15,409	13,133	4,877	2,214	1,643	646	95,720

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

	Fiscal Year									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
General Fund										
Reserved	$7,214	$5,453	$5,696	$6,742	$7,101	$6,120	$4,720	$4,395	$4,866	$5,175
Unreserved	23,186	26,584	29,863	31,099	29,899	29,859	28,147	25,428	24,949	23,033
Total general fund	$30,400	$32,037	$35,559	$37,841	$37,000	$35,979	$32,867	$29,823	$29,815	$28,208
All other governmental funds										
Reserved	$41,165	$42,331	$46,210	$47,739	$87,923	$92,211	$123,964	$130,317	$117,371	$114,941
Unreserved, reported in:										
Special revenue funds	(3,073)	(2,435)	(1,219)	183	543	511	90	(1,390)	(977)	1,077
Capital projects funds	7,636	7,546	7,306	9,230	10,370	7,416	4,032	539	-	-
Total all other governmental funds	$45,728	$47,442	$52,297	$57,152	$98,836	$100,138	$128,086	$129,466	$116,394	$116,018

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									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Revenues										
Taxes	$53,562	$57,138	$60,781	$67,374	$69,319	$72,709	$75,262	$83,188	$90,142	$96,004
Franchise fees	1,512	1,582	1,634	1,784	2,067	2,050	2,383	2,497	3,260	3,583
Intergovernmental	11,904	11,976	9,851	16,844	12,754	12,567	10,278	8,060	7,412	12,956
Fines and forfeitures	1,853	2,112	2,309	2,265	2,649	2,924	3,792	4,072	4,547	4,016
Use of money and property	4,314	3,508	4,256	6,929	6,417	5,019	3,297	3,758	4,361	5,173
Charges for services	12,772	13,559	13,484	15,070	11,781	11,915	13,998	15,562	32,365	33,399
Program income	492	746	669	845	484	663	746	845	420	512
Other revenues	1,600	7,067	4,342	1,059	5,334	5,759	6,713	6,590	10,046	8,610
Total revenues	88,009	97,688	97,326	112,170	110,805	113,606	116,469	124,572	152,553	164,253
Expenditures										
General government/administration	8,802	8,850	9,741	10,644	9,902	9,663	9,656	9,806	11,025	12,008
Public safety	27,820	29,464	30,743	33,419	37,630	37,334	42,081	45,035	47,772	50,349
Public works	13,210	16,498	11,995	12,464	15,029	14,764	17,233	19,025	31,278	37,677
Community services	14,157	14,830	15,470	16,859	16,690	16,356	18,880	18,077	18,870	20,044
Community development	9,464	8,741	9,382	10,097	12,477	13,762	13,507	14,224	17,599	16,144
Capital outlay	8,198	8,857	5,028	12,389	7,521	11,960	7,334	15,775	28,434	19,217
Community promotions	1,554	1,758	1,954	2,003	2,295	2,252	2,267	2,439	2,253	2,373
Debt service										
Principal	3,200	3,350	3,540	3,735	4,490	4,239	5,415	4,750	5,411	5,571
Interest	2,633	2,491	2,305	2,110	2,974	3,350	3,259	3,935	3,904	3,687
Other charges	-	-	-	-	-	-	941	305	-	-
Total expenditures	89,038	94,839	90,158	103,720	109,008	113,680	120,573	133,371	166,546	167,070
Excess of revenues over (under) expenditures	(1,029)	2,849	7,168	8,450	1,797	(74)	(4,104)	(8,799)	(13,993)	(2,817)

(Continued)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses)										
Transfers in	$12,631	$13,134	$15,103	$15,779	$24,630	$16,993	$14,387	$14,115	$11,563	$19,202
Transfers out	(12,404)	(12,933)	(15,070)	(15,287)	(24,373)	(16,638)	(13,846)	(14,164)	(11,400)	(18,368)
Proceeds from bond issuance	-	-	-	-	37,790	-	28,399	7,184	-	-
Total other financing sources (uses)	227	201	33	492	38,047	355	28,940	7,135	163	834
Net change in fund balances	($802)	$3,050	$7,201	$8,942	$39,844	$281	$24,836	($1,664)	($13,830)	($1,983)
Debt service as a percentage of noncapital expenditures	7.22%	6.79%	6.87%	6.40%	7.78%	7.67%	8.88%	8.71%	7.87%	6.93%

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
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
2007	20,211	13,132	37,871	646	15,409	2,215	4,877	1,643	96,004

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**
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%
2007	13,005,939	757,276	(794,226)	12,968,989	1,532,199	288,274	(99,693)	1,720,780	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.

Sources: Santa Barbara County Auditor-Controller

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
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
2007	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 2007		Fiscal Year 1998	
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)]	$88,987	0.69%	$52,989	0.82%
Parker Fess Doubletree Hotel	76,330	0.59%	52,950	0.82%
FW CA-Five Points Shopping Center, LLC	47,729	0.37%	-	0.00%
Nettleship Patricia S Trust	42,262	0.33%	23,768	0.37%
MCC BB Property, LLC	39,674	0.31%	-	0.00%
Due West, LLC	27,871	0.21%		0.00%
HDG Associates	27,596	0.21%	15,281	0.24%
El Encanto, Inc.	25,118	0.19%	-	0.00%
Riviera Dairy Products	24,843	0.19%	-	0.00%
Ralphs Grocery Co	24,457	0.19%		0.00%
AMB Retail Income Fund Inc	-	0.00%	24,345	0.38%
Union Pacific Railroad Company	-	0.00%	19,819	0.31%
New York Times Company	-	0.00%	13,401	0.21%
1129 State Street	-	0.00%	12,546	0.20%
Watling John Trust	-	0.00%	12,136	0.19%
Towbes Michael	-	0.00%	18,804	0.29%
	$424,867	3.28%	$246,039	3.83%

(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
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%
2007	37,871	37,871	100%	-	37,871	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]
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	1.10%	1,988
2007	3,069	74,110	750	4,880	18,665	31,656	40,303	173,433	1.02%	1,939

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 146 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]
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
2007	3,069	74,110	750	1,260	76,669	0.59%	857

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 137 for property value data.

[2] Population data can be found in the Schedule of Demographic and Economic Statistics on page 146.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2007
(amounts expressed in thousands)

2006-07 Assessed Valuation	$13,763,215
Redevelopment Agency Incremental Valuation	1,820,473
Adjusted Assessed Valuation	$11,942,742

Overlapping Debt Repaid with Property Taxes	**Debt Outstanding**	**Estimated Percentage Applicable[1]**	**Estimated Share of Overlapping Debt**
Santa Barbara School Districts	$91,860	100%	$91,860
Total overlapping debt repaid with property taxes	$91,860		$91,860
Direct and Overlapping General Obligation Debt			
Santa Barbara County General Fund Obligations	$63,465	21%	$13,377
City of Santa Barbara Certificates of Participation	4,650	100%	4,650
Total direct and overlapping general obligation debt	$68,115		$18,027
Total direct and overlapping debt			$109,887
Ratio to 2006-07 Assessed Valuation			
Total direct and overlapping debt			0.80%

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 424,425 population, 21% (or 89,456) 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									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Assessed valuation	$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	$13,763,215
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$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	$3,440,804
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	$261,384	$281,907	$299,506	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748	$516,121
Total net debt applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal debt margin	$261,384	$281,907	$299,506	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748	$516,121
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
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	3,766	1.71
2007	30,477	20,170	10,307	480	246	14.20	12,559	9,320	3,239	545	808	2.39	16,831	5,350	3,557	1.89

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]
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	4.2%
2001	91,429	12,911	32,297	3.9%
2002	90,696	13,107	32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,389	38,313	4.1%
2006	89,548	16,231	40,486	4.0%
2007	89,456	16,968	42,385	4.2%

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

Sources:
(1) California Department of Finance, Demographic Research Unit
(2) U.S. Department of Commerce, Bureau of Economic Analysis
(3) California Employment Development Department

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

	Fiscal Year 2007		Fiscal Year 1998	
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	9,501	17.53%	8,660	17.39%
County of Santa Barbara	4,214	7.77%	4,285	8.60%
Santa Barbara Cottage Hospital	2,518	4.65%	1,712	3.44%
Santa Barbara City Community College	2,360	4.35%	1,675	3.36%
Raytheon/ E-Systems	1,633	3.01%	783	1.57%
Santa Barbara School District Admin.	2,968	5.48%	920	1.85%
Sansum-Santa Barbara Medical Foundation Clinic	1,100	2.03%	N/A	N/A
City of Santa Barbara	1,069	1.97%	948	1.90%
U. S. Postal Service	833	1.54%	1,083	2.17%
Santa Barbara Bank & Trust	900	1.66%	735	1.48%
	27,096	49.99%	20,801	41.77%

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 Four Fiscal Years

	Full-time Equivalent Employees as of June 30			
Function	**2004**	**2005**	**2006**	**2007**
Administration	111	111	107	110
Public safety	343	343	333	329
Public works	135	138	142	142
Community services	135	135	134	137
Community development	84	85	88	88
Water	59	56	60	64
Wastewater	55	55	53	53
Airport	50	51	53	53
Waterfront	46	46	46	46
Parking	31	31	32	34
Golf course	12	12	13	13
Total	1,061	1,063	1,061	1,069

Source: City's Human Resources Department

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

Function	Fiscal Year 2006	Fiscal Year 2007
Police		
Criminal citations issued	1,990	2,209
Parking citations	64,300	54,928
Street sweeping citations	35,392	32,065
Fire		
Number of calls received	7,302	7,441
Engine company fire inspections	946	1334
Public works		
Street resurfacing (miles)	75	70
Tons of debris collected by street sweepers	1,056	1,545
Community services		
Facility permits processed	870	982
Library items checked out	726,375	740,703
Community development		
Building inspections completed	14,400	12,909
Total permits issued	3,000	2,478
Water		
Million gallons water treated	7,790	7,424
Percent of drinking water regulations met	100%	100%
Wastewater		
Million gallons waste water treated	3,100	2,774
Miles of wastewater collection system pipes cleaned	200	202
Percent of discharge requirements met	99%	100%
Airport		
Total number of annual passengers	858,352	832,396
Annual tons of airfreight	3,019	3,053
Waterfront		
Number of lease contracts managed	58	60
Number of parking permits distributed	677,731	720,184
Parking		
Vehicles parked in city lots	4,042,042	4,414,764
Golf course		
Rounds of golf	76,600	78,532

Source: Various City Departments

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

Function	Fiscal Year 2006	Fiscal Year 2007
Police		
Stations	1	1
Fire		
Stations	8	8
Public works		
Streets (miles)	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382
Community services		
Parks acreage	1,765	1,765
Parks	59	59
Swimming pools	2	2
Tennis courts	34	34
Community buildings	8	8
Libraries	2	2
Number of volumes (books, periodicals, tapes, etc.)	770,000	720,000
Water		
Number of reservoirs	14	14
Number of pump stations	12	12
Number of treatment plants	2	2
Number of wells	9	9
Wastewater		
Number of treatment plants	1	1
Number of lift stations	10	10
Airport		
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280
Waterfront		
Number of harbor slips	1,133	1,133
Parking		
Number of parking structures and lots	14	14
Number of parking spaces	3,595	3,595

Source: Various City Departments