



**FINANCE DEPARTMENT**

**FISCAL YEAR 2022**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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March 14, 2023

# Agenda

1. Background
2. Government Wide Financial Statements
3. General Fund
4. Enterprise Funds
5. Audit Requirements & Results
6. Questions, Public Comment, & Discussion

# BACKGROUND

# What is the ACFR?

- Annual Comprehensive Financial Report prepared in accordance with national accounting & financial reporting standards (“GAAP”)
  - *Presents the City’s financial condition & results of operations as a whole & for individual funds*
- It is “comprehensive” because it includes information not required by financial reporting regulations
  - *Qualifies the document for GFOA’s award program*
  - *Provides additional transparency of City finances*

**GFOA** – Government Finance Officers Association  
**GAAP** – Generally Accepted Accounting Principles

# Why is the ACFR Important?

City Charter  
requires an annual  
financial report

Audited  
by an  
independent CPA

Required by  
State law

Important when  
issuing debt

Communicates  
important  
financial information  
to the public

# GFOA Award

- Certificate of Achievement for Excellence in Financial Reporting
  - “Beyond Minimum Requirements”
  - “Spirit of Transparency & Full Disclosure”
  - “Clearly Communicates Financial Story”
  - “Motivate potential users to read the ACFR”



**34<sup>th</sup> Year the City has received this award**

*“Highest form of recognition in the area of governmental accounting and financial reporting, a significant accomplishment by a government and its management.”*



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Santa Barbara  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# Layout & Content

## Introductory Section

- *Transmittal Letter*
- *Information about the City Organization*

## Financial Section

- *Independent Auditors' Report*
- *Management's Discussion & Analysis*
- *Basic Financial Statements & Notes*

## Statistical Section

- *Ten-Year Financial Trend Information*
- *Various Financial Data & Demographic Information*

City of  
**SANTA BARBARA**  
CALIFORNIA



**Annual Comprehensive Financial Report**

Fiscal Year Ended June 30, 2022

ACFR Reports: [www.SantaBarbaraCA.gov/Budget-Reports](http://www.SantaBarbaraCA.gov/Budget-Reports)

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

# Financial Highlights

- Government-wide Statements
- Fund Financials
  - *Governmental (General Fund, Measure C, special revenue, others)*
  - *Proprietary Funds (Internal Service & Enterprise)*
  - *Fiduciary Funds*
- Major highlights
  - *Net position increased approx. \$85.6 million from prior year*
  - *Revenues grew 9.5% when comparing prior year for govt. activities*
    - *Sales & Use, Property, Transient Occupancy, & Utility taxes all saw growth*
  - *Economic recovery continues through FY 2022*
  - *General Fund's fund balance increased 33.1% when comparing the prior year*



# Statement of Net Position

Table 1  
**Statement of Net Position**  
As of June 30, 2022 and 2021  
in (000's)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current and other Assets	\$ 267,948	\$ 225,933	\$ 254,573	\$ 187,286	\$ 522,521	\$ 413,219
Capital Assets, Net	520,185	501,835	578,652	580,122	1,098,837	1,081,957
Total Assets	<b>788,133</b>	<b>727,768</b>	<b>833,225</b>	<b>767,408</b>	<b>1,621,358</b>	<b>1,495,176</b>
Deferred Outflows of Resources:	59,478	57,339	9,601	9,884	69,079	67,223
<b>Liabilities:</b>						
Current and other Liabilities	56,702	50,493	36,589	30,546	93,291	81,039
Noncurrent liabilities	274,894	368,754	203,368	239,768	478,262	608,523
Total Liabilities	<b>331,596</b>	<b>419,248</b>	<b>239,957</b>	<b>270,314</b>	<b>571,554</b>	<b>689,562</b>
Deferred Inflows of Resources:	108,638	3,534	55,723	345	164,361	3,879
<b>Net Position:</b>						
Net investment in capital assets	518,120	498,799	398,278	391,224	916,398	890,023
Restricted	105,464	97,387	5,663	5,662	111,126	103,049
Unrestricted	(216,208)	(233,861)	143,205	109,747	(73,002)	(124,114)
Total Net Position	<b>\$ 407,376</b>	<b>\$ 362,325</b>	<b>\$ 547,146</b>	<b>\$ 506,634</b>	<b>\$ 954,523</b>	<b>\$ 868,958</b>

# GASB 87 – Leases

- New lease standard implemented in FY2022
- Single model for lease accounting (right to use an underlying asset)
- Statement of Net Position Impacts:
  - *Lessor: Lease Receivable of \$43M & Deferred Inflows of \$42.1M*
  - *Lessee: Right of Use Asset of \$2.5M & Lease Payable of \$2.2M*
- Lessor & Lessee 119 leases in the City apply to this standard (1,477 total)
  - *53 Waterfront*
  - *45 Airport*
  - *11 Public Works*
  - *10 Other Departments*
- GASB 96 for IT subscription-based software for FY2023



# Statement of Activities

<b>Governmental Functions / Programs</b>	<b>Expenses</b>	<b>Revenue</b>	<b>Net</b>	<b>Subsidy</b>
Administration	\$ 19,176,420	\$ 12,366,378	\$ (6,810,042)	36%
Public Safety	90,004,343	9,451,928	(80,552,415)	89%
Public Works	37,767,154	30,932,013	(6,835,141)	18%
Community Services	24,966,519	8,724,231	(16,242,288)	65%
Community Development	15,484,695	15,593,349	108,654	-1%
Sustainability & Resilience	109,765	-	(109,765)	100%
<b>Total Governmental Activities</b>	<b>\$ 187,508,896</b>	<b>\$ 77,067,899</b>	<b>\$ (110,440,997)</b>	<b>59%</b>

<b>General revenues:</b>	
Taxes	\$ 154,817,130
Other	3,368,488
Transfers	-2,693,115
<b>Total</b>	<b>\$ 155,492,503</b>
Net position at beginning of fiscal year (as restated)	\$ 362,324,692
Net position at end of fiscal year	407,376,198
<b>Change in Net Position</b>	<b>\$45,051,506</b>

# INDIVIDUAL FUND FINANCIAL STATEMENTS

## GENERAL FUND

# General Fund – Balance Sheet

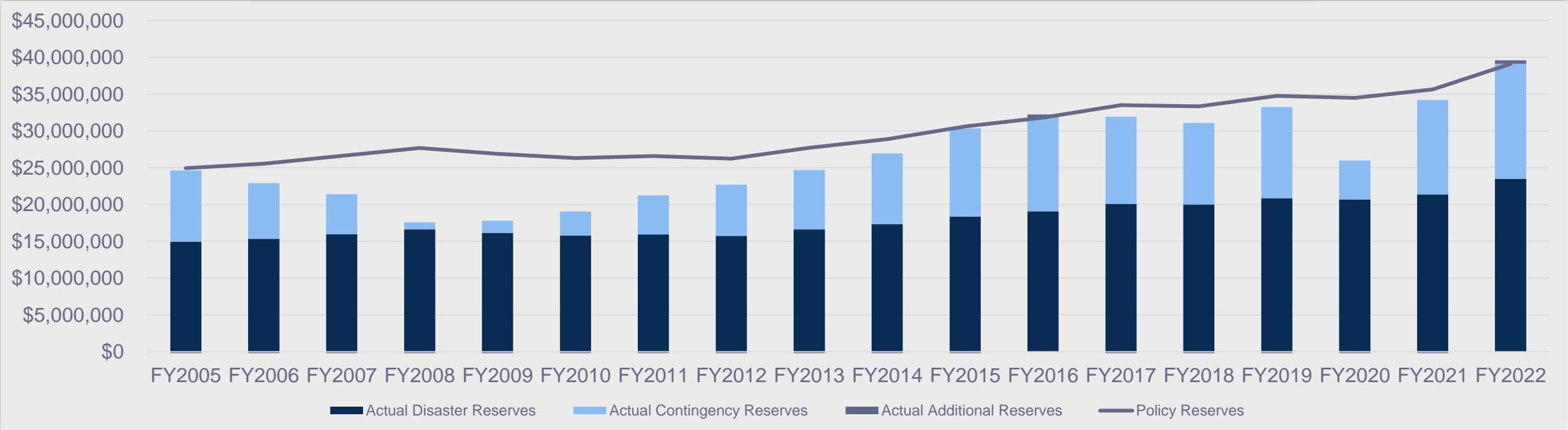
<b>Assets</b>		<b>Liabilities</b>	
Cash & investments	\$37,797,377	Accounts payable	\$ 2,727,252.00
Receivables	17,307,342	Salaries & benefits payable	4,715,492
Loans receivable	118,353	Unearned revenues	9,110,055
Interest receivable	624,630	Deposits	437,532
Prepaid assets	121,676	<b>Total liabilities</b>	<b>\$ 16,990,331</b>
Leases (Current & Non-Current)	4,291,989		
Due from Other Governments	16,248	<b>Deferred Inflow of Resources</b>	<b>\$ 4,593,680</b>
Due from other funds	10,346,824		
Advances to other funds	2,527,707	<b>Fund Balances</b>	
		Non-spendable	7,059,725
		Restricted	2,503,742
		Committed	39,126,117
		Unassigned	2,878,551
		<b>Total fund balances</b>	<b>\$51,568,135</b>
<b>Total assets</b>	<b>\$73,152,146</b>	<b>Total liabilities &amp; fund balances</b>	<b>\$ 73,152,146</b>

# General Fund – Revenue & Expenditure Summary

	Adopted Budget	Revised Budget	Actual	Variance to Revised Budget
Revenue (including Transfers)	\$168,607,156	\$187,224,581	\$195,045,567	(\$7,820,986)
Expenditures (including Transfers)	169,493,611	193,255,913	182,211,746	\$11,044,167
<b>Excess (deficiency)</b>	<b>\$ (886,455)</b>	<b>\$ (6,031,332)</b>	<b>\$ 12,833,821</b>	<b>\$ (18,865,153)</b>
Fund balance, beginning			38,734,314	
<b>Fund balance, ending</b>			<b>51,568,135</b>	
<b>Change in Fund balance</b>			<b>\$12,833,821</b>	

# General Fund Reserves

	Per Policy	Actual	Difference
Disaster 15%	\$23,475,670	\$23,475,670	\$0
Contingency 10%	15,650,447	15,650,447	0
Additional Reserves	0	464,613	464,613
<b>Reserves at June 30, 2022</b>	<b>\$39,126,117</b>	<b>\$39,590,730</b>	<b>\$464,613</b>



# INDIVIDUAL FUND FINANCIAL STATEMENTS

## ENTERPRISE FUNDS

# Enterprise Funds – Net Position

Enterprise Fund	Assets	Liabilities	Deferred Inflows & Outflows	Net Position	Change from FY2021
Water	\$371,212,457	\$113,439,128	(\$2,753,329)	\$255,020,000	↑
Wastewater	\$135,658,796	\$48,516,841	(\$2,411,040)	\$84,730,915	↑
Airport	\$208,773,010	\$39,163,170	(\$20,396,934)	\$149,212,906	↑
Waterfront	\$58,267,761	\$21,374,243	(\$17,535,150)	\$19,358,368	↑
Solid Waste	\$11,972,315	\$5,227,296	(\$424,939)	\$6,320,080	↑
Downtown Parking	\$41,524,867	\$4,080,595	(\$1,994,515)	\$35,449,757	↓
Golf	\$6,616,231	\$2,943,953	(\$557,251)	\$3,115,027	↑
Clean Energy	\$6,239,392	\$7,715,535	(\$48,375)	(\$1,524,518)	↓

# Enterprise Funds – Income Statement

Enterprise Fund	Revenues	Expenditures	Net Income/(Loss)
Water	\$78,383,240	\$50,033,547	\$28,349,693
Wastewater	\$25,396,104	\$21,844,488	\$3,551,616
Airport	\$32,373,417	\$26,978,743	\$5,394,674
Waterfront	\$17,667,393	\$14,051,427	\$3,615,966
Solid Waste	\$34,141,047	\$29,833,784	\$4,307,263
Downtown Parking	\$8,300,056	\$8,944,635	(\$644,579)
Golf	\$4,164,251	\$3,340,695	\$823,556
Clean Energy	\$14,721,439	\$16,021,442	(\$1,300,003)

# Enterprise Funds – Reserves

Enterprise Fund	Fund Balance	Reserve Requirement	Total Reserves	Available Reserves	Change from FY2021
Water	\$255,020,000	\$32,648,426	\$47,754,590	\$15,106,164	↑
Wastewater	\$84,730,915	\$11,112,046	\$11,770,167	\$658,121	↓
Airport	\$149,212,906	\$7,632,879	\$13,036,792	\$5,403,913	↑
Waterfront	\$19,358,368	\$3,932,918	\$8,140,124	\$4,207,206	↑
Solid Waste	\$6,320,080	\$5,174,504	\$7,616,144	\$2,441,640	↑
Downtown Parking	\$35,449,757	\$2,784,756	\$2,843,199	\$58,443	↓
Golf	\$3,115,027	\$969,828	\$2,515,891	\$1,546,063	↑
Clean Energy	(\$1,524,518)	\$8,306,226	(\$1,388,766)	(\$9,694,992)	↑

# AUDIT REQUIREMENTS & RESULTS

# Audit Process

CLA has been engaged by the City to perform a financial audit & to assist in preparing your annual Audited Financial Statements (ACFR).

# Audit Procedures Performed

- Planned & performed the audit to obtain **reasonable** rather than absolute assurance about whether the financial statements are free of material misstatement
  - Examined, on a **test basis**, evidence supporting the amounts & disclosures in the financial statements
- Obtained an understanding of the City & its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements

# Reports Issued

- Independent Auditors' Report
  - Page 13 of the ACFR
- GAS Letter (Internal Control Letter)
  - No comments in fiscal year 21/22
- Agreed-Upon-Procedures related to the City's calculation of the GANN limit
- Communication with those charged with governance
- Airport Passenger Facility Charge Fund Compliance Report
- California Law Enforcement Telecommunications System/Message Switching System (CLETS)

# Audit Opinion

- Opinions
- Basis for opinions
- Change in accounting principle
- Responsibilities of management for the financial statements
- Auditors' responsibilities for the audit of the financial statements
- Required supplementary information
- Supplementary information
- Other information
- Other reporting required by Government Auditing Standards

# Major Take-aways & Next Steps

Strong  
net position &  
internal controls

General fund  
revenues have  
recovered from  
pandemic

Pension &  
OBEP liabilities  
are growing

Self-Insurance  
Fund is still  
underfunded

Significant  
capital  
investment

Focus on  
reserves  
management

Planning for  
FY2023  
Quarter 3  
Review

Preparing for  
FY2024 &  
FY2025  
Budget Cycle

# Recommendation

That Finance Committee recommend that the City Council accept the Annual Comprehensive Financial Reports for the Fiscal Year ended June 30, 2022.



# QUESTIONS, PUBLIC COMMENT, & DISCUSSION