



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 15, 2015

**TO:** Mayor and Council members

**FROM:** Accounting Division, Finance Department

**SUBJECT:** Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2015

**RECOMMENDATION:** That Council:

- A. Receive a report from staff on the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015; and
- B. Accept the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

### **DISCUSSION:**

Pursuant to City Charter, Finance Department staff has prepared the City's annual financial statements for the fiscal year ended June 30, 2015. Each year, financial statements are prepared to report on the financial condition of the City as a whole, as well as individual funds/operations that are included within the City's operations.

While only certain financial statements and schedules are required by state law and the City Charter, other information and elements are needed to be considered for an award for excellence in financial reporting from the Government Finance Officers Association (GFOA), which recognizes the highest standards of financial reporting. As such, the expanded financial statements and other information included in the report are collectively referred to as a Comprehensive Annual Financial Report (CAFR). In addition to allowing the CAFR to be considered for the GFOA award for financial reporting, the financial statements are expanded to enable the community and other interested parties to obtain a better and more complete understanding of the City's finances and operations.

The financial statements were audited by the independent public accounting firm of Lance, Soll & Lunghard, LLP (LSL), whose unmodified opinion is included within the financial section of the report. An unmodified opinion indicates that the financial statements present fairly the financial position of the City of Santa Barbara as of June 30, 2015, and the results of operations, in accordance with generally accepted

accounting principles. As part of the audit, LSL also reviewed and performed tests of the City's internal accounting control procedures to determine if there are any material weaknesses or instances of non-compliance. Based on the audit, no instances of non-compliance or material weaknesses were noted.

The CAFR is divided into three major sections: the introductory section, the financial section, and the statistical section. The introductory section includes the letter of transmittal, a directory of City officials, and an organizational chart. The financial section includes the independent auditors' report (as noted above), management's discussion and analysis (MD&A), and the financial statements, including notes. The statistical section includes financial trend information as well as demographic information about the City.

Staff will present the CAFR to the Finance Committee just prior to the Council's afternoon session. A representative from LSL will be present to provide the Finance Committee and Council with a summary of the audit and the results thereof.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, is available for review in the City Clerk's Office. An electronic version of the CAFR will be available no later than December 17, 2015 on the City's website at [www.SantaBarbaraCA.gov/CAFR](http://www.SantaBarbaraCA.gov/CAFR).

**PREPARED BY:** Jennifer Tomaszewski, Accounting Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA



City Council Presentation  
Comprehensive Annual Financial Report ("CAFR")  
Fiscal Year Ended June 30, 2015



# PRESENTATION OUTLINE

- ◆ Background
- ◆ Financial Highlights
- ◆ Key Footnote Disclosures
- ◆ Audit Requirements and Results



# BACKGROUND

# BACKGROUND

## Acknowledgements

- ◆ *Lynne Sparks, Accounting Supervisor*
- ◆ *Doug Smith, Senior Accountant*
- ◆ *James Hamilton, Senior Accountant*
- ◆ *Audit staff*

# BACKGROUND

## What is a CAFR?

- ◆ It is an annual financial report prepared in accordance with nationally recognized accounting and financial reporting standards (“GAAP”)
  - Presents the financial condition and results of operations of the City as a whole and 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 the reader more information about the City’s finances

# BACKGROUND

## Why is a CAFR Prepared?

- ◆ City Charter requires the preparation of an annual financial report that is audited by an independent CPA
- ◆ Required by State law
- ◆ Important in issuing bonds
- ◆ Communicates important financial information to the public about the City's finances



# FINANCIAL HIGHLIGHTS

# FINANCIAL HIGHLIGHTS

- ◆ GASB Statement No. 68 Impacts
- ◆ Government Wide Statements
- ◆ Individual Funds
  - General Fund
  - Self Insurance Fund/Other Post Employment Benefits (OPEB) Fund
- ◆ Key Footnote Disclosures

# New GASB Pronouncement

- ◆ **GASB Statement No. 68 - Accounting and Financial Reporting for Pensions**
  - Adopted in June 2012; effective fiscal year 2015
  - Key Changes:
    - Unfunded liabilities of pension obligation now reported as a liability on financial statements (rather than footnote disclosure)
    - Net Pension Liability reported on balance sheet = liabilities minus fair value of assets (not actuarial value of assets)
    - Additional required disclosures

# GOVERNMENT-WIDE STATEMENTS

## Statement of Net Position at 6/30/2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current and other	\$ 151,791,895	\$ 119,035,977	\$ 270,827,872
Capital assets, net	381,912,616	484,241,469	866,154,085
Total assets	533,704,511	603,277,446	1,136,981,957
<b>Deferred Outflows of Resources</b>	18,195,449	5,342,902	23,538,351
<b>Liabilities</b>			
Current liabilities	15,106,569	13,990,844	29,097,413
Net Pension Liability	198,435,613	39,587,047	238,022,660
Other Non-current liabilities	43,599,608	152,891,520	210,481,972
Total liabilities	242,035,221	206,469,411	448,504,632
<b>Deferred Inflows of Resources</b>	37,297,144	7,985,918	45,283,062
<b>Net Position</b>			
Net investment in capital assets	381,553,561	347,256,921	728,810,482
Restricted	81,978,655	3,793,596	85,772,251
Unrestricted	(190,964,621)	43,114,502	(147,850,119)
Total net position	\$ 272,567,595	\$ 394,165,019	\$ 666,732,614

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# GOVERNMENT-WIDE STATEMENTS

## Statement of Net Position at 6/30/2015

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current liabilities	15,106,569	13,990,844	29,097,413
<b>Net Pension Liability</b>	<b>198,435,613</b>	<b>39,587,047</b>	<b>238,022,660</b>
Other Non-current liabilities	43,599,608	152,891,520	210,481,972
Total liabilities	242,035,221	206,469,411	448,504,632

# GOVERNMENT-WIDE STATEMENTS

## Statement of Activities – FYE 6/30/2015

Functions/Programs	Expenses	Program Revenue	Net
<b>Governmental Activities</b>			
<b>Current:</b>			
Administration	\$ 17,100,207	\$ 5,258,610	\$ (11,841,597)
Public safety	65,260,188	14,057,165	(51,203,023)
Public works	29,671,738	31,207,907	1,536,169
Community services	25,376,364	13,511,183	(11,865,281)
Community development	12,077,441	7,211,023	(4,866,418)
Interest on long term debt	56,146	-	(56,146)
Total governmental activities	<u>\$ 149,542,084</u>	<u>\$ 71,245,888</u>	<u>(78,296,196)</u>
General revenues:			
			89,252,095
			6,488,507
			341,781
			-
			<u>96,082,383</u>
			17,786,187
			<u>254,781,408</u>
			<u>\$ 272,567,595</u>

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# GOVERNMENT-WIDE STATEMENTS

## Statement of Activities – FYE 6/30/2015

Functions/Programs	Expenses	Revenue	Net
<b>Business-Type Activities</b>			
<b>Current:</b>			
Water	\$ 40,409,268	\$ 35,073,430	\$ (5,335,838)
Wastewater	17,241,997	17,741,907	499,910
Airport	21,615,979	20,636,557	(979,422)
Waterfront	20,352,644	15,012,476	2,833,678
Solid Waste	20,352,644	20,827,457	474,813
Parking	8,325,414	8,455,004	129,590
Golf course	2,018,256	1,950,194	(68,062)
Total business-type activities	122,142,356	119,697,025	(2,445,331)
	General revenues:		
			1,217,551
			555,392
			(341,781)
			-
			1,431,162
			(1,014,169)
			395,179,188
			\$ 394,165,019

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# INDIVIDUAL FUNDS

## General Fund – Balance Sheet

### Assets

Cash and investments	\$	24,895,242
Receivables		8,900,505
Loans receivable		2,414,919
Prepaid assets		106,128
Due from other funds		3,573,494
		1,511,894
Advances to other funds		
		<hr/>
Total assets	\$	41,402,182

### Liabilities

Accounts payable	\$	1,400,335
Salaries and benefits payable		3,735,276
Unearned revenues		2,019,293
Deposits		979,561
		<hr/>
Total liabilities		8,134,465

### Deferred Inflows of Resources

18,828

### Fund Balances

Non-spendable		4,032,941
Restricted		2,463,817
Committed		26,574,715
Assigned		177,415
		<hr/>
Total fund balances		33,248,888

Total liabilities and fund balances	\$	41,402,182
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No capital assets  
or long-term debt

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# INDIVIDUAL FUNDS

## General Fund – Final Results

*See Page 105*

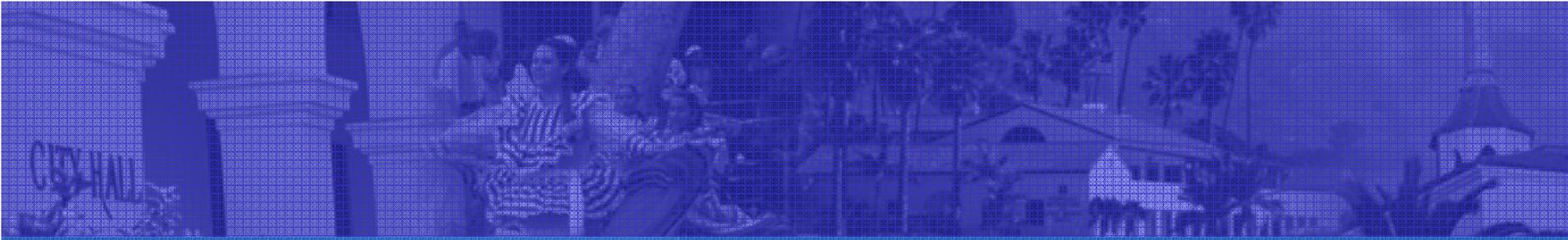
	Annual Budget	Actual	Budget Variance
Revenues (including transfers)	\$ 119,670,503	\$ 118,759,139	\$ (911,364)
Expenditures (including transfers)	121,754,041	116,431,009	5,323,032
Excess (deficiency)	(2,083,538)	2,328,130	4,411,668
Fund balance, beginning	30,920,759	30,920,759	-
Fund balance, ending	\$ 28,837,221	\$ 33,248,889	\$ 4,411,668

# INDIVIDUAL FUNDS

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## Self-Insurance Fund – Balance Sheet

	Self-Insurance Trust Fund	Post-Employment Benefits Fund	Total
<b>Assets</b>			
Cash and investments	\$ 4,821,346	\$ 81,409	\$ 4,902,755
Accounts receivable, net	1,031,388	-	1,031,388
Total assets	5,852,734	81,409	\$ 5,934,143
<b>Deferred Outflow of Resources</b>	\$ 74,987		\$ 74,987
<b>Liabilities</b>			
Accounts payable	\$ 95,742	-	\$ 95,742
Salaries and benefits payable	24,605	51,154	75,759
Compensated absences payable	28,776	-	28,776
Other post-employment (OPEB) obligation	-	16,327,000	16,327,000
Estimated claims payable	7,919,646	-	7,919,646
Net Pension Liability	739,646	-	739,646
Total liabilities	8,808,415	16,378,154	25,186,569
<b>Deferred Inflow of Resources</b>	\$ 149,209		\$ 149,209
<b>Net Position</b>			
Unrestricted	(3,029,734)	(16,296,745)	(19,326,647)
<b>Total net position</b>	<b>(3,029,734)</b>	<b>(16,296,745)</b>	<b>(19,326,647)</b>



# KEY FOOTNOTE DISCLOSURES

# FOOTNOTES

## Retirement Plans - CalPERS

### Footnote 9 (Pages 67-79)

Fiscal Year	Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
<u>Miscellaneous Plan:</u>							
2015	06/30/13	\$491,458,352	\$367,042,032	\$124,416,320	74.7%	\$50,588,886	245.9%
<u>Safety Fire Plan:</u>							
2015	06/30/13	\$170,873,668	\$124,893,048	\$ 45,980,620	73.1%	\$10,382,054	442.9%
<u>Safety Police Plan:</u>							
2015	06/30/13	\$236,288,596	\$169,228,863	\$ 67,059,733	71.6%	\$17,126,518	391.6%

# FOOTNOTES

## Retirement Plans - CalPERS

### Prior Year Market Value - FY 14

Fiscal Year	Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
<u>Miscellaneous Plan:</u>							
2014	06/30/11	\$410,437,416	\$284,306,595	\$126,130,821	69.3%	\$50,630,019	249.1%
<u>Safety Fire Plan:</u>							
2014	06/30/11	\$145,634,246	\$102,613,824	\$ 43,020,422	70.5%	\$10,171,928	422.9%
<u>Safety Police Plan:</u>							
2014	06/30/11	\$190,349,779	\$133,216,726	\$ 57,133,053	70.0%	\$15,149,486	377.1%



# RESERVES

# GENERAL FUND

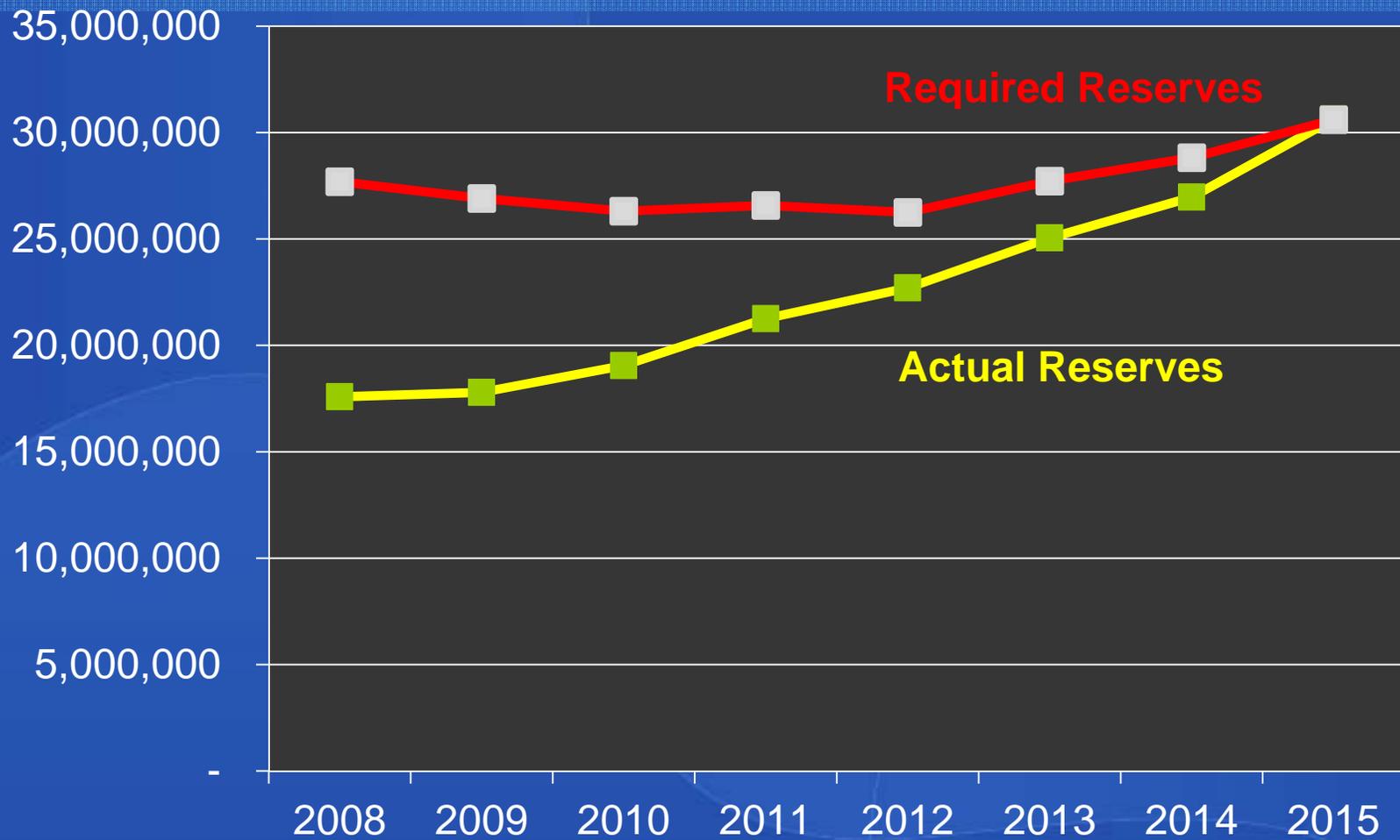
## Reserve Balances – June 30, 2015

	Per City Policy	Actual	Difference
Disaster Reserves	\$ 18,360,569	\$ 18,360,569	\$ -
Contingency Reserves	12,240,379	12,273,474	33,095
<b>Totals</b>	<b>\$ 30,600,948</b>	<b>\$ 30,634,043</b>	<b>\$ 33,095</b>

*Actual balances include allocation of \$861k million of reserves (25% of surplus) to Capital Outlay Fund*

# GENERAL FUND

## Reserve Balances – 2008 thru 2015





# AUDIT REQUIREMENTS AND RESULTS

# AUDIT REQUIREMENTS

## Objectives of the Audit

- ◆ Express an opinion as to whether the financial statements are fairly presented in conformity with GAAP.
- ◆ Review and evaluate internal control procedures.

The background of the slide features a blue-tinted image of a city scene. On the left, a building with columns is visible, with the words 'CITY HALL' partially legible. In the center and right, a group of people is gathered, and a church with a steeple is visible in the distance. The overall scene is set against a blue background with a subtle grid pattern.

# AUDIT RESULTS

- ◆ The City received an unmodified audit opinion
- ◆ No material weaknesses or significant deficiencies in internal controls



# QUESTIONS?