



HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA

ANNUAL PLAN FY 2017

ATTACHMENT D

FYE 3-31-2015 Audit

(CA076d01)

**HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA**
Santa Barbara, California

AUDIT REPORT

For the Year Ended March 31, 2015

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

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Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Santa Barbara
Santa Barbara, California

We have audited the accompanying financial statements of the Housing Authority of the City of Santa Barbara ("Authority") as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Santa Barbara, as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Santa Barbara basic financial statements. The accompanying financial information listed in the Table of Contents as Supplementary Information and the Financial Data Schedule are presented for additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

This other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information listed in the Table of Contents as Supplementary Information, the Financial Data Schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
August 11, 2015

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

As management of the Housing Authority of the City of Santa Barbara, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2015.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- Total operating revenue for all programs, net of interfund eliminations, was approximately \$41.55 million for the year. Tenant rental revenue generated approximately \$6.4 million of revenue and HUD operating grants provided approximately \$28 million.
- Total operating expenses for all programs, net of interfund eliminations, was approximately \$34.1 million. Housing assistance payments to landlords on behalf of tenants represented approximately \$20.5 million. Administrative expenses (\$4.7 million), maintenance (\$3.1 million) and tenant services (\$1.4 million) were other significant expense categories.
- The assets of the Housing Authority exceeded its liabilities at the close of the year by \$61.2 million. Of that amount, \$35.1 million was considered unrestricted net position and \$2.2 million was restricted net position. The remaining balance of \$23.9 million was net investment in capital assets.
- The Housing Authority's total net position increased by \$6.9 million (Table 1) as a result of current year activities.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements, which are comprised of the Combined Statement of Net Position, the Combined Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows. This report also includes notes to the financial statements and supplementary information.

The financial statements report information on the Authority net of interfund activity.

The *Combined Statement of Net Position* presents information on the Authority's assets, including deferred outflows of resources, and liabilities, including deferred inflows of resources, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Interfund receivables and payables of \$995,439 have been eliminated for this presentation.

The *Combined Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

The *Combined Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year.

Fund Accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are categorized as Enterprise Funds.

Enterprise Funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement which, together with the maintenance of equity, is an important financial indication.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Supplemental Information. Certain information is required to be included in this report by various federal agencies. This information is included after the notes to the financial statements under the title Supplementary Information.

Financial Analysis

As noted earlier, the Authority uses funds to help it control and manage money for particular purposes. The analysis below focuses on the net position (Table 1) and the changes in the net position (Table 3) of the Authority as a whole. The Authority's net investment in capital assets (e.g. land, buildings and improvements, furniture, equipment and machinery) represents approximately 39% of total net position. The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

Table 1, on the next page, presents a summary of changes in the Authority's statement of net position from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2015. The following is an explanation of some of the changes between fiscal years, as shown in Table 1.

- **Current assets** (net of interfund eliminations) increased approximately \$4.6 million (19.6%). Virtually all of the increase (\$4.1 million) is found in the current portion of notes receivable category which was due to the construction loans on the Villa Santa Fe tax credit project moving from a long-term receivable to current in line with the June 1, 2015 maturity date.
- **Capital assets, net of depreciation**, increased approximately \$6.6 million due to the acquisition during the year of several properties including 813 East Carrillo Street, 251 South Hope Avenue and the Grace Lutheran property at 3869 State Street. The increase in capital assets attributable to these acquisitions was partially offset by the increase in accumulated depreciation from the annual depreciation expense of approximately \$1.8 million. Table 2 on the following page provides a summary of net fixed assets by category.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

Table 1

| | <u>3/31/2014</u> | <u>3/31/2015</u> | <u>Change</u> | <u>% Change</u> |
|--|----------------------|----------------------|---------------------|-----------------|
| Current Assets | \$ 23,329,186 | \$ 27,897,473 | \$ 4,568,287 | 19.6% |
| Capital Assets, Net of Depreciation | 43,436,486 | 50,053,662 | 6,617,176 | 15.2% |
| Non-Current Assets | 18,705,085 | 14,342,617 | (4,362,468) | -23.3% |
| Total Assets and Deferred Outflows of Resources | <u>\$ 85,470,757</u> | <u>\$ 92,293,752</u> | <u>\$ 6,822,995</u> | 8.0% |
| Current Liabilities | \$ 2,605,341 | \$ 1,908,736 | \$ (696,605) | -26.7% |
| Non-Current Liabilities | 28,537,435 | 29,185,874 | 648,439 | 2.3% |
| Total Liabilities | <u>\$ 31,142,776</u> | <u>\$ 31,094,610</u> | <u>\$ (48,166)</u> | -0.2% |
| Net Position | | | | |
| Net Investment in Capital | \$ 17,362,567 | \$ 23,901,537 | \$ 6,538,970 | 37.7% |
| Restricted Net Position | 890,406 | 2,205,639 | 1,315,233 | 147.7% |
| Unrestricted Net Position | 36,075,008 | 35,091,966 | (983,042) | -2.7% |
| Net Position | <u>\$ 54,327,981</u> | <u>\$ 61,199,142</u> | <u>\$ 6,871,161</u> | 12.6% |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 85,470,757</u> | <u>\$ 92,293,752</u> | <u>\$ 6,822,995</u> | 8.0% |

- **Total liabilities** were virtually unchanged, decreasing just \$48,166 (0.2%).
- **Total net position** increased approximately \$6.9 million (12.6%) reflecting the increase in total assets, as described above, along with total liabilities remaining unchanged.

Table 2

FIXED ASSETS

| | <u>3/31/2014</u> | <u>3/31/2015</u> | <u>Change</u> | <u>% Change</u> |
|-------------------------------|----------------------|----------------------|---------------------|-----------------|
| Land | \$ 24,930,410 | \$ 32,698,753 | \$ 7,768,343 | 31.2% |
| Depreciable Capital Assets | 45,610,067 | 46,326,534 | 716,467 | 1.6% |
| Construction in progress | 145,236 | 114,668 | (30,568) | -21.0% |
| Less Accumulated Depreciation | (27,249,227) | (29,086,293) | (1,837,066) | 6.7% |
| Net Capital Assets | <u>\$ 43,436,486</u> | <u>\$ 50,053,662</u> | <u>\$ 6,617,176</u> | 15.2% |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

Table 3, below, presents a comparison of the Authority's Combined Statement of Revenues, Expenses and Change in Fund Net Position for the fiscal years ended March 31, 2014 and 2015. The following is an explanation of the changes between fiscal years as shown in the table.

Operating Revenue: Total operating revenue shows an increase of approximately \$3.2 million (8.3%) from fiscal year 2014. While tenant rent decreased modestly by \$256,684 (3.8%), HUD operating grants increased just over \$1 million (3.9%) as a result of the end of the federal budget sequestration and a Congressionally-approved funding increase for the Section 8 voucher programs. While the \$4.5 million "other operating income" from the prior fiscal year was from a \$2.8 million developer fee earned by the Authority on the Villa Santa Fe tax credit financing, most of the \$6.9 million in fiscal year 2015 was grant revenue from the donation to the Authority of the property located at 3869 State Street by Cal Lutheran.

Table 3

CHANGE IN NET POSITION

| Operating Revenues | 3/31/2014 | 3/31/2015 | Change | % Change |
|---|----------------------|----------------------|------------------------|-----------------|
| Tenant Revenue | \$ 6,684,870 | \$ 6,428,186 | \$ (256,684) | -3.8% |
| HUD Operating Grants | 27,158,496 | 28,204,819 | 1,046,323 | 3.9% |
| Other Operating Income | 4,520,245 | 6,921,399 | 2,401,154 | 53.1% |
| Total Operating Revenue | \$ 38,363,611 | \$ 41,554,404 | \$ 3,190,793 | 8.3% |
| Operating Expenses | | | | |
| Administration | \$ 4,875,818 | \$ 4,745,243 | \$ (130,575) | -2.7% |
| Utilities | 964,853 | 937,880 | (26,973) | -2.8% |
| Maintenance | 3,044,690 | 3,114,568 | 69,878 | 2.3% |
| General | 1,686,906 | 1,491,331 | (195,575) | -11.6% |
| Depreciation | 1,996,748 | 1,890,712 | (106,036) | -5.3% |
| Housing Assistance Payments | 20,976,689 | 20,494,018 | (482,671) | -2.3% |
| Tenant Services | 1,310,858 | 1,399,757 | 88,899 | 6.8% |
| Total Operating Expenses | \$ 34,856,562 | \$ 34,073,509 | \$ (783,053) | -2.2% |
| Net operating income | \$ 3,507,049 | \$ 7,480,895 | \$ 3,973,846 | |
| Non-Operating Revenue (Expenses) | | | | |
| Investment income | \$ 70,081 | \$ 82,027 | \$ 11,946 | 17.0% |
| Gain (Loss) on Disposition of Assets | 22,265,793 | 15,649 | (22,250,144) | -99.9% |
| Interest Expense | (840,930) | (741,604) | 99,326 | -11.8% |
| Capital Contributions | 208,157 | 442,436 | 234,279 | 112.5% |
| Total Non-Operating Revenue | \$ 21,703,101 | \$ (201,492) | \$ (21,904,593) | -100.9% |
| Net income | \$ 25,210,150 | \$ 7,279,403 | \$ (17,930,747) | |
| Prior period adjustment | \$ - | (408,242) | \$ (408,242) | |
| Change in net position | \$ 25,210,150 | \$ 6,871,161 | \$ (18,338,989) | |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

Operating Expenses: Overall, operating expenses remained virtually flat, decreasing just \$783,053 (-2.2%). Almost 60% of the total decrease was in the housing assistance payments category as the Authority had difficulty keeping leased-up vouchers in the very difficult and expensive Santa Barbara rental market.

There were modest reductions in the other operating expense categories as the Authority made a concerted effort to control, and reduce, costs wherever possible. The only increases are found in the maintenance and tenant services categories.

Non-Operating Revenue / (Expenses): The only material change in this category was the \$22.2 million decrease in gain on disposition of assets. This was the result of the prior-year Villa Santa Fe LIHTC financing and rehabilitation project which led to a sale of the Villa la Cumbre and SHIFCO properties as part of that transaction. The Authority had no such transaction in fiscal year 2015.

Fund Net Position Analysis

Table 4 shows a summary of the changes in net position for the individual funds making up the agency-wide financial statements.

Table 4

Net Position by Fund

| | Business Activities | Central Office Cost Center | Public Housing | Section 8 | Shelter Plus Care | SBAHG Component Unit (blended) | Elimination of Interfund Transactions | Total |
|---------------------------------|------------------------|-------------------------------|----------------------|---------------------|----------------------|---|---|----------------------|
| Net position, beginning of year | \$ 69,403,694 | \$ (319,926) | \$ 13,428,006 | \$ 3,129,387 | \$ 51,628 | \$ 317,454 | \$ (31,682,262) | \$ 54,327,981 |
| Net income (loss) | 6,219,462 | (766,663) | 178,339 | 454,419 | (5,056) | 696,067 | 502,835 | 7,279,403 |
| Prior period adjustment | - | - | - | (408,242) | - | - | - | (408,242) |
| Net position, end of year | <u>\$ 75,623,156</u> | <u>\$ (1,086,589)</u> | <u>\$ 13,606,345</u> | <u>\$ 3,175,564</u> | <u>\$ 46,572</u> | <u>\$ 1,013,521</u> | <u>\$ (31,179,427)</u> | <u>\$ 61,199,142</u> |

The following is an explanation of some of the notable changes in fund net position as shown in Table 4.

Business Activities: Net position increased a total of \$6.2 million. This was the result of a net operating income of \$6.9 million. Most of the net operating income was from the grant revenue (\$4.5 million) recognized with the receipt from Cal Lutheran of the property located at 3869 State Street. The balance was a gain on operations.

Central Office Cost Center (COCC): The COCC had a net loss of \$766,663. Virtually all of the COCC revenue is reimbursement from other Authority operations, billed on a fee-for-service basis. As has been the case for the last several years, due to procedural limitations imposed by HUD, the COCC fee-for-service billings have not been sufficient to cover the COCC's costs. The Authority has reduced COCC costs over the last three years in an attempt to bring expenses into balance with the billing revenue. While progress has been made, additional adjustments are required and more have been made. The COCC ended the fiscal year with negative net position of almost \$1.1 million. In September 2015, Authority staff will be seeking approval from its governing body to transfer up to \$1.5 million from local funds in the Business Activities Fund to restore the COCC to a positive net position.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

Public Housing: Net position increased a modest \$178,339 based on the results of operations for the year. There were no anomalies or material changes during the year.

Shelter Plus Care: The fund ended the fiscal year with a net loss of \$5,056, leaving a year-end net position of \$46,572.

Section 8: Fund net position increased overall during the fiscal year by a nominal \$46,177 and ended the fiscal year with a net position of almost \$3.2 million. As displayed in Table 4, the increase was comprised of a net income of \$454,419, offset by a prior period adjustment debit (reduction) of \$408,242.

The net income was generated because the Authority did not spend all of the HUD administrative fee grant revenue earned by the Authority to operate the program.

The prior period adjustment was the result of a repayment to HUD of unspent housing assistance payment funds disbursed to the Authority in calendar year 2013 (the Authority's fiscal year 2014). The funds were disbursed under the "Shortfall Prevention" program which was implemented by HUD in calendar year 2013 to ensure that local public housing authorities had funds available to mitigate the impact of the sequestration reductions and avoid having to terminate existing tenant rental assistance payments due to lack of funding. The Authority received \$552,072 of Shortfall Prevention set-aside funds from HUD and ended up needing only \$143,830 of those funds. The unspent balance, \$408,242, was repaid to HUD in fiscal year 2015. Because it is a material amount and attributable to a prior fiscal year, it is reported as a prior period adjustment.

Of the \$3.2 million of Section 8 net position, all but \$265,981 is unrestricted net position, which can be used at the discretion of the Authority for both administration of the Section 8 program and to fund vouchers. The \$265,981 of restricted net position may be used only to fund voucher costs and not for program administration.

Debt. The Agency's long-term debt consists of mortgage loans and notes payable. Additional detail about the long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Outlook. The Authority is primarily dependent upon the federal Department of Housing and Urban Development (HUD) for the funding of operations; therefore, the Authority is affected more by the federal budget than by state or local budgets or economic conditions. The Agency's budgets and subsidy funding requests are approved by HUD. One way in which the local economy does affect the Authority and its clients is the increasingly tight rental market in Santa Barbara. With rental housing vacancy rates under one percent, local rents, already very expensive, are continuing to rise. Higher rents mean that Section 8 voucher holders looking for a rental are having an extremely difficult time finding available apartments. It also means that the average rent subsidy per voucher is increasing as well, putting further pressure on the Authority's limited federal voucher funding.

Given the likelihood of continued downward pressure on federal spending levels, including housing programs funded by HUD, the Authority, like all housing authorities, faces the possibility of further reductions in federal funding, particularly for operating grants that support the administration of public housing and Section 8 voucher programs, as well as capital facility grants. It will be a challenge to adjust to lower federal administrative support while still operating and maintaining public housing units and administering housing vouchers under the Section 8 program in an expensive and tight rental market.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2015

Requests for Information. This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for resources it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Department at the Housing Authority of the City of Santa Barbara, 808 Laguna Street, Santa Barbara, CA 93101.

Housing Authority of the City of Santa Barbara
Santa Barbara, CA
Combined Statement of Net Position - Proprietary Fund Type
As of March 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Current Assets

| | |
|--|----------------------|
| Cash and cash equivalents | \$ 6,133,652 |
| Restricted cash and cash equivalents | 3,186,891 |
| Investments | 10,145,001 |
| Restricted investments | 298,754 |
| Accounts and notes receivable, current portion | 7,973,138 |
| Prepaid expenses and other assets | 98,155 |
| Inventory | 61,882 |
| Total Current Assets | \$ 27,897,473 |

Non-Current Assets

| | |
|--|----------------------|
| Capital assets, net of depreciation | \$ 50,053,662 |
| Accounts and notes receivable, non-current | 14,342,617 |
| Total Non-Current Assets | \$ 64,396,279 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------|------|
| Deferred outflows of resources | \$ - |
|--------------------------------|------|

| | |
|--|----------------------|
| Total Assets and Deferred Outflows of Resources | \$ 92,293,752 |
|--|----------------------|

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION

LIABILITIES

Current Liabilities

| | |
|--|---------------------|
| Accounts payable and accrued liabilities | \$ 699,057 |
| Tenant security deposits | 518,822 |
| Notes payable, current portion | 350,483 |
| Other current liabilities | 340,374 |
| Total Current Liabilities | \$ 1,908,736 |

Non-Current Liabilities

| | |
|--|----------------------|
| Notes payable, long-term portion | \$ 25,801,642 |
| Accrued other post-employment benefits | 2,461,085 |
| Other non-current liabilities | 923,147 |
| Total Non-Current Liabilities | \$ 29,185,874 |

| | |
|--------------------------|----------------------|
| Total Liabilities | \$ 31,094,610 |
|--------------------------|----------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------|------|
| Deferred inflows of resources | \$ - |
|-------------------------------|------|

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | \$ 23,901,537 |
| Restricted net assets | 2,205,639 |
| Unrestricted net assets | 35,091,966 |
| Total Net Position | \$ 61,199,142 |

| | |
|---|----------------------|
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 92,293,752 |
|---|----------------------|

See auditor's report.

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Santa Barbara

Santa Barbara, CA

Combined Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund Type

For the Year Ended March 31, 2015

Operating Revenue

| | | |
|--------------------------------|-----------|-------------------|
| Tenant rental revenue | \$ | 6,428,186 |
| HUD operating grants | | 27,950,181 |
| HUD CFP operating grants | | 254,638 |
| Other operating income | | 6,921,399 |
| Total operating revenue | \$ | 41,554,404 |

Operating expenses

| | | |
|---------------------------------|-----------|-------------------|
| Administration | \$ | 4,745,243 |
| Tenant services | | 1,399,757 |
| Utilities | | 937,880 |
| Maintenance and operations | | 3,114,568 |
| General expenses | | 1,491,331 |
| Depreciation | | 1,890,712 |
| Housing assistance payments | | 20,494,018 |
| Total operating expenses | \$ | 34,073,509 |

Net operating income

\$ 7,480,895

Non-operating revenue (expense)

| | | |
|--|-----------|------------------|
| Investment income | \$ | 82,027 |
| Gain on disposition of assets | | 15,649 |
| Interest expense | | (741,604) |
| HUD capital grants | | 442,436 |
| Net non-operating revenue (expense) | \$ | (201,492) |

Net Income

\$ 7,279,403

Net position, beginning of year **54,327,981**

Prior period adjustments **(408,242)**

Net position, end of year **\$ 61,199,142**

See auditor's report.

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Santa Barbara
Santa Barbara, California
Combined Statement of Cash Flows - Proprietary Fund Type
For the Fiscal Year Ended March 31, 2015

| | |
|--|----------------------------|
| <u>Cash flows provided by operating activities:</u> | |
| Cash received from tenants and others | \$ 7,530,691 |
| Cash paid for goods and services | (7,846,386) |
| Cash paid to employees for services | (4,436,472) |
| Housing assistance payments | (20,494,018) |
| HUD PHA grants received | 28,209,130 |
| Other government grants received | 345,367 |
| Net cash provided by operating activities | <u>3,308,312</u> |
| <u>Cash flows used by capital and related financing activities:</u> | |
| Proceeds from capital grants | 378,062 |
| Acquisition of capital assets | (3,867,888) |
| Payments of interest on notes payable | (623,632) |
| Payments of principal on notes payable | (339,766) |
| Proceeds from notes payable | 300,000 |
| Proceeds from sale of fixed assets | 15,649 |
| Net cash used by capital and related financing activities | <u>(4,137,575)</u> |
| <u>Cash flows used by investing activities:</u> | |
| Interest on investments | 82,027 |
| Purchase of investments, net | (3,053,476) |
| Disbursements for notes receivable due from other entities | (595,034) |
| Payments received on notes receivable due from other entities | 1,292,969 |
| Net cash flows used by investing activities | <u>(2,273,514)</u> |
| Net decrease in cash and cash equivalents | (3,102,777) |
| Cash and cash equivalents, beginning of year | <u>12,423,320</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 9,320,543</u></u> |
| <u>Reconciliation of operating income to net cash provided by operating activities:</u> | |
| Operating income: | \$ 7,480,895 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,890,712 |
| Donation of land | (4,640,000) |
| Increase in tenants, accounts and notes receivable - other | (835,949) |
| Increase in prepaid expenses | (38,319) |
| Increase in supplies inventory | (14,413) |
| Decrease in accounts payable, accrued liabilities and security deposits | (690,791) |
| Decrease in accrued compensated absences | (21,781) |
| Decrease in unearned revenue | (5,324) |
| Increase in other liabilities | 183,282 |
| Total adjustments | <u>(4,172,583)</u> |
| Net cash provided by operating activities | <u><u>\$ 3,308,312</u></u> |

See auditor's report.

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 1: Summary of Significant Accounting Policies:

Reporting Entity

The Housing Authority of the City of Santa Barbara ("Authority") is a public body organized in October 1969 under the laws of the State of California's Health and Safety Code. The Authority was created for the purpose of providing safe and sanitary housing for qualified economically disadvantaged and elderly individuals in areas where a shortage of such housing exists.

The Board of Commissioners of the Authority is composed of seven members and is appointed to four year terms (except for tenant commissioners who serve two year terms) by the Santa Barbara City Council ("City Council"), but the Authority designates its own management. The City Council provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the City Council, no other criteria established by Section 2100 and 2600 of the Codification of Governmental Accounting Standards Board, the Financial Accounting Standards Board, and Governmental Accounting Standards Board Statement No. 39 for inclusion of the Authority in the City of Santa Barbara's financial statements are met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

Included within the reporting entity:

Enterprise Funds:

- Authority Owned Housing
- Housing Assistance Payments Program
- Capital Fund Program
- Property Management Program
- Non-HUD Program
- Shelter Plus Care
- Santa Barbara Affordable Housing Group

Santa Barbara Affordable Housing Group (SBAHG) is a legally separate non-profit organization. The Board of Directors of SBAHG consists of the same members as the Board of Commissioners of the Authority. The SBAHG is an instrumentality of the Authority and is fiscally dependent on the Authority. Based on the above, it has been determined that the SBAHG is a component unit of the Housing Authority and should be included in the Housing Authority's financial statements through a blended presentation.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs. Under the Low Rent Housing Assistance Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD also pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Section 8 Housing Assistance Payments Program provides rental supplements to the owners of existing private housing who rent to qualified individuals. The Authority processes all applicants for the Section 8 Housing Assistance Payments Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the program, up to a per unit limit established in the annual contributions contract.

The Authority's capital funds are received from the Federal Government through a formula driven computation. These funds are used to upgrade the facilities at various developments to give the residents a decent and safe living environment. Each year's grant funds must be entirely obligated within two years of inception of the grant and entirely expended within four years.

Basis of Presentation

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, net position, revenues and expenses.

The Authority accounts for its operation in one fund type, the enterprise fund, that reflects the business type activities of the Authority. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Housing Authority of the City of Santa Barbara maintains one enterprise fund which includes the following programs: the Low Rent Housing Program, Section 8 Housing Assistance Payments Program (Housing Choice Voucher), Capital Fund Program, Shelter Plus Care Program, Non-HUD Program (Business Activities), Central Office Cost Center (COCC), and a blended component unit (SBAHG).

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statement of net position. Enterprise fund type equity (i.e., net total assets) is segregated into net investment in capital assets, restricted net position and unrestricted net position components. Operating activities for this fund present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. Operating income reported includes rental income, other tenant charges, operating grants and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first.

As permitted, the Authority has elected to apply only the applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its operations.

Budgetary Data

The Authority maintains budgetary controls over its fund, as required by the terms of the Authority's annual contributions contract with HUD. The Authority determined that all revenues and expenses were in accordance with the program budgets. The budgets were prepared on the modified accrual basis of accounting.

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations and the California Government Code. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Deposits and Investments (Continued)

3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Fair Value of Financial Instruments

The carrying amount of the Authority's financial instruments at March 31, 2015, including cash, investments, accounts receivable, accounts payable, and notes payable closely approximates fair value.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition. Assets are depreciated on a straight-line basis over the following years:

| | |
|---|-----------|
| Buildings | 30 years |
| Site improvements, building modernization & rehabilitation | 10 years |
| Furniture, equipment and vehicles | 5-7 years |

The Authority capitalizes purchases with an initial cost that exceeds \$5,000 and a useful life greater than one year.

Unearned Revenue

Unearned revenues (included in Other Current Liabilities) consist of \$109,992 in rental payments made by tenants in advance of their due date.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Net Position

Net Investment in Capital Assets represents funds received for development and modernization of the Authority's dwelling units. Capital assets purchased through operations and grant programs are included in this amount.

Restricted Net Position represents the difference between the assets and liabilities that are constrained in use by creditors or by grantors, contributors, or laws or regulations of governments. The Authority's restricted net position is comprised primarily of cash and investments that are held for use in the HCV and Section 8 – Mainstream programs as well as other programs.

Unrestricted Net Position represents the assets remaining after deducting liabilities, net investment in capital assets and restricted net position. It provides a basis of assessing the liquidity and financial flexibility of the Authority.

Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to federal or state income taxes. SBAHG is a tax-exempt non-profit and is not subject to federal and state income taxes.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

NOTE 2: Stewardship, Compliance, and Accountability

The Authority believes it has met its responsibilities regarding stewardship, compliance and accountability for its fund.

NOTE 3: Deposits and Investments

The Authority's deposits include deposits with financial institutions. The carrying amount of the Authority's deposits for cash and investments, including restricted amounts, was \$19,764,298. All deposits and certificates of deposit are secured by the Authority's financial institutions with F.D.I.C. coverage and securities pledged in the entity's name.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 3: Deposits and Investments (Continued)

The Authority's cash and investments consist of checking, money market, certificates of deposits, corporate bonds, mutual bond funds, and government securities. The Authority's checking and money market bank accounts are short-term highly liquid investments that are considered cash and cash equivalents. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Changes in fair value that occur during a fiscal year are recognized as investment income for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments.

Investments are stated at fair value and consist of the following:

| | |
|---------------------------|----------------------|
| Certificates of deposit | \$ 2,984,464 |
| Brokerage money funds | 2,485,244 |
| Municipal bonds | 804,111 |
| Corporate bonds | 1,841,525 |
| Mutual funds (bond funds) | 2,164,718 |
| Non-U.S. corporate bonds | 163,693 |
| Total | <u>\$ 10,443,755</u> |

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Authority's debt investments ratings at March 31, 2015 are presented below:

| <u>Related Debt Investments</u> | <u>Fair Value</u> | <u>Quality Ratings</u> | | | | |
|---------------------------------|---------------------|------------------------|-------------------|-------------------|-------------------|---------------------|
| | | <u>AA</u> | <u>A</u> | <u>BBB</u> | <u>SP-1+</u> | <u>Unrated</u> |
| Corporate bonds | \$ 2,005,217 | \$ 661,057 | \$ 993,192 | \$ 350,968 | \$ - | \$ - |
| Municipal bonds | 804,111 | 669,111 | - | - | 135,000 | - |
| Mutual funds (bonds) | 2,164,719 | - | - | - | - | 2,164,719 |
| Total | <u>\$ 4,974,047</u> | <u>\$ 1,330,168</u> | <u>\$ 993,192</u> | <u>\$ 350,968</u> | <u>\$ 135,000</u> | <u>\$ 2,164,719</u> |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 3: Deposits and Investments (Continued)

Concentration of Credit Risk: More than 5 percent of the Authority's investments are in the following investments:

| | <u>Brokerage</u> <u>Money</u> | <u>Mutual</u> <u>Bond Funds</u> |
|--|----------------------------------|------------------------------------|
| Blackrock Temp Fund #24 | \$ 2,250,244 | \$ - |
| Payden Low Duration Fund #972 | - | 727,346 |
| Pimco Low Duration Fund #36 | - | 709,335 |
| Vanguard Short Term Inv Grade Adm #539 | - | 728,037 |
| Total | <u>\$ 2,250,244</u> | <u>\$ 2,164,718</u> |
| Percent of Total Investments | <u>21.55%</u> | <u>20.73%</u> |

NOTE 4: Accounts & Notes Receivable - Other

As of March 31, 2015, Accounts and Notes Receivable – Other is composed of the following:

| | |
|---|---------------------|
| Tenant Receivables (net of allowance of \$12,100) | \$ 52,300 |
| Due from HUD | 138,884 |
| A/R Other Government | 56,896 |
| El Carillo L.P. Note Receivable (interest at 6%, Matures 05/03/2017) and accrued interest | 133,307 |
| El Carillo, L.P. Note Receivable (Interest at 3%, Matures 07/13/2035) | 300,000 |
| El Carillo, L.P. Note Receivable (Interest at 3%, Matures 08/04/2035) | 250,000 |
| 1116 De La Vina Associates Receivable (Interest at 6%, Matured 04/01/2015) | 229,272 |
| Villa Santa Fe Apartments, L.P. Construction Note Receivable (Interest at 3.9%, Matured 6/1/2015) and accrued interest | 3,852,312 |
| Villa Santa Fe Apartments, L.P. Permanent Note Receivable (Interest at 3.9%, Matures 4/1/2049) and accrued interest | 13,381,363 |
| Accrued interest receivable | 331,248 |
| Tax Credit Developer Fee receivable (Villa Santa Fe Apartments, L.P.) | 2,940,263 |
| Note Receivable 251 South Hope Associates LP (Interest at 3.14%, Matures 06/01/2024) | 150,000 |
| Note Receivable SB Housing Partnership IV LP (Interest at 2.91%, Matures 06/01/2024) | 100,000 |
| Other Miscellaneous Receivables | 399,910 |
| Total | <u>22,315,755</u> |
| Less Long-term Portion | <u>(14,342,617)</u> |
| Accounts & Notes Receivable - Other, Current Portion | <u>\$ 7,973,138</u> |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 5: Inter-program

At March 31, 2015, interprogram receivables and payables consisted of the following:

| Program: | <u>Receivables</u> | <u>Payables</u> |
|--------------|--------------------|-------------------|
| COCC | \$ 731,761 | \$ 7,965 |
| Low Rent | 116,365 | 342,305 |
| Section 8 | 8,526 | 132,807 |
| Non-HUD | 117,233 | 438,374 |
| Shelter Care | - | 3,515 |
| SBAHG | 21,554 | 70,473 |
| | <u>\$ 995,439</u> | <u>\$ 995,439</u> |

These inter-program transactions have been eliminated in preparing the basic financial statements.

In addition, during June 2013, 180 Public Housing AMP3 units were disposed and sold to SBAHG (blended component unit) for \$34,590,000, as approved by HUD. The Authority (Non-HUD program) financed the entire sales proceeds with a 30-year loan at an interest rate of 3% per annum, payable only from surplus cash and at the end of the 30-year term, which is secured by a deed of trust recorded on the Property. The loan balance and accrued interest at March 31, 2015 were \$34,272,546 and \$1,030,558, respectively. The change in depreciation expense using the original cost compared to the market value was \$502,836. These inter-program transactions (including the related change in fair value of land and buildings- see Note 6 below) have been eliminated in preparing the basic financial statements.

NOTE 6: Capital Assets

The capital assets (at cost) of the Housing Authority of the City of Santa Barbara at March 31, 2015 consisted of the following:

| | Balance at March 31, 2014 | Additions | Deletions | Transfers | Subtotal | Eliminations | Balance at March 31, 2015 |
|--------------------------------|------------------------------|---------------------|------------------|------------------|----------------------|------------------------|------------------------------|
| Nondepreciable capital assets: | | | | | | | |
| Land | \$ 36,986,949 | \$ 7,768,344 | \$ - | \$ - | \$ 44,755,293 | \$ (12,056,540) | \$ 32,698,753 |
| Construction in progress | 145,236 | 442,436 | - | (473,004) | 114,668 | - | 114,668 |
| | <u>37,132,185</u> | <u>8,210,780</u> | <u>-</u> | <u>(473,004)</u> | <u>44,869,961</u> | <u>(12,056,540)</u> | <u>32,813,421</u> |
| Depreciable capital assets: | | | | | | | |
| Buildings and improvements | 63,924,360 | 143,548 | - | 429,322 | 64,497,230 | \$ (19,629,384) | \$ 44,867,846 |
| Furniture, equipment, vehicles | 1,717,291 | 153,561 | (459,507) | 43,682 | 1,455,027 | \$ 3,661 | \$ 1,458,688 |
| | <u>65,641,651</u> | <u>297,109</u> | <u>(459,507)</u> | <u>473,004</u> | <u>65,952,257</u> | <u>(19,625,723)</u> | <u>46,326,534</u> |
| Accumulated Depreciation: | | | | | | | |
| Buildings and improvements | (26,122,764) | (2,300,560) | - | - | (28,423,324) | \$ 502,836 | \$ (27,920,488) |
| Furniture, equipment, vehicles | (1,532,324) | (92,988) | 459,507 | - | (1,165,805) | - | \$ (1,165,805) |
| | <u>(27,655,088)</u> | <u>(2,393,548)</u> | <u>459,507</u> | <u>-</u> | <u>(29,589,129)</u> | <u>502,836</u> | <u>(29,086,293)</u> |
| Total Capital Assets, net | <u>\$ 75,118,748</u> | <u>\$ 6,114,341</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 81,233,089</u> | <u>\$ (31,179,427)</u> | <u>\$ 50,053,662</u> |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 7: Notes Payable

| | Note Balance | Accrued Interest | Total Due |
|--|-----------------|---------------------|--------------|
| <u>Non- HUD Program</u> | | | |
| Loan agreement, secured by a deed of trust, payable to the Redevelopment Agency of the City of Santa Barbara, interest at 0% through June 2011 (thereafter 3%). Beginning with the project year beginning with January 1, 2015 and ending December 31, 2015, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable July 1, 2066. Secured by real property. | \$ 4,800,000 | \$ 351,671 | \$ 5,151,671 |
| Mortgage revenue secured note payable to Santa Barbara Bank & Trust (Union Bank), dated July 11, 2003, with an interest rate of 4.375% (through September 2013). Interest rate adjusted to 2.72% in September 2013 and in September 2023 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$41,690 until September 2013 when it changed to \$16,699. All unpaid principal and interest is due and payable September 1, 2033. Secured by real property. | 2,900,356 | - | 2,900,356 |
| Mortgage revenue secured note payable to Santa Barbara Bank & Trust (Union Bank), dated October 1, 2008, with an interest rate of 4% (through November 2018). Interest rate adjusted in November 2018 and in November 2028 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$7,639. All unpaid principal and interest is due and payable November 1, 2038. Secured by real property. | 1,398,214 | - | 1,398,214 |
| Mortgage revenue secured note payable to Santa Barbara Bank & Trust (Union Bank), dated October 28, 2003, with an interest rate of 4.375% (through November 2013). Interest rate adjusted to 2.875% in November 2013 and in November 2023 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$25,464 until November 2013 when it changed to \$22,307. All unpaid principal and interest is due and payable November 1, 2033. Secured by real property. | 3,850,290 | - | 3,850,290 |
| Mortgage revenue secured note payable to Wilcox Family Trust, dated November 7, 2007, with an interest rate of 5%, monthly interest only payments of \$4,000 until Nov. 1, 2017, thereafter monthly interest and principal payments of \$7,592. All unpaid principal and interest is due and payable on November 1, 2027. Secured by real property. | 960,000 | - | 960,000 |
| Mortgage revenue secured note payable to the City of Santa Barbara, dated Nov. 1, 1992, interest at 3%, due in monthly principal and interest installments of \$300. All unpaid principal and interest is due and payable Feb. 1, 2018. Secured by real property. | 9,760 | - | 9,760 |
| Loan agreement, secured by a deed of trust, payable to the Redevelopment Agency of the City of Santa Barbara, dated May 21, 2001, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable June 1, 2030. Secured by real property. | 1,284,700 | 456,627 | 1,741,327 |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 7: Notes Payable (Continued)

| | Note Balance | Accrued Interest | Total Due |
|--|-----------------|---------------------|---------------|
| Mortgage revenue secured note payable to City of Santa Barbara, dated April 1, 2000, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable June 1, 2030. Secured by real property. | 886,700 | 188,832 | 1,075,532 |
| Loan agreement, secured by a deed of trust, payable to the City of Santa Barbara, dated July 26, 2002, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable August 1, 2032. Secured by real property. | 1,775,000 | 280,273 | 2,055,273 |
| Loan agreement, secured by a deed of trust, payable to the Redevelopment Agency of the City of Santa Barbara, dated December 20, 2002, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2033. Secured by real property. | 980,000 | 299,483 | 1,279,483 |
| Loan agreement, secured by a deed of trust, payable to the Redevelopment Agency of the City of Santa Barbara, dated December 17, 2009, interest at 3%. Beginning with the project year beginning with January 1, 2028 and ending December 31, 2028, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2065. Secured by real property. | 4,000,000 | 633,205 | 4,633,205 |
| Mortgage revenue secured note payable to Dahan Trust, dated October 29, 2010, with an interest rate of 5.00%, due in monthly principal and interest installments of \$3,954. All unpaid principal and interest is due and payable on November 1, 2025. Secured by real property. | 389,314 | - | 389,314 |
| Loan agreement, secured by a deed of trust, payable to the Redevelopment Agency of the City of Santa Barbara, dated October 13, 2010, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable December 1, 2065. Secured by real property. | 360,000 | 47,700 | 407,700 |
| Promissory note payable to Garden Court, Inc., dated April 15, 2014 in the amount of \$300,000 for financing acquisition of 251 S. Hope Avenue. The note bears no interest. All unpaid principal and all accrued interest (if any) shall be due and payable in full the earlier of April 15, 2029 or the property is sold. The note is secured by a deed of trust. | 300,000 | - | 300,000 |
| | 23,894,334 | 2,257,791 | 26,152,125 |
| | (350,483) | - | (350,483) |
| Less current maturities | \$ 23,543,851 | \$ 2,257,791 | \$ 25,801,642 |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 7: Notes Payable (Continued)

| | Note Balance | Accrued Interest | Total Due |
|-------------------------------------|----------------------|---------------------|----------------------|
| Balance at March 31, 2014 | \$ 23,934,100 | \$ 2,139,819 | \$ 26,073,919 |
| Additions | 300,000 | 741,604 | 1,041,604 |
| Retirements | (339,766) | (623,632) | (963,398) |
| Balance at March 31, 2015 | 23,894,334 | 2,257,791 | 26,152,125 |
| Less current maturities | (350,483) | - | (350,483) |
| Long-term portion at March 31, 2015 | <u>\$ 23,543,851</u> | <u>\$ 2,257,791</u> | <u>\$ 25,801,642</u> |

As of March 31, 2015, the annual requirements for debt retirement are:

| Year | Principal | Interest | Total |
|--------------|----------------------|----------------------|----------------------|
| 2016 | \$ 350,483 | \$ 308,294 | \$ 658,777 |
| 2017 | 361,557 | 297,222 | 658,779 |
| 2018 | 390,504 | 285,633 | 676,137 |
| 2019 | 426,177 | 272,104 | 698,281 |
| 2020 | 440,581 | 257,700 | 698,281 |
| 2021 to 2025 | 2,437,951 | 1,053,459 | 3,491,410 |
| 2026 to 2030 | 3,171,966 | 592,007 | 3,763,973 |
| 2031 to 2035 | 6,849,378 | 4,531,951 | 11,381,329 |
| 2036 to 2040 | 305,737 | 22,928 | 328,665 |
| 2041 to 2045 | - | - | - |
| 2046 to 2050 | - | - | - |
| 2051 to 2055 | - | - | - |
| 2056 to 2060 | - | - | - |
| 2061 to 2065 | 4,000,000 | 6,600,000 | 10,600,000 |
| 2066 to 2067 | 5,160,000 | 8,514,900 | 13,674,900 |
| Total | <u>\$ 23,894,334</u> | <u>\$ 22,736,198</u> | <u>\$ 46,630,532</u> |

NOTE 8: Schedule of Changes in Other Noncurrent Liabilities:

| | March 31, 2014 | | | Net | March 31, 2015 | |
|---------------------------------|----------------------|--------------------|-------------------|---------------------------------|----------------------|--------------------|
| | Long-Term Portion | Current Portion | Net Additions | Reclassifications & Payments | Long-Term Portion | Current Portion |
| Accrued compensated absences | \$ 292,354 | \$ 97,453 | \$ 295,850 | \$ (317,631) | \$ 276,020 | \$ 92,006 |
| Accrued OPEB Liability | 2,295,657 | - | 165,428 | - | 2,461,085 | - |
| Other liabilities (FSS) | 215,000 | - | 432,127 | - | 647,127 | - |
| | <u>\$ 2,803,011</u> | <u>\$ 97,453</u> | <u>\$ 893,405</u> | <u>\$ (317,631)</u> | <u>\$ 3,384,232</u> | <u>\$ 92,006</u> |

See Note 10 for more information on the Accrued OBEP Liability.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 9: Pension Plan

The Authority provides a defined contribution pension plan (The "Plan") for eligible employees. The Board of Commissioners authorized the Authority's participation in the retirement plan. Employees who work full or part-time are eligible for participation in the Plan. Participants who reach age 55 are entitled to a benefit which can be paid in a single payment or in equal monthly payments under various payment plans available to participants. Employer contributed retirement benefits fully vest after 5 years of employment. The Authority contributes (on a monthly basis) an amount equal to 12% of each employee's annual compensation to the plan. The Authority also matches 5% of any employee deferred compensation. Contributions totaled approximately \$600,000 for the year ended March 31, 2015.

NOTE 10: Accrued OPEB Liability

For employees hired prior to April 1, 2009, the Authority provides medical coverage for employees who retire with the Authority at the age of 55 or older with 5 or more years of service or who become permanently disabled after 5 or more years of service. For employees hired after April 1, 2009, the Authority provides medical coverage for employees who retire with the Authority at the age of 55 or older with 15 or more years of service or who become permanently disabled after 15 or more years of service.

The required contribution is based on projected pay-as-you-go financing requirements. Covered employees are required to contribute premiums in excess of the \$340 per month provided by the Authority.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

| | |
|--|----------------------------|
| Annual required contribution | \$ 267,148 |
| Interest on net OPEB obligation | 91,826 |
| Adjustment to annual required contribution | <u>(91,232)</u> |
| Annual OPEB cost (expense) | 267,742 |
| Expected contributions | <u>(102,314)</u> |
| Increase in net OPEB obligation | 165,428 |
| Net OPEB obligation—beg. of year | <u>2,295,657</u> |
| Net OPEB obligation—end of year | <u><u>\$ 2,461,085</u></u> |

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 10: Accrued OPEB Liability (Continued)

Trend Information: Fiscal year ended March 31, 2009 was the year of implementation of GASBS No. 43 and GASBS No. 45.

| Year Ended | Annual OPEB Cost | Estimated Employer Contribution | Percentage Contributed | Net OPEB Obligation (Asset) |
|---------------|------------------------|---------------------------------------|---------------------------|-----------------------------------|
| 3/31/13 | \$ 513,523 | \$ 101,278 | 13% | \$ 1,874,921 |
| 3/31/14 | \$ 541,199 | \$ 120,463 | 13% | \$ 2,295,657 |
| 3/31/15 | \$ 267,742 | \$ 102,314 | 13% | \$ 2,461,085 |

Funded Status and Funding Progress. As of March 31, 2015 (the first implementation year was March 31, 2009), the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits at March 31, 2015 was \$4,009,084, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,009,084. The covered payroll (annual payroll of active employees covered by the plan) at March 31, 2015 was \$3,554,855, and the ratio of the UAAL to the covered payroll was 112.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate and a salary increase rate of 3.25% per year. The specific technique used in developing the actuarial values of assets and liabilities included developing an estimated total liability at retirement for each active employee, applying applicable trend assumption to develop an expected premium and/or benefit stream over the employee's future retirement, calculating a present value of these premiums at retirement, and allocating the present value by year over the employee's career. Amounts are allocated over the employee's career as a level percentage of payroll.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 11: Schedule of Changes in Net Position and Equity Transfers:

| | Net Investment in Capital Assets | Restricted Net Position | Unrestricted Net Position | Total |
|---|-------------------------------------|----------------------------|------------------------------|----------------------|
| Balance, beginning of year | \$ 17,362,567 | \$ 890,406 | \$ 36,075,008 | \$ 54,327,981 |
| Adjustments to restate beginning balance | - | - | (408,242) | (408,242) |
| Balance, beginning of year - restated | 17,362,567 | 890,406 | 35,666,766 | 53,919,739 |
| Increase in net position | - | - | 7,279,403 | 7,279,403 |
| Changes in net investment in capital assets | 6,538,970 | | (6,538,970) | - |
| Changes in restricted net position | - | 1,315,233 | (1,315,233) | - |
| Balance, end of year | <u>\$ 23,901,537</u> | <u>\$ 2,205,639</u> | <u>\$ 35,091,966</u> | <u>\$ 61,199,142</u> |

In November 2013, HUD provided the Authority with HCV Shortfall Prevention Funding. In February 2015, HUD conducted a reconciliation of the additional funding against the actual VMS reported HAP expenses for calendar year 2013 and determined that the Authority was overfunded by \$408,242. The Authority returned these funds during fiscal year 2015 and recorded the returned funds as a prior period adjustment.

NOTE 12: Donated Land

During the year ended March 31, 2015, the Authority received a donation of land appraised at \$4,640,000 (this is recorded in "other operating income" in the amount of \$4,543,145 which is net of closing and attorney costs). As part of the agreement with the donor and a joint developer agreement, the Authority was to receive two parcels of land. The first parcel was to be used to develop 60 affordable senior independent living units (and this parcel was appraised at \$4,640,000). The second parcel was to be conveyed to another third party entity (related to the donor) for the development of additional housing units. As the Authority did not ultimately retain an ownership interest in the second parcel (as it was to be conveyed to a third party) and as such had no value to the Authority, no revenue (or asset) is recorded in the financial statements for this second parcel.

NOTE 13: Commitments and Contingencies

Litigation

At March 31, 2015, the Authority was not a defendant to any material lawsuit. No provision was made in the financial statements for any contingent liabilities. In the opinion of management, there are no legal matters that would have a materially adverse affect on the Authority's financial position.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 14: Risk Management

The Authority carries commercial insurance against all risks of loss, including property and general liability, auto, workers' compensation, fidelity and public officials' liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The Authority participates in two joint ventures under joint powers agreements as follows:

CHWCA (California Housing Workers' Compensation Authority) – The California Housing Workers' Compensation Authority (CHWCA) is a California joint powers insurance authority established in 1991 for the purpose of providing workers' compensation coverage to California public housing authority members. CHWCA is a special district in the state of California providing its members with a comprehensive workers' compensation coverage program for the sharing of risk for self-insured losses, as well as jointly purchasing claims adjusting services, actuarial services, risk control services, and legal services connected with the program. CHWCA provides coverage for both workers' compensation and employer's liability for its Members from dollar one up to \$500,000 per occurrence. CHWCA is also a member of the Safety National Casualty Corporation for commercial excess coverage. When losses exceed the \$500,000 per occurrence limit, Safety National will provide coverage up to Statutory limits.

CHWCA is governed by a seven (7) member Executive Committee which is elected by the 33 member Board of Directors. Each of CHWCA's 33 member agencies appoint one primary and one alternate member to serve on the Board of Directors. In 2005, CHWCA formed a six (6) member Risk Management Committee, which expanded to nine (9) members, whose responsibilities include reviewing and developing risk control policies and drafting an annual Risk Control Work Plan.

The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

HARRP (Housing Authorities Risk Retention Pool) – HARRP was formed to provide property and liability insurance coverage for member housing authorities. HARRP members fully self insure their exposures without recourse to reinsurance on excess insurance.

The coverage limits are \$2 million per occurrence and in the aggregate for auto liability and \$2 million per occurrence and in the aggregate for general liability, errors and omissions liability and employment practices liability. Through the act of self-insuring its exposures, HARRP and its members maintain direct control over the adjustment, defense and settlement of the claims. HARRP purchases excess property coverage for losses exceeding \$2,000,000. As of March 31, 2015, the limit of such excess property coverage is \$45 million above the self insured coverage. There is no coverage for flood or earthquake damage.

As of March 31, 2015, there were approximately 90 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Notes to Financial Statements

March 31, 2015

NOTE 14: Conduit Type Debt

Debt related to the original acquisition and early modernization of the public housing developments was funded, guaranteed and serviced by the United States Department of HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Authority. HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

NOTE 15: Subsequent Events

The Authority has received authorization to convert all 316 units of its public housing stock into rental units with Section 8 Vouchers under HUD's Rental Assistance Demonstration (RAD) program. Management of the units will remain with the Authority. On May 21, 2015, the transition of 4 of the 316 units to project-based voucher housing under the RAD program was completed. On June 30 and July 31, 2015 an additional 35 and 54 units, respectively, were transitioned to project-based voucher rental housing under the RAD program. The Authority expects that the remaining 223 units of public housing will be transitioned to Section 8 voucher rental housing under the RAD program by the end of 2016.

Management for the primary government has evaluated subsequent events after March 31, 2015, and through August 11, 2015, the date which the financial statements were available to be issued, and no events were identified that would require recognition or disclosure within these financial statements except for the items noted above.

Housing Authority of the City of Santa Barbara
Santa Barbara, CA
Combining Statement of Net Position - Proprietary Fund Type
As of March 31, 2015

| | Business Activities | Central Office Cost Center | Public Housing |
|---|--------------------------------|---------------------------------------|---------------------------|
| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,040,858 | \$ 404,839 | \$ 1,990,267 |
| Restricted cash and cash equivalents | 2,090,446 | - | 324,289 |
| Investments | 4,087,778 | 244,000 | 2,218,925 |
| Restricted investments | 298,754 | - | - |
| Accounts and notes receivable, current portion | 7,553,655 | 37,025 | 134,871 |
| Due from other funds | 117,233 | 731,761 | 116,365 |
| Prepaid expenses | 68,222 | 12,821 | 11,046 |
| Inventory | 10,208 | 51,674 | - |
| Total Current Assets | \$ 15,267,154 | \$ 1,482,120 | \$ 4,795,763 |
| Non-Current Assets | | | |
| Capital assets, net of depreciation | \$ 38,301,503 | \$ 47,194 | \$ 9,666,426 |
| Accounts and notes receivable, non-current | 49,645,721 | - | - |
| Total Non-Current Assets | \$ 87,947,224 | \$ 47,194 | \$ 9,666,426 |
| Deferred Outflows of Resources | | | |
| Deferred Outflows of Resources | \$ - | \$ - | \$ - |
| Total Assets and Deferred Outflows of Resources | \$ 103,214,378 | \$ 1,529,314 | \$ 14,462,189 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION</u> | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 66,185 | \$ 446,130 | \$ 127,844 |
| Tenant security deposits | 231,430 | - | 213,344 |
| Notes payable, current portion | 350,483 | - | - |
| Due to other funds | 438,374 | 7,965 | 342,305 |
| Other current liabilities | 292,730 | - | 34,128 |
| Total Current Liabilities | \$ 1,379,202 | \$ 454,095 | \$ 717,621 |
| Non-Current Liabilities | | | |
| Notes payable, long-term portion | \$ 25,801,642 | \$ - | \$ - |
| Accrued other post-employment benefit liabilities | 115,583 | 2,077,986 | 87,525 |
| Other non-current liabilities | 294,795 | 83,822 | 50,698 |
| Total Non-Current Liabilities | \$ 26,212,020 | \$ 2,161,808 | \$ 138,223 |
| Total Liabilities | \$ 27,591,222 | \$ 2,615,903 | \$ 855,844 |
| Deferred Inflows of Resources | | | |
| Deferred Inflows of Resources | \$ - | \$ - | \$ - |
| Net Position | | | |
| Net investment in capital assets | \$ 12,149,378 | \$ 47,194 | \$ 9,666,426 |
| Restricted net position | 1,939,658 | - | - |
| Unrestricted net position | 61,534,120 | (1,133,783) | 3,939,919 |
| Total Net Position | \$ 75,623,156 | \$ (1,086,589) | \$ 13,606,345 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 103,214,378 | \$ 1,529,314 | \$ 14,462,189 |

See auditor's report.

| Section 8 | Shelter Plus Care | SBAHG Component Unit (blended) | Elimination Of Interfund Transactions | Total |
|----------------------------|------------------------------|---|--|-----------------------------|
| \$ 584,735 | \$ 3,382 | \$ 2,109,571 | \$ - | \$ 6,133,652 |
| 698,108 | - | 74,048 | - | 3,186,891 |
| 2,595,298 | - | 999,000 | - | 10,145,001 |
| - | - | - | - | 298,754 |
| 8,967 | 46,705 | 191,915 | - | 7,973,138 |
| 8,526 | - | 21,554 | (995,439) | - |
| 1,309 | - | 4,757 | - | 98,155 |
| - | - | - | - | 61,882 |
| <u>\$ 3,896,943</u> | <u>\$ 50,087</u> | <u>\$ 3,400,845</u> | <u>\$ (995,439)</u> | <u>\$ 27,897,473</u> |
| | | | | |
| \$ 60,633 | \$ - | \$ 33,157,333 | \$ (31,179,427) | \$ 50,053,662 |
| - | - | - | (35,303,104) | 14,342,617 |
| <u>\$ 60,633</u> | <u>\$ -</u> | <u>\$ 33,157,333</u> | <u>\$ (66,482,531)</u> | <u>\$ 64,396,279</u> |
| | | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| <u>\$ 3,957,576</u> | <u>\$ 50,087</u> | <u>\$ 36,558,178</u> | <u>\$ (67,477,970)</u> | <u>\$ 92,293,752</u> |
| | | | | |
| \$ 15,051 | \$ - | \$ 43,847 | \$ - | \$ 699,057 |
| - | - | 74,048 | - | 518,822 |
| - | - | - | - | 350,483 |
| 132,807 | 3,515 | 70,473 | (995,439) | - |
| - | - | 13,516 | - | 340,374 |
| <u>\$ 147,858</u> | <u>\$ 3,515</u> | <u>\$ 201,884</u> | <u>\$ (995,439)</u> | <u>\$ 1,908,736</u> |
| | | | | |
| \$ - | \$ - | \$ 35,303,104 | \$ (35,303,104) | \$ 25,801,642 |
| 156,875 | - | 23,116 | - | 2,461,085 |
| 477,279 | - | 16,553 | - | 923,147 |
| <u>\$ 634,154</u> | <u>\$ -</u> | <u>\$ 35,342,773</u> | <u>\$ (35,303,104)</u> | <u>\$ 29,185,874</u> |
| | | | | |
| <u>\$ 782,012</u> | <u>\$ 3,515</u> | <u>\$ 35,544,657</u> | <u>\$ (36,298,543)</u> | <u>\$ 31,094,610</u> |
| | | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| \$ 60,633 | \$ - | \$ (2,145,771) | \$ 4,123,677 | \$ 23,901,537 |
| 265,981 | - | - | - | 2,205,639 |
| 2,848,950 | 46,572 | 3,159,292 | (35,303,104) | 35,091,966 |
| <u>\$ 3,175,564</u> | <u>\$ 46,572</u> | <u>\$ 1,013,521</u> | <u>\$ (31,179,427)</u> | <u>\$ 61,199,142</u> |
| | | | | |
| <u>\$ 3,957,576</u> | <u>\$ 50,087</u> | <u>\$ 36,558,178</u> | <u>\$ (67,477,970)</u> | <u>\$ 92,293,752</u> |

Housing Authority of the City of Santa Barbara

Santa Barbara, CA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund Type

For the Year Ended March 31, 2015

| | Business Activities | Central Office Cost Center | Public Housing |
|---|--------------------------------|---------------------------------------|---------------------------|
| Operating revenue | | | |
| Tenant rental revenue | \$ 5,460,323 | \$ - | \$ 2,557,121 |
| HUD operating grants | - | - | 167,609 |
| HUD CFP operating grants | - | - | 254,638 |
| Other operating income | 8,134,916 | 2,096,852 | 348,114 |
| Total operating revenue | \$ 13,595,239 | \$ 2,096,852 | \$ 3,327,482 |
| Operating expenses | | | |
| Administration | \$ 2,189,969 | \$ 2,170,320 | \$ 731,045 |
| Tenant services | 680,265 | 89,342 | 338,223 |
| Utilities | 478,413 | 35,333 | 281,436 |
| Maintenance and operations | 1,901,407 | 149,138 | 1,220,575 |
| General expenses | 551,170 | 417,684 | 263,020 |
| Depreciation | 874,791 | 18,925 | 773,394 |
| Housing assistance payments | - | - | - |
| Total operating expenses | \$ 6,676,015 | \$ 2,880,742 | \$ 3,607,693 |
| Net operating income (loss) | \$ 6,919,224 | \$ (783,890) | \$ (280,211) |
| Non-operating revenue (expenses) | | | |
| Investment income | \$ 41,842 | \$ 1,578 | \$ 16,114 |
| Gain on disposition of assets | - | 15,649 | - |
| Interest expense | (741,604) | - | - |
| HUD capital grants | - | - | 442,436 |
| Net non-operating revenue (expenses) | \$ (699,762) | \$ 17,227 | \$ 458,550 |
| Net Income (loss) | \$ 6,219,462 | \$ (766,663) | \$ 178,339 |
| Net position, beginning of year | \$ 69,403,694 | \$ (319,926) | \$ 13,428,006 |
| Prior period adjustments | - | - | - |
| Net position, end of year | \$ 75,623,156 | \$ (1,086,589) | \$ 13,606,345 |

See auditor's report.

| Section 8 | Shelter Plus Care | SBAHG Component Unit (blended) | Elimination Of Interfund Transactions | Total |
|----------------------|------------------------------|---|--|----------------------|
| \$ - | \$ - | \$ 3,027,672 | \$ (4,616,930) | \$ 6,428,186 |
| 26,884,422 | 595,072 | 303,078 | - | 27,950,181 |
| - | - | - | - | 254,638 |
| 256,094 | 696 | 131,930 | (4,047,203) | 6,921,399 |
| <u>\$ 27,140,516</u> | <u>\$ 595,768</u> | <u>\$ 3,462,680</u> | <u>\$ (8,664,133)</u> | <u>\$ 41,554,404</u> |
| | | | | |
| \$ 1,600,320 | \$ 44,019 | \$ 292,797 | \$ (2,283,227) | \$ 4,745,243 |
| 358,535 | 570 | 9,042 | (76,220) | 1,399,757 |
| - | - | 142,698 | - | 937,880 |
| - | - | 500,646 | (657,198) | 3,114,568 |
| 181,749 | 1,619 | 76,089 | - | 1,491,331 |
| 10,105 | - | 716,333 | (502,836) | 1,890,712 |
| 24,556,229 | 554,719 | - | (4,616,930) | 20,494,018 |
| <u>\$ 26,706,938</u> | <u>\$ 600,927</u> | <u>\$ 1,737,605</u> | <u>\$ (8,136,411)</u> | <u>\$ 34,073,509</u> |
| | | | | |
| <u>\$ 433,578</u> | <u>\$ (5,159)</u> | <u>\$ 1,725,075</u> | <u>\$ (527,722)</u> | <u>\$ 7,480,895</u> |
| | | | | |
| \$ 20,841 | \$ 103 | \$ 1,549 | \$ - | \$ 82,027 |
| - | - | - | - | 15,649 |
| - | - | (1,030,557) | 1,030,557 | (741,604) |
| - | - | - | - | 442,436 |
| <u>\$ 20,841</u> | <u>\$ 103</u> | <u>\$ (1,029,008)</u> | <u>\$ 1,030,557</u> | <u>\$ (201,492)</u> |
| | | | | |
| <u>\$ 454,419</u> | <u>\$ (5,056)</u> | <u>\$ 696,067</u> | <u>\$ 502,835</u> | <u>\$ 7,279,403</u> |
| | | | | |
| \$ 3,129,387 | \$ 51,628 | \$ 317,454 | \$ (31,682,262) | \$ 54,327,981 |
| (408,242) | - | - | - | (408,242) |
| <u>\$ 3,175,564</u> | <u>\$ 46,572</u> | <u>\$ 1,013,521</u> | <u>\$ (31,179,427)</u> | <u>\$ 61,199,142</u> |

Housing Authority of the City of Santa Barbara
Santa Barbara, California

Statement and Certification of Actual Capital Fund Program Costs

March 31, 2015

Annual Contributions Contract SF-447

-
-
1. The capital fund program costs of CA16P07650113 are as follows:

| | | |
|--|----|-----------------|
| Funds approved | \$ | 593,895 |
| Funds expended | | <u>593,895</u> |
| Excess of funds approved | \$ | <u><u>-</u></u> |
| | | |
| Funds advanced | \$ | 593,895 |
| Funds expended | | <u>593,895</u> |
| Shortage of funds advanced - A/R at March 31, 2015 | \$ | <u><u>-</u></u> |

2. Costs incurred during the current audit period totaled \$409,632.
3. All costs have been paid and all related liabilities should be discharged through payment.
4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See auditor's report.

Housing Authority of the City of Santa Barbara
Santa Barbara, California

Statement of Capital Fund Program Costs - Uncompleted

March 31, 2015

Annual Contributions Contract SF-447

-
-
1. The capital fund program costs of CA16P07650114 are as follows:

| | |
|--|---------------------------|
| Funds approved | \$ 667,342 |
| Funds expended | <u>287,442</u> |
| Excess of funds approved | <u><u>\$ 379,900</u></u> |
| | |
| Funds advanced | \$ 195,264 |
| Funds expended | <u>287,442</u> |
| Shortage of funds advanced - A/R at March 31, 2015 | <u><u>\$ (92,178)</u></u> |

2. Costs incurred during the current audit period totaled \$287,442.

See auditor's report.



**Barton,
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Santa Barbara
Santa Barbara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Santa Barbara (the "Authority"), as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Barton, Gonzalez & Myers, P.A." with a stylized flourish at the end.

Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
August 11, 2015



**Barton,
Gonzalez
& Myers, P.A.**
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Santa Barbara
Santa Barbara, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Santa Barbara's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Unmodified Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended March 31, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
August 11, 2015

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Schedule of Findings and Questioned Costs

March 31, 2015

Section I - Summary of Auditor's Results:

Financial Statements

| | |
|---|---------------|
| Type of report issued on the financial statements: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to the financial statements noted? | No |

Federal Awards

| | |
|---|--|
| Internal controls over major program: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | Yes |
| Type of report issued on the compliance for major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | Yes |
| Identification of major program: | 14.871 Section 8 – Housing Choice Voucher 14.879 Section 8 – Mainstream |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$859,418 |
| Did the Authority qualify as a low-risk auditee? | No |

Section II - Financial Statement Findings:

None

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Schedule of Findings and Questioned Costs

March 31, 2015

Section III - Federal Awards:

The following finding was disclosed relating to this area for the period ended March 31, 2015:

2015-001 Income Targeting

Program: U.S. Department of HUD: Section 8 – Housing Choice Voucher (CFDA 14.871)
Type of Finding: Internal Control – Significant Deficiency, Compliance – Special Tests and Provisions

Condition

The Authority did not have adequate controls over income targeting to assure that the Authority is in compliance with this requirement. During our testing, we noted that tenants with incomes that were extremely low accounted for approximately 64% of new admissions during the fiscal year, which is below the minimum required percentage of 75%. Additionally, we noted that approximately 10% of the new admissions that did not meet the extremely low income limits were less than 10% above this limit.

Criteria

During each fiscal year, at least 75% of the Authority's new admissions in the Housing Choice Voucher Program must have incomes that do not exceed 30% of the area median income ("extremely low") as published by HUD.

Questioned Costs

None.

Effect

The Authority does not appear to be in compliance with Section 8 income targeting requirements.

Cause

The Authority did not have sufficient internal controls in place to track income targeting.

Recommendation

We recommend that the Authority design and implement internal controls over tracking income targeting for new admissions to make sure the Authority is in compliance with HUD requirements.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Summary Schedule of Prior Year Findings

March 31, 2015

The following findings were disclosed relating to this area for the period ended March 31, 2014.

2014-1 Tenant Files

Program: U.S. Department of HUD: Section 8 – Housing Choice Voucher (CFDA 14.871)

Type of Finding: Internal Control – Material Weakness, Compliance – Eligibility

Tenant Files

Statement of Condition

During our testing of tenant files, we noted that 4 out of 25 files tested were missing the EIV (Enterprise Income Verification) report for the period tested.

Recommendation

The Housing Authority should make sure that all EIV's are being done and placed in the tenant file.

Status

This finding has been cleared.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Corrective Action Plan

March 31, 2015

The following is the corrective action planned by the Authority regarding the current findings:

Finding

No.

2015-001 Tenant Files

Recommendation:

We recommend that the Authority design and implement internal controls over tracking income targeting for new admissions to make sure the Authority is in compliance with HUD requirements.

Action Taken:

HISTORY

The Authority has tracking in place and has had numerous in-house conversations as to how to increase its lease up success rate for all clients. Not only does the Housing Authority track the AMI percentage of new admissions, we also track and target for full utilization of the vouchers available. We make every effort to lease up to 100% in HAP funding while meeting the income targeting requirement, but the current market conditions make it difficult to lease up any Section 8 Voucher holder and even more difficult to lease up those that are the extremely low income.

Unique issues associated with housing in Santa Barbara are ever present. Vacancy rates are typically below 1%. Recent spikes in market rental rates have virtually driven out the new clients or relocations with Housing Choice Vouchers from an already difficult market. Market rents far exceed the HUD published exception payment standards. Several requests have been made to HUD to have the exception payment standard increased. Our agency is operating on a 2007 Exception Rent that still exceeds the HUD published Fair Market Rent.

HUD has consistently denied our requests for an increase in the maximum rent, based on outdated data in their system. As the actual rents exceed the payment standard, those clients earning below 30% of AMI, even though allowed to pay up to 40% of income at move in, are unable to pay the higher market rents. After waiting seven years or more for an interview and a voucher, these applicants lose their voucher and are off the waiting list due to the rental market conditions.

The Housing Authority is interviewing about 100 applicants per month to achieve full lease up. While these applicants initially appear to be "extremely low income," the seven year wait for their name to come up on the interview list has created conditions that their eventual income determination places them in a higher income bracket. Rather than turn these applicants away, they are accepted for lease up if they can afford the rent. This helps achieve the goal of reaching 100% lease up, and rather than turn away (pass them over on the list after they have gone through a full review), they were offered a voucher and an affordable housing opportunity. Although this resulted in failing to meet the extremely low target percentage, it resulted in increasing the overall lease up percentage and housing more families in need of affordable housing. If the rental market does not substantially soften and/or HUD does not grant adequate Fair Market Rents for the South Coast of Santa Barbara County, the prospects for reaching 100% lease up and meeting the 75% income targeting remain bleak.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Corrective Action Plan

March 31, 2015

Finding

No.

2015-001 Tenant Files (Continued)

ACTION TAKEN

The Authority will implement procedures to fully demonstrate compliance in the tracking of new HCV admissions to attempt to meet the HUD income targeting requirement that at least 75% of those new admissions are "extremely low" income, i.e. income of no more than 30% of area median income. Enhanced tracking procedures to strengthen target compliance with the 75% requirement will be implemented within 30 days. Additional tracking will provide, at a minimum, quarterly reports documenting the AMI of HCV New Admissions with emphasis on the AMI of the applicants contacted from the waitlist for eligibility determinations. A summary report will be sent to the HUD Los Angeles Field Office on a quarterly basis to demonstrate the success or failure rate of meeting the income targeting requirement.

Effective Date: August 11, 2015

Contact Information: Robert Pearson, Executive Director
Housing Authority of the City of Santa Barbara
808 Laguna Street, Santa Barbara, CA 93101
(805) 965-1071

Housing Authority of the City of Santa Barbara
Santa Barbara, California

Schedule of Expenditures of Federal Awards

For the twelve months ended March 31, 2015

| <u>FEDERAL GRANTOR</u> | | <u>Federal CFDA Number</u> | <u>Program or Award Amount</u> | <u>Disbursements or Expenditures</u> |
|--|-----|------------------------------------|--|--|
| U. S. Department of HUD | | | | |
| Public Housing: | | | | |
| Low-rent Housing Program | ** | 14.850 | \$ 2,641 | \$ 2,641 |
| Asset Repositioning Fee (Blended Component Unit) | ** | 14.850 | 303,078 | 303,078 |
| | | | 305,719 | 305,719 |
| Capital Fund Program | ** | 14.872 | 1,261,237 | 697,074 |
| Section 8 Housing Assistance Payments | | | | |
| Housing Choice Voucher Program | * + | 14.871 | 25,641,232 | 25,641,232 |
| Section 8 - Mainstream | * + | 14.879 | 1,243,190 | 1,243,190 |
| Shelter Care Plus | ** | 14.238 | 595,072 | 595,072 |
| Resident Opportunity and Supportive Housing | ** | 14.870 | 164,968 | 164,968 |
| TOTAL | | | \$ 29,211,418 | \$ 28,647,255 |

This schedule includes the federal grant activity of the Housing Authority of the City of Santa Barbara and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

- * Type A Program
- ** Type B Program
- + Major Program

See auditor's report.



**Barton,
Gonzalez
& Myers, P.A.**
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August 11, 2015

Robert Pearson, Executive Director
and Board of Commissioners
Housing Authority of the City of Santa Barbara
808 Laguna Street
Santa Barbara, CA 93101

Dear Mr. Pearson and Board of Commissioners:

In planning and performing our audit of the financial statements of the Housing Authority of the City of Santa Barbara for the year ended March 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 11, 2015, on the financial statements of the Housing Authority of the City of Santa Barbara.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Waiting List

Out of 40 applicants tested, we noted 3 scoring errors. None of these errors, or the results of testing new admissions, resulted in any actual non-compliant admissions. However, the incorrect scoring issue could potentially cause non-compliance at some point in the future. We recommend that the Authority continue to review and update the waiting list, and correct errors noted.

We wish to thank the Executive Director and his staff for their support and assistance during our audit.

This report is intended solely for the information and use of management, Board of Commissioners, others within the Authority, and the Department of Housing and Urban Development (HUD), and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Barton, Gonzalez & Myers, P.A.
Certified Public Accountants

Financial Data Schedule

Housing Authority of the City of Santa Barbara (CA076)
Santa Barbara, CA
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------|-------------|---------------|---------------|---------------|
| 111 Cash - Unrestricted | \$1,990,267 | | \$584,735 | | \$2,109,571 | \$3,382 | \$1,040,858 | \$404,839 | \$6,133,652 | | \$6,133,652 |
| 112 Cash - Restricted - Modernization and Development | | | | | | | | | | | |
| 113 Cash - Other Restricted | \$110,945 | | \$573,453 | \$124,655 | | | \$1,859,016 | | \$2,668,069 | | \$2,668,069 |
| 114 Cash - Tenant Security Deposits | \$213,344 | | | | \$74,048 | | \$231,430 | | \$518,822 | | \$518,822 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | \$0 | | | | | | \$0 | | \$0 |
| 100 Total Cash | \$2,314,556 | \$0 | \$1,158,188 | \$124,655 | \$2,183,619 | \$3,382 | \$3,131,304 | \$404,839 | \$9,320,543 | \$0 | \$9,320,543 |
| 121 Accounts Receivable - PHA Projects | | | | | | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | \$92,179 | | | | | \$46,705 | | | \$138,884 | | \$138,884 |
| 124 Accounts Receivable - Other Government | | | | | | | \$37,274 | \$19,622 | \$56,896 | | \$56,896 |
| 125 Accounts Receivable - Miscellaneous | \$9,850 | | \$8,967 | | \$187,861 | | \$3,088,145 | \$17,403 | \$3,312,226 | | \$3,312,226 |
| 126 Accounts Receivable - Tenants | \$36,842 | | | | \$6,054 | | \$21,504 | | \$64,400 | | \$64,400 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$4,000 | | | | -\$2,000 | | -\$6,100 | | -\$12,100 | | -\$12,100 |
| 126.2 Allowance for Doubtful Accounts - Other | \$0 | | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 | | \$0 |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | | \$4,081,584 | | \$4,081,584 | | \$4,081,584 |
| 128 Fraud Recovery | | | | | | | | | | | |
| 128.1 Allowance for Doubtful Accounts - Fraud | | | | | | | | | | | |
| 129 Accrued Interest Receivable | | | | | | | \$331,248 | | \$331,248 | | \$331,248 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$134,871 | \$0 | \$8,967 | \$0 | \$191,915 | \$46,705 | \$7,553,655 | \$37,025 | \$7,973,138 | \$0 | \$7,973,138 |
| 131 Investments - Unrestricted | \$2,218,925 | | \$2,595,298 | | \$999,000 | | \$4,067,778 | \$244,000 | \$10,145,001 | | \$10,145,001 |
| 132 Investments - Restricted | | | | | | | \$298,754 | | \$298,754 | | \$298,754 |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | \$11,046 | | \$1,309 | | \$4,757 | | \$68,222 | \$12,821 | \$98,155 | | \$98,155 |
| 143 Inventories | | | | | | | \$10,208 | \$51,674 | \$61,882 | | \$61,882 |
| 143.1 Allowance for Obsolete Inventories | | | | | | | \$0 | \$0 | \$0 | | \$0 |
| 144 Inter Program Due From | \$116,365 | | \$8,526 | | \$21,554 | | \$117,233 | \$731,761 | \$995,439 | -\$995,439 | \$0 |
| 145 Assets Held for Sale | | | | | | | | | | | |
| 150 Total Current Assets | \$4,795,763 | \$0 | \$3,772,288 | \$124,655 | \$3,400,845 | \$50,087 | \$15,267,154 | \$1,482,120 | \$28,892,912 | -\$995,439 | \$27,897,473 |
| 161 Land | \$5,571,271 | | | | \$13,100,000 | | \$26,084,022 | | \$44,755,293 | -\$12,056,540 | \$32,698,753 |
| 162 Buildings | \$21,420,034 | | | | \$21,490,000 | | \$21,313,261 | \$273,935 | \$64,497,230 | -\$19,629,384 | \$44,867,846 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$244,040 | | | | | | \$116,887 | \$360,927 | \$458 | | \$361,385 |
| 164 Furniture, Equipment & Machinery - Administration | \$200,255 | | \$273,879 | | | | \$199,984 | \$419,982 | \$1,094,100 | \$3,203 | \$1,097,303 |
| 165 Leasehold Improvements | | | | | | | | | | | |
| 166 Accumulated Depreciation | -\$17,883,842 | | -\$213,246 | | -\$1,432,657 | | -\$9,412,651 | -\$646,723 | -\$29,589,129 | \$502,836 | -\$29,086,293 |
| 167 Construction in Progress | \$114,668 | | | | | | | | \$114,668 | | \$114,668 |
| 168 Infrastructure | | | | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$9,666,426 | \$0 | \$60,633 | \$0 | \$33,157,333 | \$0 | \$38,301,503 | \$47,194 | \$81,233,089 | -\$31,179,427 | \$50,053,662 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | | | | | | | \$49,645,721 | | \$49,645,721 | -\$35,303,104 | \$14,342,617 |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due | | | | | | | | | | | |
| 173 Grants Receivable - Non Current | | | | | | | | | | | |
| 174 Other Assets | | | | | | | | | | | |
| 176 Investments in Joint Ventures | | | | | | | | | | | |
| 180 Total Non-Current Assets | \$9,666,426 | \$0 | \$60,633 | \$0 | \$33,157,333 | \$0 | \$87,947,224 | \$47,194 | \$130,878,810 | -\$66,482,531 | \$64,396,279 |
| 200 Deferred Outflow of Resources | | | | | | | | | | | |
| 290 Total Assets and Deferred Outflow of Resources | \$14,462,189 | \$0 | \$3,832,921 | \$124,655 | \$36,558,178 | \$50,087 | \$103,214,378 | \$1,529,314 | \$159,771,722 | -\$67,477,970 | \$92,293,752 |

Housing Authority of the City of Santa Barbara (CA076)
Santa Barbara, CA
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------|--------------|---------------|---------------|--------------|
| 311 Bank Overdraft | | | | | | | | | | | |
| 312 Accounts Payable <= 90 Days | | | | | \$38,330 | | \$39,586 | \$169,518 | \$247,434 | | \$247,434 |
| 313 Accounts Payable >90 Days Past Due | | | | | | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | | | | | | | | \$248,672 | \$248,672 | | \$248,672 |
| 322 Accrued Compensated Absences - Current Portion | \$16,899 | | \$15,051 | | \$5,517 | | \$26,599 | \$27,940 | \$92,006 | | \$92,006 |
| 324 Accrued Contingency Liability | | | | | | | | | | | |
| 325 Accrued Interest Payable | | | | | | | | | | | |
| 331 Accounts Payable - HUD PHA Programs | | | | | | | | | | | |
| 332 Account Payable - PHA Projects | | | | | | | | | | | |
| 333 Accounts Payable - Other Government | | | | | | | | | | | |
| 341 Tenant Security Deposits | \$213,344 | | | | \$74,048 | | \$231,430 | | \$518,822 | | \$518,822 |
| 342 Unearned Revenue | \$31,173 | | | | \$12,121 | | \$66,698 | | \$109,992 | | \$109,992 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | | | | | | | \$350,483 | | \$350,483 | | \$350,483 |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | | | | | | | | | |
| 345 Other Current Liabilities | \$2,955 | | | | \$1,395 | | \$226,032 | | \$230,382 | | \$230,382 |
| 346 Accrued Liabilities - Other | \$110,945 | | | | | | | | \$110,945 | | \$110,945 |
| 347 Inter Program - Due To | \$342,305 | | \$132,807 | | \$70,473 | \$3,515 | \$438,374 | \$7,965 | \$995,439 | -\$995,439 | \$0 |
| 348 Loan Liability - Current | | | | | | | | | | | |
| 310 Total Current Liabilities | \$717,621 | \$0 | \$147,858 | \$0 | \$201,884 | \$3,515 | \$1,379,202 | \$454,095 | \$2,904,175 | -\$995,439 | \$1,908,736 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | \$35,303,104 | | \$25,801,642 | | \$61,104,746 | -\$35,303,104 | \$25,801,642 |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | | | | | | | | | |
| 353 Non-current Liabilities - Other | | | \$432,127 | | | | \$215,000 | | \$647,127 | | \$647,127 |
| 354 Accrued Compensated Absences - Non Current | \$50,698 | | \$45,152 | | \$16,553 | | \$79,795 | \$83,822 | \$276,020 | | \$276,020 |
| 355 Loan Liability - Non Current | | | | | | | | | | | |
| 356 FASB 5 Liabilities | | | | | | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | \$87,525 | | \$156,875 | | \$23,116 | | \$115,583 | \$2,077,986 | \$2,461,085 | | \$2,461,085 |
| 350 Total Non-Current Liabilities | \$138,223 | \$0 | \$634,154 | \$0 | \$35,342,773 | \$0 | \$26,212,020 | \$2,161,808 | \$64,488,978 | -\$35,303,104 | \$29,185,874 |
| 300 Total Liabilities | \$855,844 | \$0 | \$782,012 | \$0 | \$35,544,657 | \$3,515 | \$27,591,222 | \$2,615,903 | \$67,393,153 | -\$36,298,543 | \$31,094,610 |
| 400 Deferred Inflow of Resources | | | | | | | | | | | |
| 508.4 Net Investment in Capital Assets | \$9,666,426 | | \$60,633 | | -\$2,145,771 | | \$12,149,378 | \$47,194 | \$19,777,860 | \$4,123,677 | \$23,901,537 |
| 511.4 Restricted Net Position | | | \$141,326 | \$124,655 | | | \$1,939,658 | | \$2,205,639 | | \$2,205,639 |
| 512.4 Unrestricted Net Position | \$3,939,919 | \$0 | \$2,848,950 | \$0 | \$3,159,292 | \$46,572 | \$61,534,120 | -\$1,133,783 | \$70,395,070 | -\$35,303,104 | \$35,091,966 |
| 513 Total Equity - Net Assets / Position | \$13,606,345 | \$0 | \$3,050,909 | \$124,655 | \$1,013,521 | \$46,572 | \$76,623,156 | -\$1,086,589 | \$92,378,569 | -\$31,179,427 | \$61,199,142 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$14,462,189 | \$0 | \$3,832,921 | \$124,655 | \$36,558,178 | \$50,087 | \$103,214,378 | \$1,529,314 | \$159,771,722 | -\$67,477,970 | \$92,293,752 |

Housing Authority of the City of Santa Barbara (CA076)
Santa Barbara, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------|-------------|--------------|--------------|--------------|
| 70300 Net Tenant Rental Revenue | \$2,520,553 | | | | \$3,014,033 | | \$4,944,151 | | \$10,478,737 | -\$4,616,930 | \$5,861,807 |
| 70400 Tenant Revenue - Other | \$36,568 | | | | \$13,639 | | \$516,172 | | \$566,379 | | \$566,379 |
| 70500 Total Tenant Revenue | \$2,557,121 | \$0 | \$0 | \$0 | \$3,027,672 | \$0 | \$5,460,323 | \$0 | \$11,045,116 | -\$4,616,930 | \$6,428,186 |
| 70600 HUD PHA Operating Grants | \$257,279 | \$164,968 | \$25,641,232 | \$1,243,190 | \$303,078 | \$595,072 | | | \$28,204,819 | | \$28,204,819 |
| 70610 Capital Grants | \$442,436 | | | | | | | | \$442,436 | | \$442,436 |
| 70710 Management Fee | | | | | | | | \$1,029,347 | \$1,029,347 | -\$1,029,347 | \$0 |
| 70720 Asset Management Fee | | | | | | | | \$62,310 | \$62,310 | -\$62,310 | \$0 |
| 70730 Book Keeping Fee | | | | | | | | \$273,690 | \$273,690 | -\$273,690 | \$0 |
| 70740 Front Line Service Fee | | | | | | | | \$593,707 | \$593,707 | -\$593,707 | \$0 |
| 70750 Other Fees | | | | | | | | | | | |
| 70700 Total Fee Revenue | | | | | | | | \$1,959,054 | \$1,959,054 | -\$1,959,054 | \$0 |
| 70800 Other Government Grants | | | | | | | \$233,356 | \$110,613 | \$343,969 | | \$343,969 |
| 71100 Investment Income - Unrestricted | \$16,114 | | \$20,841 | | \$1,549 | \$103 | \$41,842 | \$1,578 | \$82,027 | | \$82,027 |
| 71200 Mortgage Interest Income | | | | | | | \$1,904,397 | | \$1,904,397 | -\$1,030,557 | \$873,840 |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | | | | | | |
| 71400 Fraud Recovery | | | \$9,287 | | | | | | \$9,287 | | \$9,287 |
| 71500 Other Revenue | \$348,114 | | \$246,807 | | \$131,930 | \$696 | \$5,997,163 | \$27,185 | \$6,751,895 | -\$1,057,592 | \$5,694,303 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | | | \$15,649 | \$15,649 | | \$15,649 |
| 72000 Investment Income - Restricted | | | | | | | \$0 | | \$0 | | \$0 |
| 70000 Total Revenue | \$3,621,064 | \$164,968 | \$25,918,167 | \$1,243,190 | \$3,464,229 | \$595,871 | \$13,637,081 | \$2,114,079 | \$50,758,649 | -\$8,664,133 | \$42,094,516 |
| 91100 Administrative Salaries | \$307,230 | | \$475,004 | \$67,909 | \$93,152 | \$23,625 | \$1,105,532 | \$1,390,398 | \$3,462,850 | -\$592,521 | \$2,870,329 |
| 91200 Auditing Fees | \$3,253 | | \$24,514 | | \$3,816 | \$612 | \$2,155 | | \$34,350 | | \$34,350 |
| 91300 Management Fee | \$276,061 | | \$417,237 | \$19,126 | \$151,573 | \$8,071 | \$588,940 | | \$1,461,008 | -\$1,354,706 | \$106,302 |
| 91310 Book-keeping Fee | \$28,193 | | \$187,005 | \$8,595 | | \$8,040 | \$41,857 | | \$273,690 | -\$273,690 | \$0 |
| 91400 Advertising and Marketing | \$2,797 | | \$14,509 | | \$5,317 | \$461 | \$12,891 | \$1,675 | \$37,650 | | \$37,650 |
| 91500 Employee Benefit contributions - Administrative | \$46,792 | | \$268,454 | | \$22,071 | | \$241,958 | \$504,367 | \$1,083,642 | | \$1,083,642 |
| 91600 Office Expenses | \$14,812 | | \$72,649 | | \$3,346 | \$2,765 | \$49,473 | \$74,093 | \$217,138 | | \$217,138 |
| 91700 Legal Expense | \$12,958 | | \$20,942 | | \$12,787 | | \$32,948 | \$24,993 | \$104,628 | | \$104,628 |
| 91800 Travel | | | \$1,189 | | | | \$2,029 | \$46,094 | \$49,312 | | \$49,312 |
| 91810 Allocated Overhead | | | | | | | | | | | |
| 91900 Other | \$1,029 | | \$23,187 | | \$735 | \$445 | \$87,796 | \$128,700 | \$241,892 | | \$241,892 |
| 91000 Total Operating - Administrative | \$693,125 | \$0 | \$1,504,690 | \$95,630 | \$292,797 | \$44,019 | \$2,165,579 | \$2,170,320 | \$6,966,160 | -\$2,220,917 | \$4,745,243 |
| 92000 Asset Management Fee | \$37,920 | | | | | | \$24,390 | | \$62,310 | -\$62,310 | \$0 |
| 92100 Tenant Services - Salaries | \$68,166 | \$91,149 | \$131,945 | | \$5,418 | \$570 | \$321,056 | \$63,141 | \$681,445 | -\$76,220 | \$605,225 |
| 92200 Relocation Costs | | | | | | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | -\$16,310 | \$73,819 | \$59,365 | | | | \$35,928 | \$24,021 | \$176,823 | | \$176,823 |
| 92400 Tenant Services - Other | \$121,399 | | \$167,225 | | \$3,624 | | \$323,281 | \$2,180 | \$617,709 | | \$617,709 |
| 92500 Total Tenant Services | \$173,255 | \$164,968 | \$358,535 | \$0 | \$9,042 | \$570 | \$680,265 | \$89,342 | \$1,475,977 | -\$76,220 | \$1,399,757 |
| 93100 Water | \$67,091 | | | | \$81,818 | | \$196,454 | \$5,067 | \$350,430 | | \$350,430 |
| 93200 Electricity | \$26,857 | | | | \$13,094 | | \$142,389 | \$24,020 | \$206,360 | | \$206,360 |
| 93300 Gas | \$5,494 | | | | \$13,579 | | \$37,365 | \$1,185 | \$57,623 | | \$57,623 |
| 93400 Fuel | | | | | | | | | | | |
| 93500 Labor | | | | | | | | | | | |
| 93600 Sewer | | | | | | | | | | | |

Housing Authority of the City of Santa Barbara (CA076)
Santa Barbara, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------|-------------|--------------|--------------|--------------|
| 93700 Employee Benefit Contributions - Utilities | | | | | | | | | | | |
| 93800 Other Utilities Expense | \$181,994 | | | | \$34,207 | | \$102,205 | \$5,061 | \$323,467 | | \$323,467 |
| 93000 Total Utilities | \$281,436 | \$0 | \$0 | \$0 | \$142,698 | \$0 | \$478,413 | \$35,333 | \$937,880 | \$0 | \$937,880 |
| 94100 Ordinary Maintenance and Operations - Labor | \$532,761 | | | | \$166,148 | | \$570,616 | \$30,960 | \$1,300,485 | -\$657,198 | \$643,287 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$52,023 | | | | \$16,043 | | \$103,016 | \$48,879 | \$219,961 | | \$219,961 |
| 94300 Ordinary Maintenance and Operations Contracts | \$340,327 | | | | \$191,048 | | \$409,936 | \$50,692 | \$992,003 | | \$992,003 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$112,659 | | | | \$50,825 | | \$135,652 | | \$299,136 | | \$299,136 |
| 94000 Total Maintenance | \$1,037,770 | \$0 | \$0 | \$0 | \$424,064 | \$0 | \$1,219,220 | \$130,531 | \$2,811,585 | -\$657,198 | \$2,154,387 |
| 95100 Protective Services - Labor | | | | | | | | | | | |
| 95200 Protective Services - Other Contract Costs | | | | | | | | | | | |
| 95300 Protective Services - Other | | | | | | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | | | | | | | | | | | |
| 95000 Total Protective Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96110 Property Insurance | \$61,434 | | \$3,878 | | \$27,460 | | \$103,555 | \$22,392 | \$218,719 | | \$218,719 |
| 96120 Liability Insurance | | | | | | | | | | | |
| 96130 Workmen's Compensation | \$24,535 | | \$13,470 | | \$8,657 | | \$67,886 | \$33,563 | \$148,111 | | \$148,111 |
| 96140 All Other Insurance | | | \$1,733 | | | | | \$11,854 | \$13,587 | | \$13,587 |
| 96100 Total insurance Premiums | \$85,969 | \$0 | \$19,081 | \$0 | \$36,117 | \$0 | \$171,441 | \$67,809 | \$380,417 | \$0 | \$380,417 |
| 96200 Other General Expenses | \$111,004 | | \$77,327 | | \$25,240 | \$1,619 | \$312,548 | \$264,533 | \$792,271 | | \$792,271 |
| 96210 Compensated Absences | \$56,894 | | \$85,341 | | \$11,379 | | \$56,894 | \$85,342 | \$295,850 | | \$295,850 |
| 96300 Payments in Lieu of Taxes | | | | | | | | | | | |
| 96400 Bad debt - Tenant Rents | \$9,153 | | | | \$3,353 | | \$10,287 | | \$22,793 | | \$22,793 |
| 96500 Bad debt - Mortgages | | | | | | | | | | | |
| 96600 Bad debt - Other | | | | | | | | | | | |
| 96800 Severance Expense | | | | | | | | | | | |
| 96000 Total Other General Expenses | \$177,051 | \$0 | \$162,668 | \$0 | \$39,972 | \$1,619 | \$379,729 | \$349,875 | \$1,110,914 | \$0 | \$1,110,914 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | \$1,030,557 | | \$741,604 | | \$1,772,161 | -\$1,030,557 | \$741,604 |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$0 | \$1,030,557 | \$0 | \$741,604 | \$0 | \$1,772,161 | -\$1,030,557 | \$741,604 |
| 96900 Total Operating Expenses | \$2,486,526 | \$164,968 | \$2,044,974 | \$95,630 | \$1,975,247 | \$46,208 | \$5,860,641 | \$2,843,210 | \$15,517,404 | -\$4,047,202 | \$11,470,202 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$1,134,538 | \$0 | \$23,873,193 | \$1,147,560 | \$1,488,982 | \$549,663 | \$7,776,440 | -\$729,131 | \$35,241,245 | -\$4,616,931 | \$30,624,314 |
| 97100 Extraordinary Maintenance | \$182,805 | | | | \$76,582 | | \$682,187 | \$18,607 | \$960,181 | | \$960,181 |
| 97200 Casualty Losses - Non-capitalized | | | | | | | | | | | |
| 97300 Housing Assistance Payments | | | \$23,407,873 | \$1,112,538 | | \$554,719 | | | \$25,075,130 | -\$4,616,930 | \$20,458,200 |
| 97350 HAP Portability-In | | | \$35,818 | | | | | | \$35,818 | | \$35,818 |
| 97400 Depreciation Expense | \$773,394 | | \$10,105 | | \$716,333 | | \$874,791 | \$18,925 | \$2,393,548 | -\$502,836 | \$1,890,712 |
| 97500 Fraud Losses | | | | | | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | | | | | | |
| 99000 Total Expenses | \$3,442,725 | \$164,968 | \$25,498,770 | \$1,208,168 | \$2,768,162 | \$600,927 | \$7,417,619 | \$2,880,742 | \$43,982,081 | -\$9,166,968 | \$34,815,113 |

Housing Authority of the City of Santa Barbara (CA076)
Santa Barbara, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|---|-----------------------------------|-------------------------------|---------------------------------|-----------------------------|--------------------------|------------|--------------|---------------|--------------|
| 10010 Operating Transfer In | | | | | | | | | | | |
| 10020 Operating transfer Out | | | | | | | | | | | |
| 10030 Operating Transfers from/to Primary Government | | | | | | | | | | | |
| 10040 Operating Transfers from/to Component Unit | | | | | | | | | | | |
| 10050 Proceeds from Notes, Loans and Bonds | | | | | | | | | | | |
| 10060 Proceeds from Property Sales | | | | | | | | | | | |
| 10070 Extraordinary Items, Net Gain/Loss | | | | | | | | | | | |
| 10080 Special Items (Net Gain/Loss) | | | | | | | | | | | |
| 10091 Inter Project Excess Cash Transfer In | | | | | | | | | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | | | | | | | | | |
| 10093 Transfers between Program and Project - In | | | | | | | | | | | |
| 10094 Transfers between Project and Program - Out | | | | | | | | | | | |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$178,339 | \$0 | \$419,397 | \$35,022 | \$696,067 | -\$5,056 | \$6,219,462 | -\$766,663 | \$6,776,568 | \$502,835 | \$7,279,403 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$317,454 | \$0 | \$339,767 | \$0 | \$657,221 | | \$657,221 |
| 11030 Beginning Equity | \$13,428,006 | \$0 | \$3,039,754 | \$89,633 | \$317,454 | \$51,628 | \$69,403,694 | -\$319,926 | \$96,010,243 | -\$31,682,262 | \$54,327,981 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | | | -\$408,242 | | | | | | -\$408,242 | | -\$408,242 |
| 11050 Changes in Compensated Absence Balance | | | | | | | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | | | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | | | | | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | | | | | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | | | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | | | | | | | |
| 11170 Administrative Fee Equity | | | \$2,909,583 | | | | | | \$2,909,583 | | \$2,909,583 |
| 11180 Housing Assistance Payments Equity | | | \$141,326 | | | | | | \$141,326 | | \$141,326 |
| 11190 Unit Months Available | 3648 | | 27192 | 1200 | 2136 | 1081 | 5832 | | 41089 | | 41089 |
| 11210 Number of Unit Months Leased | 3648 | | 24934 | 1146 | 2136 | 1072 | 5820 | | 38756 | | 38756 |
| 11270 Excess Cash | \$3,750,793 | | | | | | | | \$3,750,793 | | \$3,750,793 |
| 11610 Land Purchases | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 11620 Building Purchases | \$344,640 | | | | | | | \$0 | \$344,640 | | \$344,640 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$97,735 | | | | | | | \$0 | \$97,735 | | \$97,735 |
| 11640 Furniture & Equipment - Administrative Purchases | \$61 | | | | | | | \$0 | \$61 | | \$61 |
| 11650 Leasehold Improvements Purchases | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 11660 Infrastructure Purchases | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | | | | | | \$0 | \$0 | | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | | | | | | \$0 | \$0 | | \$0 |