HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA

Financial Statements & Independent Auditors' Report

For the Year Ended March 31, 2026

smithmarion

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

Independent Auditors' Report

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of business-type activities and the aggregated discretely presented component units of business-type activities of the Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Santa Barbara's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component units and combining schedule of business-type activities of the Housing Authority of the City of Santa Barbara as of March 31, 2026, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Villa Santa Fe, L.P., Santa Barbara Housing Partnership IV, 813 East Carrillo Street, L.P., 251 South Hope Associates, L.P., Grace Village Apartments, L.P., or 116 East Cota Associates, L.P., which represent 100%, 100%, and 100%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the aggregate discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the Housing Authority of the City of Santa Barbara and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Santa Barbara's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Authority of the City of Santa Barbara's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Santa Barbara's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages i-vii, and the schedule of net OPEB liability on page 30, 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Santa Barbara's basic financial statements. The supplemental information, as described in the table of contents, and the Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and related 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 supplementary information is 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 September 24, 2026, on our consideration of the Housing Authority of the City of Santa Barbara's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Santa Barbara's 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 Housing Authority of the City of Santa Barbara's internal control over financial reporting and compliance.

Smith Marwick

September 24, 2026

Management's Discussion and Analysis (MD&A), as required by Governmental Accounting Standards Board (GASB) Statement No. 34, provides an overview of the financial performance and condition of the Housing Authority of the City of Santa Barbara (HACSB) for the years ended March 31, 2026, and 2025.

This discussion should be read in conjunction with HACSB's basic financial statements, accompanying notes, and the supplemental financial and compliance data included in this annual financial report.

Financial Highlights

- The total assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows of resources on March 31, 2026, and 2025 by $228 million and $212.7 million, respectively. Assets and deferred outflows increased $21.4 million or 7.9%, and liabilities and deferred inflows increased $5.2 million or 9.0% over this period.
- Total operating revenue for all programs, net of interfund eliminations, was approximately $76.5 million, a 7.5% increase over the prior fiscal year. Tenant rental revenue generated approximately $11.5 million, and HUD operating grants provided approximately $64.1 million for the current year.
- Total operating expenses for all programs, net of interfund eliminations, were approximately $67.9 million. This is a 1.6% increase over $66.8 million in fiscal year 2025. Housing assistance payments to landlords on behalf of tenants represented approximately $44 million in 2026, an increase of 5% over $41.9 million the prior year.
- Therefore, the net position of the Housing Authority increased by $16.2 million (8%) and by $7 million (3.4%) at March 31, 2026 and 2025, respectively (see Table 1).

Overview of the Basic Financial Statements

The annual financial report includes management's discussion and analysis, the basic financial statements and accompanying notes, and other supplementary financial information.

The Authority utilizes the accrual basis of accounting. This method recognizes revenues when they are earned, and expenses when incurred, regardless of when the related cash is received or paid.

The Authority's activities are accounted for using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with operations are included in the Statements of Net Position. The Authority's total net position (equity) is segregated into net investment in capital assets, restricted net position, and unrestricted net position components. Business-type Activity Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in Net Position.

Financial Statements

The accompanying basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows for the Housing Authority as a whole, as of and for the year ended March 31, 2026.

The accompanying *Statement of Net Position* includes all the Housing Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the two is reported as "Net Position." Over time, changes in net position can provide a general indication of whether the Authority's overall financial position is improving or deteriorating; however, these changes should be considered together with other financial indicators, including liquidity, operating results, debt, and capital activity.

The *Statement of Revenues, Expenses and Changes in 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 reported in this statement for some items will result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year, separated into operating, financing, and investing activities.

Notes to the Basic Financial Statements. The notes provide additional details and narrative information that are necessary for a complete understanding of the financial statements and the financial activities and position of the Authority.

Reporting Entity and Component Units. The Authority's financial statements include the primary government and certain legally separate organizations for which the Authority is financially accountable. These organizations are referred to as component units. A Blended Component Unit is reported as though it were part of the Authority because of the close financial and operational relationship between the organizations. Discretely Presented Component Units are also part of the Authority's reporting entity but are presented separately from the Authority's primary financial information because they maintain a greater degree of legal and financial separation.

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. For the Authority, this information consists of the Financial Data Schedule (FDS) required under the United States Department of Housing and Urban Development (HUD)'s Uniform Financial Reporting Standards Rule (UFRS). The FDS further delineates the Authority's financial activity into programs listed by federal program Assistance Listing Number, Blended Component Unit, and Discretely Presented Component Units.

Fund Accounting. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The Authority uses fund accounting to ensure compliance with finance-related legal requirements. Some funds are required to be established by HUD, while others were established by the Authority to manage resources for particular purposes or demonstrate compliance with grant and funding requirements.

All the Authority's funds are categorized as Enterprise Funds and may maintain both restricted and unrestricted cash reserves. Enterprise Funds account for activities that are financed and operated like private-sector business activities. Enterprise Fund reporting is designed to provide information about the full cost of operations, the resources available to support those activities, and changes in the Authority's overall financial position. This reporting structure allows readers to evaluate operating performance, liquidity, capital investment, debt obligations, and the Authority's ability to sustain its programs and activities over time.

Financial Analysis

The Statement of Net Position (Table 1) and the changes in Net Position (Table 3) include all programs and the Blended Component Unit. The Authority's net investment in capital assets (including land, buildings and improvements, furniture, equipment, and machinery, less related debt) represents approximately 55% of total net position. The Authority uses these capital assets to provide housing and services to clients; consequently, these assets are not available for future spending.

Table 1 summarizes the changes in the Authority's Statement of Net Position from the fiscal year ended March 31, 2026, to the fiscal year ended March 31, 2025.

Table 1: Statement of Net Position

STATEMENT OF NET POSITION

	3/31/2026	3/31/2025	Change	% Change
Current Assets	$ 60,232,394	$ 54,002,067	$ 6,230,327	11.5%
Capital Assets, Net of Depreciation	175,020,228	164,700,760	10,319,468	6.3%
Non-Current Assets	57,152,308	52,240,897	4,911,411	9.4%
Deferred Outflow of Resources	80,781	117,646	(36,865)	-31.3%
Total Assets and Deferred Outflows of Resources	$ 292,485,711	$ 271,061,370	$ 21,424,341	7.9%
Current Liabilities	$ 7,354,227	$ 9,351,125	$ (1,996,898)	-21.4%
Non-Current Liabilities	52,493,360	46,294,345	6,199,015	13.4%
Deferred Inflows of Resources	3,255,064	2,617,298	637,766	24.4%
Total Liabilities and Deferred Inflows of Resources	$ 63,102,651	$ 58,262,768	$ 4,839,883	8.3%
Net Position				
Net Investment in Capital	$ 125,706,556	$ 116,051,553	$ 9,655,003	8.3%
Restricted Net Position	29,957,532	15,811,321	14,146,211	89.5%
Unrestricted Net Position	73,334,651	80,935,728	(7,601,077)	-9.4%
Net Position	$ 228,998,739	$ 212,798,602	$ 16,200,137	7.6%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 292,101,390	$ 271,061,370	$ 21,040,020	7.8%

- **Current Assets** increased by a net $6.2 million (11.5%).
  - Cash and investments, including both restricted and unrestricted amounts, increased by $11.2 million, primarily due to bond proceeds received during the year. As of March 31, 2026, unrestricted cash balances across the Authority's funds represented approximately 178 days of operating expenses. These balances provide meaningful liquidity and support the Authority's ability to manage operating and funding fluctuations; the availability and permitted use of cash vary by program and fund.
  - Accounts receivable decreased by $5 million, due to a lower amount of Housing Choice Voucher funding receivable from HUD at year-end.
- **Capital assets** (net of depreciation) increased approximately $10.3 million, or 6.3%, to $175.0 million at March 31, 2026. The increase primarily reflects the $7.75 million donation of land from the City of Santa Barbara, and construction activity associated with two projects underway during the year. Table 2, on the next page, summarizes the changes in capital assets, breaking out land, which does not depreciate, and construction in process, from depreciable capital assets (buildings and improvements, furniture, equipment, and machinery). Depreciation is recorded each year for use of those assets, as their useful life declines. These capital activities reflect the Authority's ongoing investment in securing affordable housing opportunities.

Table 2 Capital Assets

	3/31/2026	3/31/2025	Change	% Change
Land	$ 101,745,988	$ 87,035,583	$ 14,710,405	16.9%
Depreciable Capital Assets	124,688,768	124,896,375	(207,607)	-0.2%
Less Accumulated Depreciation	(51,414,528)	(47,231,198)	4,183,330	-8.9%
Net Capital Assets	**$ 175,020,228**	**$ 164,700,760**	**$ (10,319,468)**	-6.3%

- **Deferred Outflows of Resources.** Deferred outflows decreased 31%, reflecting changes in the actuarial valuation of Other Postemployment Benefits (OPEB), which consists of retiree health benefits. The updated valuation reflects, among other factors, lower projected participation in the Authority-sponsored retiree health plan among recent retirees, reducing the Authority's projected future benefit payments.

- **Total liabilities** and deferred inflows increased $4.8 million or 8%. The increase reflects several factors, including construction-related accounts payable, financing activity associated with development projects, and changes in deferred inflows of resources. Accounts payable increased $3.8 million, primarily from contractor invoices outstanding at year-end, while total current liabilities decreased $1.9 million or 21%.

- **Total net position** therefore increased $16.2 million or 7.6%. This is further broken down into Restricted and Unrestricted. Restricted net position consists of the cumulative results of net income with constraints placed on usage. For the Authority, these consist of restricted cash and investments for replacement reserves, earnings from prior public housing properties, security deposits, bond issuances, and Family Self-Sufficiency (FSS) program escrows. Net investment in capital assets reflects the historical value of capital assets less related debt.

Revenues, Expenses, and Changes in Net Position

Table 3, below, presents a comparison of the Authority's Combined Statement of Revenues, Expenses and Change in Net Position for the fiscal years ended March 31, 2026, and 2025, including changes between the fiscal years.

HUD provided 84% and 81% of the Housing Authority's total operating revenues in 2026 and 2025, respectively. Nearly the entire remaining balance is from tenant revenue.

Operating Revenue: Total operating revenue increased $5.3 million (7.5%) over the prior fiscal year. Increases consisted of tenant rents ($128,295 or 1%) and HUD operating grants ($6.4 million or 11%). The increases in HUD funding reflect, in part, increased Housing Assistance Payment needs.

Operating Expenses: Operating expenses increased approximately $1.06 million (1.6%). An increase in Housing Choice Voucher assistance payments to landlords of $2.1 million (5%) aligns with the increased HUD voucher income mentioned above. Tenant services expense decreased $326,054 (10.9%), primarily due to reallocation of consolidated property submanager activity to the appropriate expense classifications. Insurance expense was the other notable change, increasing $83,111 (9.7%) due to the difficult property insurance market in this area.

Table 3 Change in Net Position

CHANGE IN NET POSITION

Operating Revenues	3/31/2026	3/31/2025	Change	% Change
Tenant Revenue	$ 11,559,587	$ 11,431,292	$ 128,295	1.1%
HUD Operating Grants	64,156,143	57,771,158	6,384,985	11.1%
Other Operating Income	838,562	1,985,334	(1,146,772)	-57.8%
Total Operating Revenue	$ 76,554,292	$ 71,187,784	$ 5,366,508	7.5%
Operating Expenses				
Administration	$ 8,772,009	$ 8,785,576	$ (13,567)	-0.2%
Utilities	1,254,118	1,199,917	54,201	4.5%
Maintenance & Operations	5,299,463	5,955,477	(656,014)	-11.0%
Insurance	938,567	855,456	83,111	9.7%
General	599,436	605,414	(5,978)	-1.0%
Depreciation	4,340,966	4,513,318	(172,352)	-3.8%
Housing Assistance Payments	44,085,525	41,981,673	2,103,852	5.0%
Tenant Services	2,673,881	2,999,935	(326,054)	-10.9%
Total Operating Expenses	$ 67,963,965	$ 66,896,766	$ 1,067,199	1.6%
Net operating income	$ 8,590,327	$ 4,291,018	$ 4,299,309	100.2%
Non-Operating Revenue (Expenses)				
Investment income	$ 3,475,757	$ 3,085,710	$ 390,047	12.6%
Interest Expense	(3,160,510)	(1,658,282)	(1,502,228)	90.6%
Land Contribution	7,750,000		7,750,000	-
Gain on Disposal of Capital Assets	-	1,847,285	(1,847,285)	-100.0%
Total Non-Operating Revenue (Expense	$ 8,065,247	$ 3,274,713	$ 4,790,534	146.3%
Net income	$ 16,655,574	$ 7,565,731	$ 9,089,843	120.1%
Prior period adjustment	(71,116)	(536,639)	465,523	n/a
Change in net position	$ 16,584,458	$ 7,029,092	$ 9,555,366	135.9%

Non-Operating Revenue / (Expenses): Within this category, investment income increased by a net $390,000 (13%) from the prior fiscal year. This is due to additional accrued interest on outstanding loans to DPCUs, offset by decreased earned income from investments, as $7M was withdrawn and contributed to the Jacaranda Court project. The other significant non-operating income increase of $7.75 million was the appraised value of donated land.

Fund Net Position Analysis

Table 4 summarizes the beginning net position, net income or loss, and resulting fiscal year-end net position for the individual funds making up the agency-wide Primary Government financial statements. A net adjustment of $(71,116) is due to prior-year corrections.

The Blended Component Unit's negative net position is due to the Authority financing the sale of its public housing properties to the Blended Component Unit, which is repaid by the BCU from its net surplus.

Table 4 Net Position by Fund

	Business Activities	Central Office Cost Center	Section 8, ROSS,	Continuum of Care	SBAHG Component Unit	Total
Net position, beginning of year	$ 213,376,491	$ 1,925,048	$ 7,146,542	$ 13,020	$ (9,662,499)	$ 212,798,602
Net income (loss)	14,880,032	304,977	1,922,904	5,370	(842,030)	16,271,253
Prior period adjustment	(40,332)	-	(112,067)	-	81,283	(71,116)
Equity Transfers	-	-	-	-	-	-
Net position, end of year	$ 228,216,191	$ 2,230,025	$ 8,957,379	$ 18,390	$ (10,423,246)	$ 228,998,739

	DPCUs						
	SBHP IV	VSF	813 E Carrillo	251 S Hope Assoc	Grace Village Apts	116 E Cota St Assoc	Total
Net position, beginning of year	$ 1,213,332	$ 9,340,070	$ 3,670,956	$11,125,145	$ 8,934,697	$ 8,342,369	$ 42,626,569
Net income (loss)	(555,730)	1,203,880	(258,740)	(795,509)	(278,837)	(642,631)	(1,327,567)
Equity Transfers	-	-	-		-	-	-
Net position, end of year	$ 657,602	$ 10,543,950	$ 3,412,216	$10,329,636	$ 8,655,860	$ 7,699,738	$ 41,299,002

The Authority's Discretely Presented Component Units (DPCUs) collectively generated approximately $9.1 million in operating revenues and $7.7 million in expenses. The six DPCUs are audited and presented on the calendar year. Five of the six LPs have been in operation for multiple years, and 2026 reflects stable rental operations.

Debt & Long-Term Obligations. The Authority's debt obligations consist primarily of mortgage loans, notes payable, and bonds secured by real property.

At March 31, 2026, the Authority had approximately $49.3 million of outstanding debt, compared with $48.6 million at March 31, 2025, an increase of approximately $671,000, or 1.4%. The relatively small net change does not reflect the significant financing and repayment activity during the year, as the Authority incurred $7.7 million of new debt while retiring approximately $7.1 million of previous obligations.

A significant portion of the new financing relates to the development of workforce housing at the Jacaranda Court project. The Authority issued $7.0 million of 2025 Series A-S Capital Appreciation Bonds bearing interest at 8.0%, with principal and accumulated interest payable at maturity in 2044. The project also includes subordinate financing from the City of Santa Barbara and a $18.5 million Citibank construction loan facility bearing variable interest during construction. As of March 31, 2026, only a small portion of the Citibank facility had been drawn down. The Authority purchased an interest-rate cap during the year to limit its exposure to increases in the variable rate as construction borrowing increases.

The Jacaranda financing represents long-term borrowing to support the development of 'missing middle' workforce housing for households earning up to 120% of area median income. The project expands the Authority's housing strategy beyond traditional low-income housing by serving households that may earn too much to qualify for deeply subsidized housing but still struggle to afford Santa Barbara's market rents.

As construction progresses, outstanding debt associated with this project is expected to increase as additional amounts are drawn on the construction loan. Management will continue to evaluate debt service requirements, interest-rate exposure, liquidity, and borrowing capacity as the Authority advances this and other capital and development activities.

Economic Factors and Outlook.

The Authority's operations remain significantly influenced by federal funding, with appropriations administered through HUD. Changes in federal housing policy, annual appropriations, and funding formulas can therefore have a greater effect on the Authority's operations than changes in state or local government funding.

However, local economic conditions also significantly affect the Authority's programs. Santa Barbara continues to experience a very tight and high-cost rental market, with residential vacancy rates of approximately 2% and rents that continue to increase. These conditions make it more difficult for Housing Choice Voucher participants to locate units within allowable rent levels and increase the average amount of housing assistance required per household. Although Housing Choice Voucher funding increased during 2026, rising subsidy costs and uncertainty about future federal appropriations continue to pressure the program.

The Authority is also managing immediate funding pressures within its voucher programs. The planned sunset of the Emergency Housing Voucher program and the transition of Mainstream voucher funding into the Housing Choice Voucher program create additional uncertainty for fiscal year 2027. Management will continue to evaluate available reserves, program funding, and other mitigation strategies to maintain assistance while responding to federal funding constraints.

The Authority's financial activities extend beyond federal voucher administration and include owned affordable housing, affiliated and component entities, and an active development pipeline. Seven development projects are currently planned or underway, including projects serving a broader range of housing needs such as missing-middle workforce housing. These activities increase the importance of managing construction financing, debt service, interest-rate exposure, liquidity, operating commitments, and availability of local, state, and federal funding sources.

Maintaining adequate liquidity and reserves will remain an important financial priority, as the Authority manages both program funding pressures and the capital requirements of its development activities.

Together, these factors are expected to continue shaping the Authority's financial position and operating results in future periods.

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 requests 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

Statement of Net Position

March 31, 2026

	Primary Government	Discretely Presented Component Units
ASSETS		
Current Assets		
Cash and cash equivalents		
Unrestricted	$ 14,619,276	$ 3,432,899
Restricted	18,352,180	4,695,814
Subtotal	**32,971,456**	**8,128,713**
Investments	25,414,785	1,144,946
Accounts receivable, net	1,296,554	36,271
Prepaid expenses	316,079	1,342,229
Inventory, net	67,935	-
Notes and lease receivable current	165,585	-
Total Current Assets	**60,232,394**	**10,652,159**
Non-Current Assets		
Notes and leases receivable	56,817,036	-
Other non-current assets	39,775	10,569,773
Derivative asset	295,497	-
Capital assets not being depreciated	101,745,988	15,381,877
Capital assets, net	73,248,053	84,794,971
Right to use leased assets, net	26,187	-
Total Non-Current Assets	**232,172,536**	**110,746,621**
TOTAL ASSETS	**292,404,930**	**121,398,780**
DEFERRED OUTFLOWS OF RESOURCES	**80,781**	**-**
LIABILITIES		
Current Liabilities		
Accounts payable	4,008,536	113,144
Accrued liabilities	545,005	43,952
Deposits held in trust	831,549	261,595
Compensated absences current	313,920	8,791
Unearned revenue	230,294	26,151
Other liabilities current	501,925	318,504
Financial agreements payable current	922,998	657,400
Total Current Liabilities	**7,354,227**	**1,429,537**
Non-Current Liabilities		
Compensated absences	926,907	-
Funds held in trust	1,248,121	-
Net OPEB liability	1,912,836	-
Financial agreements payable	48,405,496	78,670,241
Total Non-Current Liabilities	**52,493,360**	**78,670,241**
TOTAL LIABILITIES	**59,847,587**	**80,099,778**
DEFERRED INFLOWS OF RESOURCES	**3,255,064**	**-**
NET POSITION		
Net investment in capital assets	125,691,734	20,849,207
Restricted	29,957,532	4,434,219
Unrestricted	73,733,794	16,015,576
TOTAL NET POSITION	**$ 229,383,060**	**$ 41,299,002**

See notes to financial statements

Housing Authority of the City of Santa Barbara

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended March 31, 2026

	Primary Government	Discretely Presented Component Units
Operating Revenues		
Rental revenues, net	$ 11,559,587	$ 9,116,182
Government grants	64,156,143	-
Other income	838,562	35,454
Total Operating Revenues	**76,554,292**	**9,151,636**
Operating Expenses		
Administration	8,772,009	1,612,669
Tenant services	2,673,881	182,252
Utilities	1,254,118	699,712
Maintenance and operations	5,299,463	1,275,720
Insurance expense	938,567	376,174
General expense	599,436	199,115
Housing Assistance Payments	44,085,525	-
Depreciation and amortization	4,340,966	3,398,978
Total Operating Expenses	**67,963,965**	**7,744,620**
NET OPERATING INCOME (LOSS)	**8,590,327**	**1,407,016**
Non-Operating Revenues (Expenses)		
Interest income	3,475,757	30,483
Interest expense	(3,160,510)	(2,765,066)
Total Non-Operating Revenues (Expenses)	**315,247**	**(2,734,583)**
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	**8,905,574**	**(1,327,567)**
Capital Contributions and Transfers		
Capital contributions	7,750,000	-
Total Capital Contributions and Transfers	**7,750,000**	**-**
CHANGE IN NET POSITION	**16,655,574**	**(1,327,567)**
BEGINNING NET POSITION	**212,798,602**	**42,626,569**
Corrections of Errors	**(71,116)**	**-**
BEGINNING NET POSITION (RESTATED)	**212,727,486**	**42,626,569**
ENDING NET POSITION	**$ 229,383,060**	**$ 41,299,002**

Housing Authority of the City of Santa Barbara

Statement of Cash Flows

For the Year Ended March 31, 2026

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants and users	$	21,915,772
Receipts from operating grants		68,855,623
Receipts from other sources		2,811,309
Payments for goods and services		(8,628,193)
Payments for Housing Assistance Payments		(53,743,998)
Payments to employees for services		(9,396,346)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES		**21,814,167**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases		(6,926,445)
Proceeds from sale of capital assets		97,294
Principal payments on financial agreements		(7,839,717)
Interest payments on financial agreements		(4,801,164)
Proceeds from additional financial agreements		7,751,184
Capital financing fees paid		(1,016,470)
Purchase of interest rate cap		(271,000)
Capital contributions and transfers		-
NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		**(13,006,318)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment activities		13,164,734
Note receivable collected		-
Note receivable issued		(3,489,647)
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES		**9,675,087**
NET INCREASE (DECREASE) IN CASH		**18,482,936**
BEGINNING CASH		**14,488,520**
ENDING CASH	**$**	**32,971,456**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	8,590,327
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation		4,340,966
Pension		(172,324)
Change in Assets and Liabilities		
(Increase) decrease in accounts receivable		5,107,735
(Increase) decrease in prepaid		(17,293)
Increase (decrease) in accounts payable		3,422,876
Increase (decrease) in accrued liabilities		512,899
Increase (decrease) in compensated absences		79,784
Increase (decrease) in unearned revenue		(20,114)
Increase (decrease) in deposits held in trust		(30,689)
Total Adjustments		**13,223,840**
Net Cash Provided (Used) by Operating Activities	**$**	**21,814,167**
Interest Paid	**$**	**2,738,801**

NOTE 01 - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the Housing Authority of the City of Santa Barbara (the Authority) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority follows GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*, so the financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for enterprise funds, in accordance with GASB. For these governments, basic financial statements and required supplemental information consist of:

Management's Discussion and Analysis (MD&A)
Enterprise fund financial statements consisting of:
- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

Notes to Financial Statements
Required supplemental information other than MD&A and supplemental information

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

Reporting Entity

The Authority is a public body organized in October 1969, under 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 appointed to four-year terms (except for tenant commissioners who serve two-year terms) by the Santa Barbara City Council (the 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. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (HUD) to be the administrator of the housing and housing-related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under the provisions of this statement, the Authority is considered a primary government, since it is a special-purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

The Authority's primary operations comprise a number of housing and grant programs as follows:

Authority Owned Housing
Housing Assistance Payment Program
Property Management Program
Continuum of Care

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards* and Statement No. 14 and No. 61 of the *Government Accounting Standards Board, the Financial Reporting Entity.*

The organization is legally separate (can sue and be sued in its own name).
The Authority holds the corporate powers of the organization.
The Authority appoints a voting majority.
The Authority is able to impose its will on the organization.
The organization has the potential to impose a financial benefit/burden on the Authority.
There is fiscal dependency by the organization on the Authority.

Based on the aforementioned criteria, and the control and relationship between the Authority and the component units, the Authority has determined that the following entities are considered component units of the Authority and are required to be blended within the Authority's financial statements:

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners or the component units provide services entirely to the Authority. These component units' funds are blended into those of the Authority's by appropriate activity type to compose the primary government presentation.

Currently, the Authority has one component unit that meets the criteria for blending.

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 Authority and should be included in the Authority's financial statements through a blended presentation. SBAHG operates on the same fiscal year as the Authority, ending March 31, 2026.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

As of March 31, 2026, the Authority, along with its blended component unit, is the manager and operator of six low-income residential real estate developments organized as real estate limited partnerships. Under a Management Agreement and a Guarantee Agreement with each of the limited partnerships, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits in accordance with the terms of the partnership, management, and guarantee agreements. The Authority also holds the right to purchase the properties from the limited partnerships under a Purchase Option/Right of First Refusal at the end of the 15-year Low Income Tax Credit compliance period. The Authority has outstanding loans and advances to the limited partnerships amounting to $53,423,950 at March 31, 2026. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore are shown as discretely presented component units. Balances presented for discretely presented component units on the accompanying Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are as of December 31, 2025.

The Authority has six discretely presented component units as follows:

Villa Santa Fe, L.P., a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2012, for the purpose of purchasing, rehabilitating, and operating two separate properties in Santa Barbara totaling 167 units. The Authority manages the two properties under a contractual management agreement with the limited partnership.

Santa Barbara Housing Partnership IV, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2014, for the purpose of purchasing, rehabilitating, and operating two separate properties in Santa Barbara totaling 35 units. The Authority manages the two properties under a contractual management agreement with the limited partnership.

813 East Carrillo Street, L.P., a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2018, for the purpose of purchasing, rehabilitating, and operating 17 studio units for formerly homeless veterans. The Authority manages property under a contractual management agreement with the limited partnership.

251 South Hope Associates, L.P., a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2018, for the purpose of purchasing, rehabilitating, and operating 90 units for the frail senior population. The Authority manages property under a contractual management agreement with the limited partnership.

Grace Village Apartments, L.P., a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2015, for the purpose of purchasing, rehabilitating, and operating 58 units of one-bedroom residences for seniors.

116 E. Cota St. Associates, L.P., a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2020, for the purpose of purchasing, rehabilitating, and operating 28 units for very low and low-income renters.

Complete financial statements for each of the individual discretely presented components may be obtained at the Authority's administrative office at 808 Laguna Street, Santa Barbara, CA 93101. There are no separate financial statements issued for the blended component units.

Budgetary Data
The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD. These budgets are adopted using a HUD outline that is not consistent with generally accepted accounting principles and are used for HUD purposes only.

Basis of Presentation, Basis of Accounting and Measurement Focus
Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are the determination of net income, financial position, and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the Statement of Net Position. In the Statement of Net Position, equity is classified as net position and displayed in three components:

a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
b) *Restricted net position* – Consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
c) *Unrestricted net position* – All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

Proprietary Fund. Enterprise Fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided. When both restricted and unrestricted net positions are available for use, it is the Authority's policy to use restricted resources first.

Board of Commissioners
The Commissioners of the Housing Authority of the City of Santa Barbara for the reported on fiscal year appear below:

Name	Term Expires	Position
Patricia Wheatley	June 2029	Chairman
Lisa Carlos	June 2026	Vice-Chairman
David Rowell	August 2027	Director
Mary Fenger	June 2026	Director
Skip Szymanski	June 2029	Director
Megan Turley	September 2028	Director
Joey Samora	June 2026	Director

In addition to the above Commissioners, the Administrator of the Authority is Rob Fredericks, who serves as CEO and the Executive Director.

Inventories
Inventories are recorded at cost with cost being determined on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed. Management has deemed no allowance for obsolete inventory is necessary.

Revenues and Expenses
Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority are operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for operating expenses.

In accordance with GASB standards dwelling income has been netted with bad debt expense of $127,101. Collection losses on accounts receivable are expended, in the appropriate Fund, on the specific write-off method.

Operating Revenues
Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non-operating revenue and expense.

Cash and Investments
The Authority's cash deposits and investments are maintained in accordance with applicable provisions of the California Government Code, the California Health and Safety Code, the Authority's Board-adopted investment policy, and, where applicable, requirements of the U.S. Department of Housing and Urban Development (HUD).

The Authority may invest funds in investments permitted under applicable federal and California law in alignment with its Board-approved investment policy. Funds associated with HUD programs are subject to applicable HUD requirements, including restrictions contained in annual contributions contracts, general depository agreements, grant agreements, and other HUD guidance. When HUD requirements are more restrictive than otherwise applicable state law or Authority policy, the HUD requirements govern those funds.

The Authority manages cash and investments to provide for anticipated operating, and program needs while preserving principal, maintaining liquidity, and earning a reasonable return consistent with applicable legal and contractual requirements.

For purposes of the statement of cash flows, the Authority considers highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Accounts Receivable
Accounts receivable consists of all amounts earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against dwelling rent revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Assets, Right-of-Use (ROU) Assets, Depreciation, and Amortization
Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures, and equipment. Right-of-use assets are recognized at the net present value of future lease payments. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. If the initial cost of a piece of equipment and/or other personal property is ten thousand dollars ($10,000) or more and the anticipated life or useful value of said equipment or property is more than one (1) year, the purchased property/equipment will be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Category	Useful Life
Buildings and improvements	30 Years
Site improvements, modernization, and rehabilitation	10 Years
Furniture, equipment, and vehicles	5-7 Years
Right to use assets equipment	5 Years

Leases
Under GASB 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the Authority and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. These deferred inflows of resources are amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and a right-to-use asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on an index or rate, and reasonably certain residual guarantees. The right-to-use asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement and is subsequently amortized over the life of the lease.

All existing and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions.

Deferred Inflows/Outflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority had deferred outflows of resources consisting of a change in assumption on the OPEB liability of $80,781.

Also, in addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority's deferred inflows of resources as of March 31, 2026, were as follows:

Related to OPEB plan	$ 1,744,039
Leased land	377,194
Unearned ground lease	1,109,334
Rate cap valuation	24,497
Total Deferred Inflows	**$ 3,255,064**

Compensated Absences
Compensated absences are absences for which employees will be paid, i.e., vacation, and other approved leaves. The Authority accrues the liability for those absences when the employee has earned the right to the benefits. Upon separation from the Authority, an employee shall be paid for all accumulated annual leave and a percentage of their sick leave based on tenure and retirement with the Authority, as of their final date of employment. Leave accrued, but not yet paid as of March 31, 2026, is shown as a liability allocated between current and noncurrent.

Insurance
The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. As of the date of the report, the Authority had necessary insurance coverage in force.

Unearned Revenues
Unearned revenues (included in other current liabilities) consist of $230,294 in rental payments made by tenants in advance of their due date.

NOTE 02 - CASH AND CASH EQUIVALENTS

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements. The Authority's cash and investments consist of checking, money market, commercial paper, mutual funds, and US Treasury and corporate bonds. The Authority's checking and money market bank accounts are short-term highly liquid investments that are considered cash and cash equivalents.

Deposits associated with HUD programs and identified in the Authority's General Depository Agreement are insured or collateralized in accordance with HUD requirements. The Authority's remaining deposits are maintained in accordance with applicable state law and the Authority's investment policy.

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. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability - either directly or indirectly.
Level 3: Unobservable inputs - market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Authority considers all the investments as Level 1.

Cash and investments are stated at fair value and consist of the following:

Unrestricted	
Checking & Money Market accounts	$ 14,619,276
Subtotal	14,619,276
Restricted	
Security deposits - tenants	831,549
Family Self Sufficiency deposits	1,248,121
Housing Assistance Payments	182,548
Other restricted funds	16,089,962
Subtotal	18,352,180
Total Cash & Equivalents	**$ 32,971,456**
Unrestricted Investments	
Cal Trust liquidity fund	$ 3,639,106
Cash sweeps	313,935
Corporate bonds	3,262,810
US Treasury Obligations	4,513,912
Subtotal	11,729,763
Restricted Investments	
Cal Trust liquidity fund	13,685,022
Subtotal	13,685,022
Total Investments	**$ 25,414,785**

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 matching investment maturities to the extent possible, with anticipated 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 investment ratings at March 31, 2026, are presented below (excludes CDs, money market funds and mutual funds):

	Fair Value	AA	A	BBB	NR
Corporate bonds	$ 3,262,810	$ 1,822,750	$ 939,610	$ 500,450	$ -
US Treasury Obligations	$ 4,513,912	$ -	$ -	$ -	$ 4,513,912

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk.

Authorized security for deposits enumerated under law includes direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority does not have a custodial credit risk policy that is more restrictive than state statutes.

Concentration of Custodial Credit Risk - More than 5 percent of the Authority's investments are held by the following custodians:

Cal TRUST	67%	$ 17,068,402
US Bank	33%	8,346,383
		$ 25,414,785

NOTE 03 - ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2026, consisted of the following:

Tenant receivables	$ 308,267
Allowance for receivables	(192,494)
Net receivable	115,773
Due from other governments	1,180,781
Accounts Receivable, Net	**$ 1,296,554**

NOTE 04 - NOTES RECEIVABLE AND LEASE RECEIVABLE

Notes and lease receivable at March 31, 2026, consisted of the following:

Interest Rate	Description	Maturity Date	Principal	Interest Accrued	Total Due
2.33%	SBHP IV RAD 4 Pearl Gardens	3/1/2072	$ 3,751,779	$ 599,051	$ 4,350,830
2.33%	SBHP IV RAD 4 Sycamore Gardens	3/1/2072	4,662,111	715,241	5,377,352
0.00%	SBHP IV RAD 4 Pearl Gardens	3/1/2072	1,313,863	-	1,313,863
0.00%	SBHP IV RAD 4 Sycamore Gardens	3/1/2072	1,532,767	-	1,532,767
3.90%	Villa Santa Fe Apt	4/1/2049	6,704,231	77,829	6,782,060
2.00%	2nd Story Mobile Homes LLC	6/1/2062	875,000	34,872	909,872
3.06%	251 South Hope Assoc	12/31/2073	7,250,000	1,906,816	9,156,816
3.00%	821 State LLC Loan	12/22/2062	1,350,000	102,101	1,452,101
4.00%	Grace Village Apt., LP	12/1/2071	1,710,000	624,398	2,334,398
4.00%	Grace Village Apt., LP	12/1/2071	5,395,000	2,014,133	7,409,133
3.00%	200N. La Cumbre Associates LP Predev Loan	8/14/2029	275,000	61,905	336,905
4.86%	200 N. La Cumbre, LP	2/1/2055	5,910,000	333,418	6,243,418
4.86%	200 N. La Cumbre, LP	2/1/2055	3,000,000	169,248	3,169,248
3.00%	Monteria, LP Predev Loan	5/1/2032	1,200,000	44,796	1,244,796
4.00%	116 E. Cota Seller loan	12/8/2021	600,000	103,447	703,447
4.00%	116 E. Cota Gap loan	12/8/2021	300,000	51,723	351,723
6.00%	116 E. Cota Gap 2 loan	12/8/2021	950,000	140,570	1,090,570
3.00%	15 S. Hope Predev Loan	6/14/2035	850,000	-	850,000
4.62%	15 S. Hope Gap Loan	NA	650,000	-	650,000
3.00%	Parma Predevelopment loan	11/30/2003	500,000	7,500	507,500
4.00%	SB Presidio Springs 1 LP	5/1/2030	750,000	30,395	780,395
8.50%	3883 La Cumbre - Land Lease	8/31/2028	435,427	-	435,427
			$ 49,965,178	$ 7,017,443	$ 56,982,621

The above does not include various notes receivable between the Authority and SBAHG (blended component unit) which have been eliminated in the consolidation process.

NOTE 05 - INTER-PROGRAM

At March 31, 2026, inter-program receivables and payables consisted of the following:

	Receivables	Payables
COCC	$ 183,087	$ 12,565
SBAHG (blended unit)	-	166,600
Housing Choice Vouchers	128,498	110,232
Non-HUD	131,831	147,949
Continuum of Care	1,445	8,287
Emergency Housing Vouchers	11,120	-
Mainstream Vouchers	-	10,348
	$ 455,981	$ 455,981

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

In addition, in 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.

Also, during the years ended March 31, 2016 and 2017, the Authority converted certain public housing units to RAD and sold certain public housing units to SBAHG (blended component unit). The Authority (Non-HUD program) financed the entire sales proceeds with five 99-year loans at an interest rate of 3% per annum, payable only from surplus cash commencing on the dates below and each July 1st thereafter until paid in full.

The loan balances and accrued interest as of March 31, 2026, are as follows:

	Payments Commencing	Principal	Interest Accrued	Total Due
RAD Promissory Note 1	July 1, 2015	$ 1,090,000	$ 103,905	$ 1,193,905
RAD Promissory Note 2	July 1, 2015	9,760,000	920,512	10,680,512
RAD Promissory Note 3	July 1, 2015	7,400,000	707,158	8,107,158
RAD Promissory Note 5	July 1, 2017	42,890,000	1,670,488	44,560,488
RAD Promissory Note 6	July 1, 2017	10,145,000	954,692	11,099,692
SBAHG Promissory Note 1	July 1, 2014	30,137,084	904,113	31,041,197
SBAHG Promissory Note 2	NA	1,185,920	36,170	1,222,090
		$ 102,608,004	$ 5,297,038	$ 107,905,042

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

NOTE 06 - PENSION PLAN

The Authority provides a defined contribution pension plan (the Plan) for eligible employees. The plan is administered by Empower Retirement (which is owned by. The Plan is managed by a committee of trustees comprised of senior management of the Authority (specifically, the Executive Director/CEO; the Deputy Executive Director and the Director of Finance. Plan changes are allowed. All plan changes must be approved by the Authority's governing body (the Commission). The Commission 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 up to 5% of any employee deferred compensation. Employer contributions totaled $962,227 on $6,060,376 covered payroll for the year ended March 31, 2026.

NOTE 07 - CAPITAL ASSETS

A summary of changes in capital assets were as follows:

	Balance at 04/01/25	Additions	Deletions	Balance at 03/31/26
Capital assets not being depreciated				
Land	$ 87,035,583	$ 7,750,000	$ (97,294)	$ 94,688,289
Construction in progress	-	7,057,699	-	7,057,699
Capital assets not being depreciated	87,035,583	14,807,699	(97,294)	101,745,988
Capital assets being depreciated				
Buildings and improvements	122,741,605	588,819	(878,013)	122,452,411
Furniture and equipment	2,107,525	220,026	(157,636)	2,169,915
Total assets being depreciated	124,849,130	808,845	(1,035,649)	124,622,326
Accumulated depreciation	-			-
Building accumulated depreciation	(45,575,947)	(4,184,024)		(49,759,971)
Equipment accumulated depreciation	(1,623,022)	(148,916)	157,636	(1,614,302)
Net capital assets being depreciated	77,650,161	(3,524,095)	(878,013)	73,248,053
Capital Assets, Net	**$164,685,744**	**$ 11,283,604**	**$ (975,307)**	**$174,994,041**

	Balance at 04/01/25	Additions	Deletions	Balance at 03/31/26
Lease equipment	$ 47,245	$ 19,197	$ -	$ 66,442
Accumulated amortization	(32,229)	(8,026)	-	(40,255)
Lease Equipment, Net	**$ 15,016**	**$ 11,171**	**$ -**	**$ 26,187**

For the year ended March 31, 2026, the Authority reported depreciation expense of $4,332,940 and reported amortization expense of $8,026. During the fiscal year ended March 31, 2026, the Authority experienced no losses or material impairments.

NOTE 08 - NON-CURRENT LIABILITIES CHANGES

The following is a summary of the activity for non-current liabilities for the year ended March 31, 2026:

	Balance at 04/01/25	Additions	Deletions	Balance at 03/31/26	Due within One Year
Compensated absences	$ 1,161,043	$ 662,792	$ (583,008)	$ 1,240,827	$ 313,920
OPEB payable	2,341,034	-	(428,198)	1,912,836	-
Financial agreements-debt	48,630,866	7,731,987	(7,060,766)	49,302,087	911,563
Financial agreements-leases	18,341	19,197	(11,131)	26,407	11,435
Accrued liabilities	1,330,337	-	(82,216)	1,248,121	-
Total	$ 53,481,621	$ 8,413,976	$ (8,165,319)	$ 53,730,278	$ 1,236,918

The majority of the long-term debt on the discretely presented component units is related to Notes Receivable. For further details about discretely presented component units' debt review those separately issue financial statements.

NOTE 09 - COMMITMENTS AND CONTINGENCIES

Legal: At March 31, 2026, 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 effect on the Authority's financial position.

Grants and Contracts: The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of March 31, 2026.

NOTE 10 - FINANCIAL AGREEMENTS

All loans are direct borrowings as listed below:

City of Santa Barbara	
Loan agreement, secured by a deed of trust on the property known as Bradley Studios at 512-518 Bath St., 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.	$ 4,563,500
U.S. Bank	
Note payable 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.	1,413,141

U.S. Bank	
Note payable dated October 1, 2008, with an initial interest rate of 4.0% (through November 2018). Interest rate adjusted in November 2018, to 2.977%, based on 95% of the ten-year Constant Maturity Treasury index. Interest rate will adjust again in November 2028, to 95% of the then-current ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of $7,639 until December 2018, when it changed with the interest rate reset to $7,033. All unpaid principal and interest is due and payable November 1, 2038. Secured by real property.	893,576
U.S. Bank	
Note payable 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 $24,295. All unpaid principal and interest is due and payable November 1, 2033. Secured by real property.	1,867,699
Wilcox Family Trust	
Mortgage payable dated November 7, 2007, with an interest rate of 5%, monthly interest only payments of $4,000 until November 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.	515,573
City of Santa Barbara	
Loan agreement, secured by a deed of trust on the property known as Casa de Las Fuentes, 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 May 1st, 2031.	1,112,814
City of Santa Barbara	
Note payable 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. Unpaid principal and interest is due and payable April 26th, 2030. Secured by a deed of trust against the property known as Villa La Cumbre.	693,816
City of Santa Barbara	
Loan agreement, secured by a deed of trust against the property known as El Carrillo, 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 low. All unpaid principal and interest is due and payable August 1, 2032.	919,047

City of Santa Barbara	
Loan agreement, secured by a deed of trust against the property known as Paseo Voluntario, 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
City of Santa Barbara	
Loan agreement, secured by a deed of trust against the property known as Artisan Court, 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.	4,000,000
City of Santa Barbara	
Loan agreement, secured by a deed of trust against property located at 2941 State Street, 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.	254,145
City of Santa Barbara	
Loan agreement, secured by a deed of trust against property located at 518 East Canon Perdido, dated October 13, 2016, 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 October 13, 2046.	633,000
Various Individuals	
Note payable to several individuals, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031, and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016, in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.	1,733,407
Deborah Ann Saucedo Revocable Trust	
Note payable dated November 29, 2017, with an interest rate of 4.50% per annum from the date of the note until December 1, 2037, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	1,832,417

Various Individuals	
Note payable to several individuals, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2048, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	1,527,166
Montecito Bank & Trust	
Note payable dated October 9, 2019, with an initial interest rate of 3.875%. Interest rate will be adjusted in November 2029, and again in November 2038, to the then-current ten-year Constant Maturity Treasury Index, plus a margin of 1.75%. Due in initial monthly principal and interest payments of $6,403. All unpaid principal and interest is due and payable October 25, 2049. Secured by real property.	1,177,177
Gonzales Trust	
Note payable dated November 8, 2022, with an interest rate of 5.0% per annum from the date of the note until December 1, 2037, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a forty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	2,528,012
Banc of California	
Note payable dated October 19, 2021, with an interest rate of 3.75%. Due in monthly principal and interest payments of $8,403. All unpaid principal and interest is due and payable October 2031. Secured by real property.	1,647,292
City of Santa Barbara	
Loan payable in the amount of $6 million, interest rate of 3% simple interest per annum, from and after Effective Date (March 15, 2024) and continuing until paid in full with payments to be made on a residual receipts per the terms of the note with a maturity date 30 years from the Effective Date of the agreement, which is secured by a deed of trust against the property known as 3055 De La Vina Street.	6,000,000
City of Santa Barbara	
Loan agreement, secured by a deed of trust against property located at 400 W Carrillo St, dated October 28, 2025, interest at 3%. The note requires one lump sum payment equal to the amount of 75% of the annual net cash flow limited to the amount necessary to amortize the loan in equal annual installments over the number of years remaining. The loan is subordinated to the Bond Payable and Citibank Loan.	271,000
Subordinate Multifamily Housing Revenue Bonds Series 2025 A-S	
Bonds payable issued November 4, 2025, consisting of 2025 Series A-S Capital Appreciation Bonds with a face amount of $7,001,573 and interest at 8.00%. All unpaid principal and interest is due and payable May 1, 2044. Secured by a deed of trust against the property known as Jacaranda Court at 400 W. Carrillo St.	7,001,573

Citibank Trauche A & B	
Loan payable dated December 11, 2025, with an original principal amount of $18,500,000 and variable interest at SOFR plus 1.85% for the period of construction. All unpaid principal and interest is due and payable April 1, 2059. Secured by a deed of trust against the property known as Jacaranda Court at 400 W. Carrillo St. The loan is subordinate to the Bond Payable.	55,392
Banc of California	
Note payable dated October 29, 2025, with an original principal amount of $5,000,000 and interest at 0%. All unpaid principal is due and payable November 1, 2041. Secured by a deed of trust against the property at 3055 De La Vina St.	52,240
Montecito Bank & Trust - SBAHG	
Note payable dated October 10, 2018, with an initial interest rate of 4.57%. Interest rate will be adjusted in November 2028, and again in November 2038, to the then-current ten-year Constant Maturity Treasury Index, plus a margin of 1.75%. In no case shall the loan interest rate be less than 4.57%. Due in initial monthly principal and interest payments of $28,886. All unpaid principal and interest is due and payable October 25, 2048. Secured by real property.	4,832,569
Accrued Interest on Cash Flow Loans	
Several of the City of Santa Barbara loans are cash flow loans, which have accrued interest when cash flow was not available to pay these loans.	2,797,531
Total Financial Agreements - Debt	**49,302,087**

All leases as listed below:

Kyocera TASKalfa Copiers	
The Authority has leased three Kyocera TASKalfa copiers on a 60-month lease with an interest rate of 8.5% and $670 monthly payment. The lease began January 2022, and will end December 2026.	5,822
Quadient Folding Machine	
The Authority has leased a Quadient Folding Machine on a 60-month lease with an interest rate of 6.0% and $1,101 monthly payment. The lease began December 18th, 2025, and will end September 2030.	17,265
Postage Machine	
The Authority has leased a postage machine on a 60-month lease with an interest rate of 8.5% and $595.50 quarterly payment. The lease began November 2022, and will end October 2027.	3,320
Total Financial Agreements - Leases	**26,407**
Total Financial Agreements	**$ 49,328,494**

As of March 31, 2026, the annual requirements for debt retirement are:

Year(s) Ended March 31,	Principal	Interest	Total
2027	$ 911,563	$ 837,493	$ 1,749,056
2028	1,330,408	790,950	2,121,358
2029	5,361,392	654,485	6,015,877
2030	814,764	500,164	1,314,928
2031	2,654,484	1,392,507	4,046,991
2032 - 2036	7,071,594	2,627,350	9,698,944
2037 - 2041	4,939,277	568,340	5,507,617
2042 - 2046	7,560,253	121,814	7,682,067
2047 - 2051	1,175,837	592,178	1,768,015
2052 - 2056	6,000,000	-	6,000,000
2057 - 2061	55,392	-	55,392
2062 - 2066	6,863,623	7,157,643	14,021,266
2067 - 2071	4,563,500	6,921,752	11,485,252
	$ 49,302,087	$ 22,164,676	$ 71,466,763

As of March 31, 2026, the annual requirements for lease payments are:

Year Ended March 31,	Principal	Interest	Total
2027	$ 11,435	$ 1,383	$ 12,818
2028	4,813	785	5,598
2029	3,883	523	4,406
2030	4,122	285	4,407
2031	2,154	49	2,203
	$ 26,407	$ 3,025	$ 29,432

Interest Rate Cap Agreement

In connection with the Citibank variable-rate construction financing for the Project, the Authority entered into an interest rate cap agreement to manage its exposure to increases in the interest rate on the related debt. The cap pays when the applicable rate exceeds the contractual strike rate.

The interest rate cap was purchased from Citibank with an effective date of December 11, 2025. The Authority paid an upfront premium of $271,000 to acquire the cap and is not required to make periodic settlement payments under the agreement.

As of March 31, 2026, the interest rate cap had a notional amount of $55,000, a strike rate of 2%, and a termination date of April 1, 2028. The cap is reported as a derivative asset (intangible asset) in the accompanying Statement of Net Position at a fair value of $295,497.

Management has determined that the interest rate cap qualifies as an effective hedging derivative instrument under the provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Accordingly, changes in the fair value of the effective hedging derivative are reported as deferred inflows or deferred outflows of resources rather than current-period investment income. As of March 31, 2026, the related deferred inflow of resources was $24,497.

The Authority is exposed to credit risk to the extent the interest rate cap has a positive fair value. As of March 31, 2026, the fair value of the Authority's exposure to the counterparty was $295,497.

NOTE 11 - SUBSEQUENT EVENTS

Management evaluated events occurring after the date of the Statement of Net Position through the date the financial statements were available to be issued and concluded that the following subsequent events, should be disclosed:

HUD announced the sunset of the Emergency Housing Voucher (EHV) program effective December 31, 2026.
HUD announced the integration of Mainstream voucher funding into the Housing Choice Voucher (HCV) program.
Construction commitments for the Jacaranda Court in place at year end totaled approximately $23 million.
The Authority completed the buyout of Artisan Court LP through the Non-HUD Fund for a nominal cost plus assumption of debt in April 2026.
S&P Global Ratings assigned the Authority an A+ issuer credit rating with a stable outlook.

NOTE 12 - 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 Authority is a member of the California Housing Workers' Compensation Authority (CHWCA), a joint powers authority established in 1991 to provide workers' compensation and employer's liability coverage to participating California public housing authorities. CHWCA operates a pooled risk-sharing program and provides its members with claims administration, actuarial, risk-control, and related services. CHWCA is governed by a seven-member Executive Committee elected by its Board of Directors, which consists of representatives from each participating member agency. CHWCA also maintains excess workers' compensation coverage through a commercial insurer.

HARRP (Housing Authorities Risk Retention Pool) – The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP), a member-owned public entity risk pool established to provide insurance and risk-management services to participating public housing authorities. HARRP provides the Authority with property, general liability, automobile liability, public officials errors and omissions, employment-related liability, and other applicable coverages through a combination of pooled self-insurance and commercial reinsurance or excess coverage. Coverage limits and deductibles vary by type of coverage and are established under the Authority's applicable coverage agreements. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

NOTE 13 - UNEARNED GROUND LEASE

During the year ended March 31, 2016, the Authority leased land to Santa Barbara Housing Partnership IV, L.P., (a tax credit entity). The leases were for a term of 75 years. As of March 31, 2016, Santa Barbara Housing Partnership IV, L.P., paid the Authority $1,280,000 for the two ground leases ($520,000 for the Pearl Gardens property and $760,000 for the Sycamore Gardens property). This prepayment of lease income was recorded as deferred inflow of resources and will be recognized as revenue over the period to which the lease applies. As of March 31, 2026, the current portion of the unearned ground lease income is $17,066 (included in "Other current liabilities") and the long-term portion is $1,109,334 (included in "Other non-current liabilities"). The Authority will recognize the remaining lease income during the 75-year life of the leases as follows:

Year Ended March 31,	Amount	Year Ended March 31,	Amount
2026	$ 17,067	2051 to 2055	$ 85,333
2027	17,067	2056 to 2060	85,333
2028	17,067	2061 to 2065	85,333
2029	17,067	2066 to 2070	85,333
2030	17,067	2071 to 2075	85,333
2031 to 2035	85,334	2076 to 2080	85,333
2036 to 2040	85,334	2081 to 2085	85,333
2041 to 2045	85,334	2086 to 2090	85,332
2046 to 2050	85,334	2091 to 2094	-
Subtotal	$ 426,671	Subtotal	682,663
		Total	$ 1,109,334

NOTE 14 - OTHER POST-EMPLOYMENT BENEFIT PLAN LIABILITY

Plan Description

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.

Active employees	63
Inactive employees	9
Total	**72**

Net OPEB Liability

The Authority's net OPEB liability was measured as of March 31, 2026, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated March 31, 2026, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Valuation date:	March 31, 2026
Funding method:	Entry Age Normal Cost, level percent of pay.
Discount rate:	4.94% as of March 31, 2026
Participants valued:	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase:	3.00% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
Assumed wage inflation:	3.00% per year; a component of assumed salary increases.
General inflation rate:	2.50% per year.
Mortality improvement:	MacLeod Watts Scale 2022.
Healthcare trend rate:	Medical plan premiums and claims costs by are assumed to increase once each year.

The Authority does not presently fund an OPEB trust. Therefore, the net OPEB liability is equal to the total OPEB liability.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.94%. The discount rate depends on the nature of underlying assets for funded plans. For an unfunded plan, the discount rate is based on Bond Buyer 20 Bond General Obligation Municipal Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 4.28% as of March 31, 2025, and 4.94% as of March 31, 2026.

Change in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	(a) Total OPEB	**(b) Plan Fiduciary**	**(a) - (b) = (c) Net OPEB**
Balance at March 31, 2025	$ 2,341,033	$ -	$ 2,341,033
Changes recognized for measurement period:			
Service cost	80,923	-	80,923
Interest	101,628	-	101,628
Changes of assumptions	(143,656)	-	(143,656)
Contributions – employer	-	94,963	(94,963)
Cost of Plan Changes	99,861	-	99,861
Benefit payments	(94,963)	(94,963)	-
Plan experience	(471,991)	-	(471,991)
Net changes	(428,198)	-	(428,198)
Balance at March 31, 2026	$ 1,912,835	$ -	$ 1,912,835

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended March 31, 2026.

	Discount Rate -1% (3.94%)	Valuation Discount Rate (4.94%)	Discount Rate +1% (5.94%)
Net OPEB liability	$ 2,170,924	$ 1,912,835	$ 1,698,588

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended March 31, 2026.

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB liability	$ 1,712,125	$ 1,912,835	$ 2,189,741

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,223	$ 1,178,527
Changes in assumptions	66,558	565,512
Net difference between projected and actual earnings on plan investments	-	-
Contributions subsequent to the measurement date	-	-
Totals	$ 80,781	$ 1,744,039

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year Ending March 31,	
2027	$ (325,641)
2028	(305,336)
2029	(232,628)
2030	(242,148)
2031	(219,154)
Thereafter	(338,351)
	$ (1,663,258)

OPEB Expense

For the fiscal year ended March 31, 2026, the Authority recognized OPEB expense (income) of ($43,229).

NOTE 15 - NET POSITION

The net position on the Statement of Net Position has been calculated as follows:

Capital assets not being depreciated	$101,745,988
Capital assets, net	73,248,053
Right to use leased assets, net	26,187
Related debt payable	(49,302,087)
Related lease payable	(26,407)
Net Investment in Capital Assets	**$125,691,734**
Restricted cash	$ 18,352,180
Restricted investments	13,685,022
Security deposit liability	(831,549)
FSS escrow liability	(1,248,121)
Restricted Net Position	**$ 29,957,532**

NOTE 16 - CORRECTION OF ERRORS

During the year ended March 31, 2026, the Authority identified immaterial errors in the financial information reported for the prior year. Accordingly, beginning net position was restated to correct those errors. The Authority's beginning net position increased by $48,830 to restore land lease receivables that had been erroneously written off in the prior year.

The Authority's beginning net position also decreased by $201,229 to correct properties that had been erroneously included in or excluded from the prior-year Financial Data Schedule (FDS). The net effect of these corrections was a $152,399 decrease in the Authority's beginning net position.

The beginning net position of the Authority's blended component unit, Santa Barbara Affordable Housing Group (SBAHG), increased by $81,286 because one property and its related prior-year activity had been erroneously excluded from the prior-year FDS. This correction incorporates that property's prior-year activity into SBAHG's beginning net position.

The combined net effect of the corrections was a $71,113 decrease in beginning net position.

NOTE 17 - CONDENSED FINANCIAL STATEMENTS

As required by GASB the condensed financial statements with elimination, for additional information see the detail supplementary information schedules.

	Housing Authority	Total Blended Component Units	Eliminations	Primary Government Totals
Condensed Statement of Net Position				
Current assets	$ 52,681,268	$ 8,007,107	$ (455,981)	$ 60,232,394
Capital assets	79,244,342	95,775,886	-	175,020,228
Other assets	164,275,722	781,629	(107,905,043)	57,152,308
Total Assets	**296,201,332**	**104,564,622**	**(108,361,024)**	**292,404,930**
Deferred outflow of resources	56,833	23,948	-	80,781
Current liabilities	6,670,763	1,139,445	(455,981)	7,354,227
Noncurrent liabilities	47,049,690	113,348,713	(107,905,043)	52,493,360
Total Liabilities	**53,720,453**	**114,488,158**	**(108,361,024)**	**59,847,587**
Deferred inflow of resources	2,731,406	523,658	-	3,255,064
Net investment in capital assets	34,750,189	90,941,545	-	125,691,734
Restricted net position	25,324,981	4,632,551	-	29,957,532
Unrestricted net position	179,731,136	(105,997,342)	-	73,733,794
Net Position	**$ 239,806,306**	**$ (10,423,246)**	**$ -**	**$ 229,383,060**
Condensed Statement of Revenues, Expenses and Change in Net Position				
Operating revenues	$ 76,524,694	$ 12,001,078	$ (11,971,480)	$ 76,554,292
Depreciation expense	(1,759,601)	(2,581,365)	-	(4,340,966)
Other operating expenses	(68,382,511)	(7,211,968)	11,971,480	(63,622,999)
Operating Income (Loss)	**6,382,582**	**2,207,745**	**-**	**8,590,327**
Nonoperating revenues	6,298,466	256,124	(3,078,833)	3,475,757
Nonoperating expenses	(2,933,444)	(3,305,899)	3,078,833	(3,160,510)
Nonoperating Revenue (Expense)	**3,365,022**	**(3,049,775)**	**-**	**315,247**
Income (Loss) Before Transfers and Capital Contributions	**9,747,604**	**(842,030)**	**-**	**8,905,574**
Transfers	-	-	-	-
Capital contributions	7,750,000	-	-	7,750,000
Change in Net Position	**17,497,604**	**(842,030)**	**-**	**16,655,574**
Beginning net position	222,461,101	(9,662,499)	-	212,798,602
Corrections of errors	(152,399)	81,283	-	(71,116)
Changes in accounting principles	-	-	-	-
Changes in accounting estimates	-	-	-	-
Beginning net position, restated	222,308,702	(9,581,216)	-	212,727,486
Net position, end of year	$ 239,806,306	$ (10,423,246)	$ -	$ 229,383,060
Condensed Statement of Cash Flows				
Net cash flows provided/(used) by operating activities	$ 16,860,148	$ 4,954,019	$ -	$ 21,814,167
Net cash flows provided/(used) by capital and related financing activities	(8,783,506)	(4,222,812)	-	(13,006,318)
Net cash flows provided/(used) by investing activities	8,631,584	1,043,503	-	9,675,087
Net increase/(decrease) in cash and cash equivalents	16,708,226	1,774,710	-	18,482,936
Cash, beginning of year	12,561,387	1,927,133	-	14,488,520
Cash, end of year	$ 29,269,613	$ 3,701,843	$ -	$ 32,971,456

Housing Authority of the City of Santa Barbara

Schedule of Changes in the Net Position Liability (Asset) and Related Ratios

Fiscal Year ending	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Measurement Date	3/31/2019	3/31/2020	3/31/2021	3/31/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026
Discount ratre on measurement date	3.42%	2.48%	2.27%	2.83%	3.78%	3.96%	4.28%	4.94%
Total OPEB Liability								
Service cost	$ 123,673	$ 134,881	$ 131,520	$ 143,220	$ 80,922	$ 64,386	$ 85,245	$ 80,923
Interest	153,171	155,095	92,631	89,934	73,624	88,168	94,631	101,628
Changes in benefit terms	-	-	-	-	-	-	-	99,861
Differences between actual and expected experience	-	(1,032,792)	-	(1,110,135)	-	19,980	-	(471,991)
Change of assumptions	130,330	66,383	115,344	(304,001)	(308,316)	(39,887)	(91,727)	(143,656)
Benefit payments, including refunds of employee contributions	(135,664)	(117,165)	(122,910)	(126,041)	(107,973)	(89,544)	(103,082)	(94,963)
Net Change in Total OPEB Liability	**271,510**	**(793,598)**	**216,585**	**(1,307,023)**	**(261,743)**	**43,103**	**(14,933)**	**(428,198)**
Total OPEB Liability - Beginning	**4,187,112**	**4,458,622**	**3,665,024**	**3,881,609**	**2,574,586**	**2,312,843**	**2,355,946**	**2,341,013**
Total OPEB Liability - Ending (a)	**$ 4,458,622**	**$ 3,665,024**	**$ 3,881,609**	**$ 2,574,586**	**$ 2,312,843**	**$ 2,355,946**	**$ 2,341,013**	**$ 1,912,815**
Plan Fiduciary Net Position - Beginning	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB Liability (Asset) - Ending (a) - (b)	**$ 4,458,622**	**$ 3,665,024**	**$ 3,881,609**	**$ 2,574,586**	**$ 2,312,843**	**$ 2,355,946**	**$ 2,341,013**	**$ 1,912,815**
Covered - Employee Payroll	**$ 4,427,154**	**$ 4,637,642**	**$ 4,542,425**	**$ 4,808,871**	**$ 5,044,538**	**$ 5,682,992**	**$ 6,052,419**	**$ 6,130,656**
Net OPEB Liability (Asset) as a Percentage of Covered - Employee Payroll	100.71%	79.03%	85.45%	53.54%	45.85%	41.46%	38.68%	31.20%

*This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Fiscal Year Ending	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Measurement date:	3/31/2019	3/31/2020	3/31/2021	3/31/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026
Discount rate on measurement date:	3.42%	2.48%	2.27%	2.83%	3.78%	3.96%	4.28%	4.94%

Valuation date:	3/31/2018	3/31/2020	3/31/2022	3/31/2024	3/31/2026
Actuarial cost method:	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay
Inflation:	2.75%	2.50%	2.50%	2.50%	2.50%
Healthcare cost trend rates:	8.0% in 2019 decreasing by 0.5% to 5.0% by 2025	4.9% in 2021, fluctuating down to 4.0% by 2075	5.8% in 2023, fluctuating down to 3.9% by 2076	6.0% in 2026, fluctuating down to 3.9% by 2075	6.5% in 2027, fluctuating down to 3.9% by 2075
Salary increase:	3.25%	3.00%	3.00%	3.00%	3.00%
Retirement age:	from 50 to 75	from 50 to 75	from 50 to 75	from 50 to 75	from 50 to 75
Mortality:	2014 CalPERS Experience Study	2017 CalPERS Experience Study	2021 CalPERS Experience Study	2021 CalPERS Experience Study	2025 CalPERS Experience Study
Mortality improvement:	MW Scale 2017	MW Scale 2020	MW Scale 2022	MW Scale 2022	MW Scale 2022

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Housing Authority of the City of Santa Barbara
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2026

	Assistance Listing Number(s)	Award Type	Expenditures
U.S. Department of HUD			
Section 8 Housing Choice Vouchers	14.871	Direct	$ 2,652,106
Section 8 Housing Choice Vouchers (Emergency Housing Vouchers)	14.871	Direct	2,186,570
Mainstream Vouchers	14.879	Direct	6,728,113
Total Housing Voucher Cluster			**11,566,789**
Resident Opportunity and Supportive Services	14.870	Direct	455,148
Continuum of Care Program	14.267	Direct	148,359
Moving to Work Demonstration Program	14.881	Direct	47,343,171
Total U.S. Department of HUD			**59,513,467**
Total Expenditures of Federal Awards			**$ 59,513,467**
Award Type			
Direct			$ 59,513,467
Indirect			$ -

NOTE 01 - SCOPE OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the federal awards expended by the Housing Authority of the City of Santa Barbara (the Authority) during the year, including awards received directly from federal agencies and through pass-through entities. Expenditures funded with local, state, or other nonfederal resources are excluded from the schedule.

NOTE 02 - BASIS OF ACCOUNTING

The expenditures reported in the accompanying schedule are presented on the accrual basis of accounting and are recognized in the accounting period in which the related liability is incurred. The schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Accordingly, amounts reported in the schedule may differ from amounts reported in or used in the preparation of the basic financial statements.

NOTE 03 - INDIRECT COST RATE

The Authority elected not to use the 15% de minimis indirect cost rate permitted under 2 CFR § 200.414.

Housing Authority of the City of Santa Barbara
Combining Statement of Net Position - Business Activities
March 31, 2026

ASSETS	Housing Authority	BCU SBAHG	Eliminations	Primary Government Total
Current Assets				
Cash and cash equivalents				
Unrestricted	$ 11,818,768	$ 2,800,508	$ -	$ 14,619,276
Restricted	17,450,845	901,335	-	18,352,180
Subtotal	**29,269,613**	**3,701,843**	**-**	**32,971,456**
Investments	21,251,730	4,163,055	-	25,414,785
Accounts receivable, net	1,251,575	44,979	-	1,296,554
Prepaid expenses	218,849	97,230	-	316,079
Inventory, net	67,935	-	-	67,935
Notes and lease receivable current	165,585	-	-	165,585
Interfund receivable	455,981	-	(455,981)	-
Total Current Assets	**52,681,268**	**8,007,107**	**(455,981)**	**60,232,394**
Non-Current Assets				
Notes and leases receivable	163,941,684	780,395	(107,905,043)	56,817,036
Other non-current assets	38,541	1,234	-	39,775
Derivative asset	295,497	-	-	295,497
Capital assets not being depreciated	53,960,442	47,785,546	-	101,745,988
Capital assets, net	25,257,713	47,990,340	-	73,248,053
Right to use leased assets, net	26,187	-	-	26,187
Total Non-Current Assets	**243,520,064**	**96,557,515**	**(107,905,043)**	**232,172,536**
TOTAL ASSETS	**296,201,332**	**104,564,622**	**(108,361,024)**	**292,404,930**
DEFERRED OUTFLOWS OF RESOURCES	**56,833**	**23,948**	**-**	**80,781**

Housing Authority of the City of Santa Barbara
Combining Statement of Net Position - Business Activities
March 31, 2026

LIABILITIES	Housing Authority	BCU SBAHG	Eliminations	Primary Government Total
Current Liabilities				
Accounts payable	3,821,656	186,880	-	4,008,536
Accrued liabilities	477,707	67,298	-	545,005
Deposits held in trust	399,710	431,839	-	831,549
Compensated absences current	251,155	62,765	-	313,920
Unearned revenue	130,537	99,757	-	230,294
Other liabilities current	501,925	-	-	501,925
Financial agreements payable current	798,692	124,306	-	922,998
Interfund payable	289,381	166,600	(455,981)	-
Total Current Liabilities	**6,670,763**	**1,139,445**	**(455,981)**	**7,354,227**
Non-Current Liabilities				
Compensated absences	775,628	151,279	-	926,907
Funds held in trust	1,248,121	-	-	1,248,121
Net OPEB liability	1,330,480	582,356	-	1,912,836
Financial agreements payable	43,695,461	112,615,078	(107,905,043)	48,405,496
Total Non-Current Liabilities	**47,049,690**	**113,348,713**	**(107,905,043)**	**52,493,360**
TOTAL LIABILITIES	**53,720,453**	**114,488,158**	**(108,361,024)**	**59,847,587**
DEFERRED INFLOWS OF RESOURCES	**2,731,406**	**523,658**	**-**	**3,255,064**
NET POSITION				
Net investment in capital assets	34,750,189	90,941,545	-	125,691,734
Restricted	25,324,981	4,632,551	-	29,957,532
Unrestricted	179,731,136	(105,997,342)	-	73,733,794
TOTAL NET POSITION	**$ 239,806,306**	**$ (10,423,246)**	**$ -**	**$ 229,383,060**

Housing Authority of the City of Santa Barbara

Combining Statement of Revenues, Expenses, and Changes in Net Position - Business Activities

For the Year Ended March 31, 2026

	Housing Authority	BCU SBAHG	Eliminations	Primary Government Total
Operating Revenues				
Rental revenues, net	$ 9,620,029	$ 11,899,071	$ (9,959,513)	$ 11,559,587
Government grants	64,156,143	-	-	64,156,143
Other income	2,748,522	102,007	(2,011,967)	838,562
Total Operating Revenues	**76,524,694**	**12,001,078**	**(11,971,480)**	**76,554,292**
Operating Expenses				
Administration	8,284,312	2,402,370	(1,914,673)	8,772,009
Tenant services	1,715,631	958,250	-	2,673,881
Utilities	670,627	583,491	-	1,254,118
Maintenance and operations	2,632,251	2,667,212	-	5,299,463
Insurance expense	540,750	397,817	-	938,567
General expense	493,902	202,828	(97,294)	599,436
Housing Assistance Payments	54,045,038	-	(9,959,513)	44,085,525
Depreciation and amortization	1,759,601	2,581,365	-	4,340,966
Total Operating Expenses	**70,142,112**	**9,793,333**	**(11,971,480)**	**67,963,965**
OPERATING INCOME (LOSS)	**6,382,582**	**2,207,745**	**-**	**8,590,327**
Non-Operating Revenues (Expenses)				
Interest income	6,298,466	256,124	(3,078,833)	3,475,757
Interest expense	(2,933,444)	(3,305,899)	3,078,833	(3,160,510)
Total Non-Operating Revenues (Expenses)	**3,365,022**	**(3,049,775)**	**-**	**315,247**
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	9,747,604	(842,030)	-	8,905,574
Capital Contributions and Transfers				
Capital contributions	7,750,000	-	-	7,750,000
Total Capital Contributions and Transfers	7,750,000	-	-	7,750,000
CHANGE IN NET POSITION	**17,497,604**	**(842,030)**	**-**	**16,655,574**
BEGINNING NET POSITION	**222,461,101**	**(9,662,499)**	**-**	**212,798,602**
Corrections of Errors	**(152,399)**	**81,283**	**-**	**(71,116)**
BEGINNING NET POSITION (RESTATED)	**222,308,702**	**(9,581,216)**	**-**	**212,727,486**
Transfers	**-**	**-**	**-**	**-**
ENDING NET POSITION	**$ 239,806,306**	**$ (10,423,246)**	**$ -**	**$ 229,383,060**

See auditors' report on supplementary information

Housing Authority of the City of Santa Barbara
Combining Statement of Cash Flows - Business Activities
For the Year Ended March 31, 2026

	Housing Authority	BCU SBAHG	Eliminations	Primary Government Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from tenants and users	$ 9,950,200	$ 11,965,572	$ -	$ 21,915,772
Receipts from operating grants	68,855,623	-	-	68,855,623
Receipts from other sources	2,709,302	102,007	-	2,811,309
Payments for goods and services	(3,965,907)	(4,662,286)	-	(8,628,193)
Payments for Housing Assistance Payments	(53,743,998)	-	-	(53,743,998)
Payments to employees for services	(6,945,072)	(2,451,274)	-	(9,396,346)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES	**16,860,148**	**4,954,019**	**-**	**21,814,167**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases	(6,377,915)	(548,530)	-	(6,926,445)
Proceeds from sale of capital assets	-	97,294	-	97,294
Principal payments on financial agreements	(6,952,331)	(887,386)	-	(7,839,717)
Interest payments on financial agreements	(1,916,974)	(2,884,190)	-	(4,801,164)
Proceeds from additional financial agreements	7,751,184	-	-	7,751,184
Capital financing fees paid	(1,016,470)	-	-	(1,016,470)
Purchase of interest rate cap	(271,000)	-	-	(271,000)
Capital contributions and transfers	-	-	-	-
NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(8,783,506)**	**(4,222,812)**	**-**	**(13,006,318)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investment activities	11,180,620	1,984,114	-	13,164,734
Note receivable issued	(2,549,036)	(940,611)	-	(3,489,647)
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES	**8,631,584**	**1,043,503**	**-**	**9,675,087**
NET INCREASE (DECREASE) IN CASH	**16,708,226**	**1,774,710**	**-**	**18,482,936**
BEGINNING CASH	**12,561,387**	**1,927,133**	**-**	**14,488,520**
ENDING CASH	**$ 29,269,613**	**$ 3,701,843**	**$ -**	**$ 32,971,456**

	Housing Authority	BCU SBAHG	Eliminations	Primary Government Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 6,382,582	$ 2,207,745	$ -	$ 8,590,327
Non-Cash Adjustments:				
Depreciation	1,759,601	2,581,365	-	4,340,966
Pension	(130,688)	(41,636)	-	(172,324)
Change in Asset & Liabilities				
(Increase) decrease in accounts receivable	5,040,638	67,097	-	5,107,735
(Increase) decrease in prepaid	20,998	(38,291)	-	(17,293)
Increase (decrease) in accounts payable	3,408,861	14,015	-	3,422,876
Increase (decrease) in accrued liabilities	528,299	(15,400)	-	512,899
Increase (decrease) in compensated absences	66,664	13,120	-	79,784
Increase (decrease) in unearned revenue	(7,493)	(12,621)	-	(20,114)
Increase (decrease) in deposits held in trust	(42,714)	12,025	-	(30,689)
Net interfunds	(166,600)	166,600	-	-
Total Adjustments	**10,477,566**	**2,746,274**	**-**	**13,223,840**
Net Cash Provided (Used) by Operating Activities	**$ 16,860,148**	**$ 4,954,019**	**$ -**	**$ 21,814,167**

ASSETS	SB Housing Partnership IV	Villa Santa Fe, L.P.	813 East Carrillo Street, L.P.	251 S Hope Associates, L.P.	Grace Village Apartments, L.P.	116 E Cota St Associates, L.P.	DPCU Total
Current Assets							
Cash and cash equivalents							
Unrestricted	$ 304,988	$ 1,060,692	$ 145,802	$ 689,129	$ 872,651	$ 359,637	$ 3,432,899
Restricted	240,543	1,556,662	524,969	1,009,191	1,184,713	179,736	4,695,814
Subtotal	**545,531**	**2,617,354**	**670,771**	**1,698,320**	**2,057,364**	**539,373**	**8,128,713**
Investments	97,084	1,047,862	-	-	-	-	1,144,946
Accounts receivable, net	2,368	2,369	1,258	17,695	-	12,581	36,271
Prepaid expenses	1,140,445	125,365	11,133	10,752	11,935	42,599	1,342,229
Inventory, net	-	-	-	-	-	-	-
Notes and lease receivable current	-	-	-	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-
Total Current Assets	**1,785,428**	**3,792,950**	**683,162**	**1,726,767**	**2,069,299**	**594,553**	**10,652,159**
Non-Current Assets							
Notes and leases receivable	-	-	-	-	-	-	-
Other non-current assets	9,500	10,361,302	21,248	63,092	58,887	55,744	10,569,773
Derivative asset	-	-	-	-	-	-	-
Capital assets not being depreciated	-	-	1,422,617	5,400,597	5,958,663	2,600,000	15,381,877
Capital assets, net	13,160,148	18,007,878	5,451,642	18,423,600	13,017,285	16,734,418	84,794,971
Right to use leased assets, net	-	-	-	-	-	-	-
Total Non-Current Assets	**13,169,648**	**28,369,180**	**6,895,507**	**23,887,289**	**19,034,835**	**19,390,162**	**110,746,621**
TOTAL ASSETS	**14,955,076**	**32,162,130**	**7,578,669**	**25,614,056**	**21,104,134**	**19,984,715**	**121,398,780**
DEFERRED OUTFLOWS OF RESOURCES	**-**	**-**	**-**	**-**	**-**	**-**	**-**

LIABILITIES	SB Housing Partnership IV	Villa Santa Fe, L.P.	813 East Carrillo Street, L.P.	251 S Hope Associates, L.P.	Grace Village Apartments, L.P.	116 E Cota St Associates, L.P.	DPCU Total
Current Liabilities							
Accounts payable	1,625	2,920	6,957	23,067	12,906	65,669	113,144
Accrued liabilities	-	40,859	-	646	2,447	-	43,952
Deposits held in trust	39,884	129,063	8,600	22,661	33,387	28,000	261,595
Compensated absences current	-	4,276	-	-	4,515	-	8,791
Unearned revenue	9,764	9,775	3,256	-	-	3,356	26,151
Other liabilities current	29,645	86,340	28,971	33,619	67,465	72,464	318,504
Financial agreements payable current	-	423,529	-	-	233,871	-	657,400
Interfund payable	-	-	-	-	-	-	-
Total Current Liabilities	**80,918**	**696,762**	**47,784**	**79,993**	**354,591**	**169,489**	**1,429,537**
Non-Current Liabilities							
Compensated absences	-	-	-	-	-	-	-
Funds held in trust	-	-	-	-	-	-	-
Net OPEB liability	-	-	-	-	-	-	-
Financial agreements payable	14,216,556	20,921,418	4,118,669	15,204,427	12,093,683	12,115,488	78,670,241
Total Non-Current Liabilities	**14,216,556**	**20,921,418**	**4,118,669**	**15,204,427**	**12,093,683**	**12,115,488**	**78,670,241**
TOTAL LIABILITIES	**14,297,474**	**21,618,180**	**4,166,453**	**15,284,420**	**12,448,274**	**12,284,977**	**80,099,778**
DEFERRED INFLOWS OF RESOURCES	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET POSITION							
Net investment in capital assets	(1,056,408)	(3,337,069)	2,755,590	8,619,770	6,648,394	7,218,930	20,849,207
Restricted	200,659	1,427,599	516,369	986,530	1,151,326	151,736	4,434,219
Unrestricted	1,513,351	12,453,420	140,257	723,336	856,140	329,072	16,015,576
TOTAL NET POSITION	**$ 657,602**	**$ 10,543,950**	**$ 3,412,216**	**$ 10,329,636**	**$ 8,655,860**	**$ 7,699,738**	**$ 41,299,002**

Housing Authority of the City of Santa Barbara

Combining Statement of Revenues, Expenses, and Changes in Net Position - Discretely Presented Component Units

For the Year Ended March 31, 2026

	SB Housing Partnership IV	Villa Santa Fe, L.P.	813 East Carrillo Street, L.P.	251 S Hope Associates, L.P.	Grace Village Apartments, L.P.	116 E Cota St Associates, L.P.	DPCU Total
Operating Revenues							
Rental revenues, net	$ 599,089	$ 4,114,547	$ 341,552	$ 2,003,260	$ 1,267,068	$ 790,666	$ 9,116,182
Government grants	-	-	-	-	-	-	-
Other income	-	139	-	-	-	35,315	35,454
Total Operating Revenues	**599,089**	**4,114,686**	**341,552**	**2,003,260**	**1,267,068**	**825,981**	**9,151,636**
Operating Expenses							
Administration	42,790	443,979	84,737	725,194	182,487	133,482	1,612,669
Tenant services	803	14,500	15,514	86,078	10,430	54,927	182,252
Utilities	22,011	211,449	56,282	209,123	129,738	71,109	699,712
Maintenance and operations	146,284	459,557	47,197	227,963	237,573	157,146	1,275,720
Insurance expense	35,600	164,080	13,767	82,505	37,053	43,169	376,174
General expense	45,528	26,764	17,920	43,579	38,240	27,084	199,115
Housing Assistance Payments	-	-	-	-	-	-	-
Depreciation and amortization	597,966	862,754	226,886	641,585	484,868	584,919	3,398,978
Total Operating Expenses	**890,982**	**2,183,083**	**462,303**	**2,016,027**	**1,120,389**	**1,071,836**	**7,744,620**
OPERATING INCOME (LOSS)	**(291,893)**	**1,931,603**	**(120,751)**	**(12,767)**	**146,679**	**(245,855)**	**1,407,016**
Non-Operating Revenues (Expenses)							
Interest income	4,401	21,948	242	1,267	2,597	28	30,483
Interest expense	(268,238)	(749,671)	(138,231)	(784,009)	(428,113)	(396,804)	(2,765,066)
Total Non-Operating Revenues (Expenses)	**(263,837)**	**(727,723)**	**(137,989)**	**(782,742)**	**(425,516)**	**(396,776)**	**(2,734,583)**
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	**(555,730)**	**1,203,880**	**(258,740)**	**(795,509)**	**(278,837)**	**(642,631)**	**(1,327,567)**
Capital Contributions and Transfers							
Capital contributions	-	-	-	-	-	-	-
Total Capital Contributions and Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CHANGE IN NET POSITION	**(555,730)**	**1,203,880**	**(258,740)**	**(795,509)**	**(278,837)**	**(642,631)**	**(1,327,567)**
BEGINNING NET POSITION	**1,213,332**	**9,340,070**	**3,670,956**	**11,125,145**	**8,934,697**	**8,342,369**	**42,626,569**
Corrections of Errors	**-**	**-**	**-**	**-**	**-**	**-**	**-**
BEGINNING NET POSITION (RESTATED)	**1,213,332**	**9,340,070**	**3,670,956**	**11,125,145**	**8,934,697**	**8,342,369**	**42,626,569**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ENDING NET POSITION	**$ 657,602**	**$ 10,543,950**	**$ 3,412,216**	**$ 10,329,636**	**$ 8,655,860**	**$ 7,699,738**	**$ 41,299,002**

See auditors' report on supplementary information

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

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*

Independent Auditors' Report

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 Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregated discretely presented component units and the combining schedules of business-type activities of the Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Santa Barbara's basic financial statements, and have issued our report thereon dated September 24, 2026. The financial statements of the aggregated discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting
In planning and performing our audit, we considered the Housing Authority of the City of Santa Barbara's internal control over financial reporting (internal control) a basis for designing 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 Housing Authority of the City of Santa Barbara's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Santa Barbara'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Authority of the City of Santa Barbara'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Santa Barbara's financial statements are free of 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 financial statements. 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 Housing Authority of the City of Santa Barbara's control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Santa Barbara's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 24, 2026

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Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited the Housing Authority of the City of Santa Barbara's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Santa Barbara's major federal programs for the year ended March 31, 2026. The Housing Authority of the City of Santa Barbara's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Housing Authority of the City of Santa Barbara 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 major federal programs for the year ended March 31, 2026.

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

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal* Regulations *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Housing Authority of the City of Santa Barbara and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Housing Authority of the City of Santa Barbara's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Housing Authority of the City of Santa Barbara's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Housing Authority of the City of Santa Barbara's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Housing Authority of the City of Santa Barbara's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Housing Authority of the City of Santa Barbara's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Housing Authority of the City of Santa Barbara's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Santa Barbara's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith Marion & Co

September 24, 2026

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal controls over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified	None Reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major federal programs	
Material weakness(es) identified	No
Significant deficiency(ies) identified	None Reported
Type of auditors' report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major federal programs:

ALN(s)	Name of Federal Program or Cluster
14.881	Moving to Work Demonstration Program
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	$ 1,785,404
Auditee qualified as a low-risk auditee	Yes

Section II — Financial Statement Findings

No findings

Section III — Federal Awards Findings

No findings to reported under 2CFR200 Section 516(a) of the Uniform Guidance

Financial Statement Findings

Prior Year Findings Number	Findings Title	Status/ Current Year Finding Number
N/A	There were no prior findings reported	N/A

Federal Award Findings and Questioned Costs

Prior Year Findings Number	Findings Title	Status/ Current Year Finding Number
2025-001	HQS Enforcement (original finding #2024-002)	Resolved