

COUNTY OF SANTA BARBARA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



*SANTA BARBARA SEA URCHINS*

ROBERT W. GEIS, CPA, CPFO  
AUDITOR-CONTROLLER



Goleta Pier attracts many ocean sport enthusiasts as well as those just wishing to enjoy the view. The 1-month closure after a rain storm in March 2014 reminded locals and tourists of the beauty of this 1,500 hundred foot pier and its value as a community resource. Santa Barbara County's Goleta Beach Park, where the pier is located, sees 1.5 million visitors annually.

The cover picture features local Sea Urchins (Uni) freshly caught off of the pier contrasted with the clear ocean waters. Sea Urchins from the Santa Barbara Channel are in-demand around the world for their creamy and briny flavor.

Photographs were taken and shared courtesy of Betsy Schaffer in the Auditor-Controller's Office.

**COUNTY OF SANTA BARBARA  
STATE OF CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED JUNE 30, 2014**



**Prepared Under the Supervision of  
Robert W. Geis, CPA, CPFO  
Auditor-Controller**

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# Introductory Section

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# COUNTY OF SANTA BARBARA

**ROBERT W. GEIS, C.P.A.**  
Auditor-Controller

**THEO FALLATI, C.P.A.**  
Assistant Auditor-Controller



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## OFFICE OF THE AUDITOR-CONTROLLER

August 25, 2014

To the Citizens of Santa Barbara County:

The Comprehensive Annual Financial Report (CAFR) of the County of Santa Barbara (County) for the fiscal year ended June 30, 2014, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent auditor's report is located at the front of the financial section of this report. Brown Armstrong Accountancy Corporation has issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2014.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## Profile of the Government

The County, located approximately 100 miles north of Los Angeles and 300 miles south of San Francisco, was established by an act of the State Legislature on February 18, 1850. It occupies 2,737 square miles, one-third of which is located in the Los Padres National Forest, and has a population of 433,398. Eight incorporated cities are within the County: Santa Barbara, Santa Maria, Lompoc, Goleta, Carpinteria, Guadalupe, Solvang, and Buellton. The largest employment categories include services, wholesale and retail trade, public administration, and manufacturing. The mild climate, picturesque coastline, scenic mountains, and numerous parks and beaches make the County a popular tourist and recreational area.

Policymaking and legislative authority is vested in the County Board of Supervisors (Board), which consists of an elected supervisor from each of the five districts. The Board is responsible for, among other things, passing ordinances, adopting budgets and appointing committees, the County Executive Officer (CEO), and non-elected department directors. Supervisors are elected to four-year staggered terms with two supervisors elected in even-years and three supervisors elected in odd-years. The County has five elected department directors responsible for the offices of the Clerk-Recorder-Assessor, Auditor-Controller, District Attorney, Sheriff-Coroner, and Treasurer-Tax Collector-Public Administrator. The following organization chart reflects the various functional categories reported in the governmentwide Statement of Activities as well as identifies principal officials.

# Letter of Transmittal

County of Santa Barbara—Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Policy & Executive



Salud Carbaial  
First District Supervisor



Janet Wolf  
Second District Supervisor  
Vice-Chair



Doreen Farr  
Third District Supervisor



Peter Adam  
Fourth District Supervisor



Steve Lavagnino  
Fifth District Supervisor  
Chair

Mona Miyasato  
County Executive Officer (CEO)  
General County Programs  
Human Resources  
Michael Ghizzoni  
County Counsel

Public Safety		Health & Human Services	Community Resources & Public Facilities	General Government & Support Services
<u>Joyce Dudley</u> District Attorney	<u>Michael W. Dyer</u> Fire	<u>Dr. Takashi Wada</u> Alcohol, Drug, & Mental Health Services (ADMHS)	<u>Cathleen Fisher</u> Agriculture & Cooperative Extension	<u>Robert W. Geis, CPA, CPFO</u> Auditor-Controller
<u>Raimundo Montes De Oca</u> Public Defender	<u>Beverly Taylor</u> Probation	<u>Carrie Topliffe, CPA</u> Child Support Services	<u>Renee Bahl, Interim</u> Community Services	<u>Joseph E. Holland, CPFO</u> Clerk-Recorder-Assessor
<u>Darrel E. Parker</u> Court Special Services	<u>William F. Brown</u> Sheriff-Coroner	<u>Dr. Takashi Wada</u> Public Health Services	<u>Glenn Russell</u> Planning & Development	<u>Matthew Pontes</u> General Services
		<u>Daniel Nielson</u> Social Services	<u>Scott McGolpin</u> Public Works	<u>Harry E. Hagen, CPA, CPFO</u> Treasurer-Tax Collector & Public Administrator

The County, with an average of 3,961 full-time equivalent employees, provides a full range of services to its residents as the organization chart above depicts. Included in operations are various component units which provide specific services countywide or to distinct geographic areas within the County. They include the First 5 Children and Families Commission, County Service Areas, Public and Educational Access, Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Laguna County Sanitation District, Community Facilities Districts, Sandyland Seawall Maintenance District, Water Agency, In-Home Supportive Services Public Authority, and Santa Barbara County Finance Corporation. While these entities are legally separate from the County, the County is financially accountable for them as their governing bodies are substantially the same as the County Board. Other entities, such as the Air Pollution Control District and the Santa Barbara County Association of Governments, conduct their own day-to-day operations, answer to their own governing board, and thus are not included in the County's financial statements.

The County is required by state law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental and proprietary funds and are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The legal level of budgetary control is maintained at the fund, department, and object level with more stringent control over capital assets, and fund balance categories, which are maintained at the line item level. The Board must approve amendments or transfers of appropriations between funds or departments as well as items related to capital assets or fund balances. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. The Board has delegated authority to approve transfers of appropriations between object levels within the same department to the County Executive Office.

# Letter of Transmittal

County of Santa Barbara—Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Factors Affecting Economic Condition

The County has turned a corner on this long recovery period from the recession with four years of growth in retail sales and tourism; now real property values, sales and new construction are trending upward. Additionally, unemployment continues on a steady decline. As a result of these positive economic trends, County property tax revenues are expected to increase by approximately 5% in Fiscal Year (FY) 14-15.

The following highlights and graphs are evidence of the changing economy.

### Employment

- The County's average unemployment rate during FY 13-14 decreased from 7.2% to 6.4%.
- The June 2014 unemployment rate of 5.4% was below both the state unemployment rate of 7.3% and the national unemployment rate of 6.3%.

“Jobless Rate in Santa Barbara County Remains Below 6%”

Noozhawk July 21, 2014

### Income

- Average annual wages had a slight increase to \$48,820 in the 2013 calendar year from \$48,800 in 2012.

### Retail Sales

- Countywide retail sales increased 4% to \$6.4 billion for the 2013 calendar year, slightly up from \$6.2 billion in 2012.
- Retail sales continued to rebound from the December 2010 low point.
- California retail sales followed a similar pattern and began increasing in January 2011.

### Real Estate

- The countywide median home prices increased 16.3% to \$648,793.
- The real estate market continued on a positive trend with increased property sales, price appreciation, and new construction.

“Better late than never”

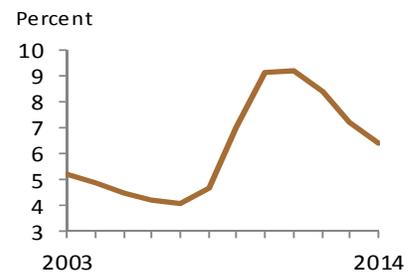
UCSB Press Release on Real Estate Market  
May 8, 2014

### Tourism

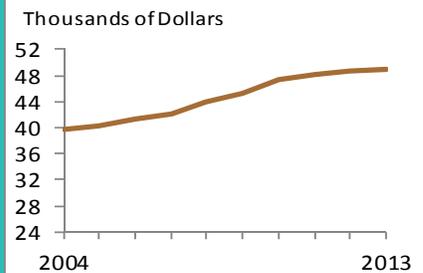
- Transient occupancy tax revenue increased 11% in FY 13-14, driven by the robust tourism industry.
- The County's wide array of resorts, hotels, motels and vacation rentals all contribute to the increase in this tax source.

Most of the information about the local economy is derived from the California Employment Development Department and the Bureau of Labor Statistics.

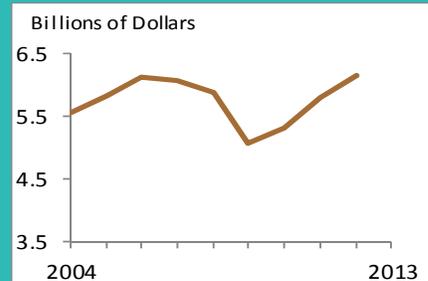
#### Unemployment Rate



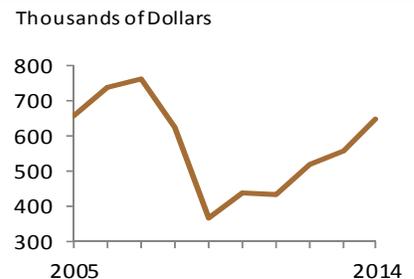
#### Average Salary



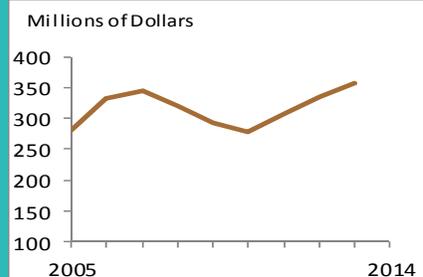
#### Retail Sales



#### Median Home Price



#### Hotel/Motel Room Sales



# Letter of Transmittal

County of Santa Barbara—Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Economic Indicators

The County economy is showing moderate sustained growth as consumer spending and tourism grew for the fourth consecutive year. Local unemployment has been declining steadily over the last few years, with a June 2014 unemployment rate of 5.4%, down 0.9% from June 2013 and down 3.8% from June 2011 at 9.2%. The housing market continues to rebound after four years of slow activity coupled with price depreciation and hitting bottom in 2012. Looking back one year there has been a 16.3% increase in the median home price. There appears to be a steady upturn in permitting, housing sales, new housing starts and price appreciation. With the improvements in employment and the housing market the County can now look past the great recession.

## Financial Indicators

County tax revenues continue to show signs of moderate growth due to increases in real property values, tourism and consumer spending. Property tax is the County's largest source of discretionary revenue. Certain leading indicators of future property tax growth tend to be property transfer taxes that decreased \$0.4 million or 10% to \$3.4 million (after a significant 52% growth in the prior year) and supplemental property tax increased \$1.3 million or 32% to \$4.0 million. The property tax growth rate hit a low point for FY 12-13 with a growth rate of less than 1%. For FY 13-14 the assessed value for property taxes increased 4.0% and for FY 14-15 will increase approximately 5.3%. With all three accounts mostly showing positive growth, the County general discretionary revenues are expected to continue to improve.

Growth in transient occupancy tax (TOT) and local retail sales tax have again been positive at 11.0% and 3.0%, respectively. For the fourth year in a row, these accounts indicate positive, steady growth. Statewide allocated sales tax for Proposition 172 public safety, a ½ cent sales tax, grew \$0.5 million or 1.4% for the fourth straight year to \$32.1 million; however, if adjusted for collection timing differences, grew 4.1%. Realignment 1991 and 2011, sales taxes and vehicle license fee (VLF) revenue distributed to the County for Public Safety and Health and Human Services grew statewide by approximately 5.5% and has resulted in caseload growth distributions to the County.

On the expenditure side, the largest category of expenditures as a service organization is County salaries and benefits, which increased 5.0%. The majority of the increase is due to the addition of 81 positions in Social Services and is attributable to the Affordable Care Act implementation. However, the County also had cost of living increases in regular salaries and benefits. Pension rates and costs continue to rise because of prior market losses on pension plan assets and the Retirement Board decreased the assumed rate of return from 7.75% to 7.50%. The County expects the pension contribution rate increases that have occurred over the past five years to level out and decline slowly overtime. The employer pension rate for FY 13-14 increased from 35.9% to 38.3%, and for the FY 14-15 budget increased from 38.3% to 38.9%.

## Major Initiatives

During the last fiscal year, under the leadership of the Board of Supervisors, several outstanding key programs and projects were successfully undertaken by the County that:

- Maintained organizational stability, customer service levels, and program efficiencies during the leadership changeover of the County Executive Officer, County Counsel, Community Services Director, and Santa Barbara County Employees' Retirement System (SBCERS) CEO.
- With efforts guided by the new Chief Executive Officer, delivered FY 14-15 anticipated budget information earlier to the Board of Supervisors through Countywide work sessions and workshops and continued to implement improvements throughout the Recommended Operational Plan including a new debt section and more performance measures.
- Continued steps to build the new Northern Branch Jail, such as completing the schematic drawing phase and staffing plan, which were submitted to the State, and obtained a new \$40 million grant (SB 1022) for the associated Sheriff's Transition and Reentry (STAR) facility.
- Experienced the 1<sup>st</sup> year impact of the incremental 10-year property tax shift from the General Fund to the Fire District, which will support Fire's future fiscal independence from the General Fund.

# Letter of Transmittal

County of Santa Barbara—Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Major Initiatives (cont'd)

- Began the foundational work for implementing the goals for Alcohol, Drug and Mental Health Services' (ADMHS) "System of Change".
- Undertook the implementation provisions of the Affordable Care Act (ACA) / Obamacare Federal Health Care Law, and anticipated the customer service and financial effects on Social Services, Public Health, and ADMHS.
- Took steps to recognize, address, and plan for current and future County infrastructure needs through:
  - \* completing a Comprehensive Facilities Condition Assessment for buildings and parks
  - \* researching and coordinating Measure M, the Deferred Maintenance Initiative, for the June 2014 election, which did not pass
  - \* transferring three properties to the County, which became available through the Isla Vista Redevelopment Agency dissolution
  - \* accepting a donation improvement from the Corps of Engineers for the Santa Maria Levee valued at almost \$50 million
  - \* reviewing the best management structure for the Santa Barbara Veterans Building
- Planned for actuarial changes made by SBCERS affecting the County's pension contribution rates such as: reducing the interest assumption rate to 7.5%, changing to a closed 17-year fixed amortization of the Unfunded Actuarial Accrued Liability (UAAL), and absorbing the last year of the 08-09 market losses.
- Considered several revenue initiatives including an Oil Severance Tax (rejected by the Board), a Transient Occupancy Tax increase from 10% to 12.5% (Board approved for November 2014 election), and the City of Goleta's request to open negotiations on the Revenue Neutrality Agreement (the Board ultimately declined reopening formal negotiations).
- Declared a local drought emergency in response to the Statewide drought by supporting conservation efforts within the local community in order to immediately reduce water usage by 20%.
- Evaluated multiple sensitive land use issues such as the request by the Chumash Tribe to annex 1,400 acres into their Tribal Sovereign Government. Other issues included the initiative to ban high-intensity petroleum operations and the Goleta Beach 2.0 Project that proposes ways to protect the beach from natural erosion.
- Responded to large unsanctioned events such as Deltopia and Halloween in Isla Vista, and worked to improve procedures to increase response effectiveness and safety for both citizens and safety officers.

## Significant Capital Projects and Operating Impacts

The County completed \$65.1 million in capital projects in the current year, and has approved \$55.3 million in capital and capital maintenance projects, equipment, software, and information systems projects for FY 14-15, as described in Section E "Capital Budget Summary" of the County's Proposed Operating Budget (available at [www.countyofsb.org/ceo/index.asp](http://www.countyofsb.org/ceo/index.asp)). The largest of the ongoing projects relate to transportation improvements.

## Long-term Financial Planning

Local assessed property values for FY 14-15 grew approximately 5.0%; this will increase secured property tax revenues by approximately an equal percentage. The FY 14-15 budget was adopted reflecting a 3.2% increase in secured property taxes when measured against FY 13-14 actual revenues.

The County is committed to building and maintaining a strategic reserve of \$28 million, equal to 8% of annual General Fund revenues, or approximately 30 days working capital. The County's final budget resolution for FY 14-15 directs that any General Fund unassigned fund balance be added to the strategic reserve. The General Fund ended FY 13-14 with \$3.4 million unassigned fund balance that will increase the strategic reserve to \$27.6 million to begin FY 14-15.

The County's Five-Year Capital Improvement Plan (CIP) identifies capital needs as well as funding sources and funding shortfalls. For FY 14-15, the CIP includes \$55.3 million of funding for planned projects that are included in the budget.

FY 2014-15 significant projects include:

- \* \$2.5 million for Flood Channel Improvements in North & South County (total estimated project cost of \$86.9 million).
- \* \$3.8 million for Roadway Improvements in North and South County (total estimated project cost of 58.6 million).
- \* \$29.9 million for the North Branch County Jail (total estimated project cost of \$141.5 million).

# Letter of Transmittal

County of Santa Barbara—Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Relevant Financial Policies

The County benchmarks its financial policies to a set of Best Financial Management Practices for Governmental Issuers of Municipal Debt published by Fitch Ratings.

### Fund Balance Reserve

The County is committed to building a strategic reserve as discussed previously in Long-Term Financial Planning.

### Multiyear Financial Forecasting

The County's Recommended Operational Plan includes a five-year financial forecast focusing on discretionary revenues and their uses to aid in current year decisions.

### Quarterly Financial Reporting and Monitoring

The CEO and Budget Director chair quarterly projection reviews of each department's monthly actual and projected revenues and expenditures. These meetings also focus on their operations and performance measures.

### Contingency Planning

The County does not have a formal contingency policy and maintains only a small operating contingency of less than 1% in the General Fund. However, the County has established a strategic reserve policy, and is in the process of building a strategic reserve that will equal 8% of annual General Fund revenues (approximately 30 days working capital). The County also has other significant fund balances in its special revenue funds. The most noteworthy is the Flood Control fund balance used to hedge against storm related disasters.

### Nonrecurring Revenue

The County's budget principles state that a department's base General Fund contribution will not include any one-time revenues or expenditures. Another principle states that any year-end residual General Fund balance should not be used to fund ongoing operations, but could be used to fund commitments.

### Financial Reporting Awards

The Government Finance Officers Association (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for twenty-three consecutive years and the Certificate of Achievement in Popular Annual Financial Reporting for nineteen consecutive years.

### Debt Affordability

The County established a Debt Advisory Committee (DAC) to provide advice to the Board on debt issuance and management. In addition, all long-term equipment or real property leases are reviewed for lease vs. purchase decisions.

### Superior Debt Disclosure Practices

The County maintains a complex set of debt disclosures in the County's Recommended Operational Plan and the CAFR statistical section. We believe that time is of the essence in the publication of these documents. The budget is adopted before June 30 and loaded into the financial system before the close of the first month of the new fiscal year. The CAFR publication date is generally within 45-60 days of the close of the fiscal year. The County's major financial documents are available on the web at [www.countyofsb.org](http://www.countyofsb.org).

### Pay-As-You-Go Capital Funding

The County policy on pay-as-you-go is not formalized. However, many of the County's funds only utilize pay-as-you-go financing. The DAC looks at repayment sources as one of the key criteria for approval of new debt issues.

### Debt Repayment Plan

The County's current outstanding debt schedule features a debt repayment plan that will reduce debt by 75% over the next ten years.

### Five-Year Capital Improvement Program

The County's Five-Year Capital Improvement Program provides for an integration of capital projects and operating impacts in the proposed operating budget for each budget cycle.

### Budgeting Awards

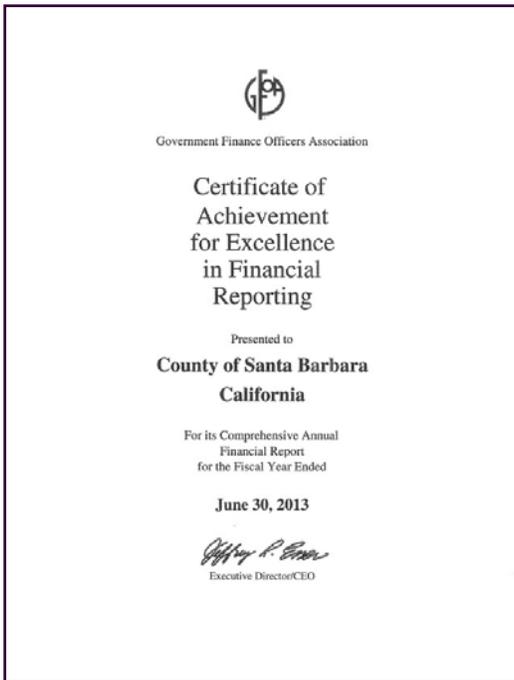
The GFOA has presented the Distinguished Budget Presentation Award to the County for sixteen consecutive years.

# Letter of Transmittal

County of Santa Barbara—Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Awards and Acknowledgments

**Financial Reporting Certificate of Achievement:** The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County’s CAFR for the fiscal year ended June 30, 2013. This was the twenty-third consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.



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

**Budget Presentation Award:** The County received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2013. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

**Popular Financial Reporting Award:** The County received the GFOA’s Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2013. This award is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

**Acknowledgments:** The preparation of the CAFR and its timely issuance is the result of a concentrated, dedicated, and coordinated effort by the entire Auditor-Controller staff. We would like to acknowledge the special efforts of the Financial Reporting Division for their assistance in the report’s preparation. We would also like to thank all County departments who participated in its preparation.

Respectfully submitted,

Mona Miyasato  
County Executive Officer

Robert W. Geis, CPA, CPFO  
Auditor-Controller

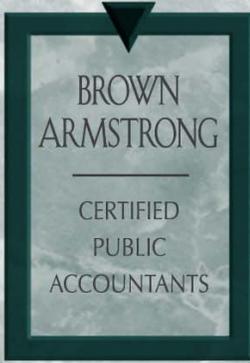


# Financial Section

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BROWN ARMSTRONG  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors  
County of Santa Barbara, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the County of Santa Barbara's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General; Roads; Public Health; Social Services; Alcohol, Drug, and Mental Health Services; Flood Control District; Affordable Housing; Fire Protection District; and Capital Projects Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11–26, the Santa Barbara County Employees' Retirement System schedule of funding progress on page 113, and the schedule of funding progress for the County of Santa Barbara's Other Post Employment Benefit (OPEB) plan on page 114 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Santa Barbara's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### *Implementation of New Accounting Standards*

As disclosed in the Note 1 to the financial statements, the County of Santa Barbara implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, during the fiscal year 2014. There was no significant impact over the County of Santa Barbara's financial statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2014, on our consideration of the County of Santa Barbara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Santa Barbara's internal control over financial reporting and compliance.

Bakersfield, California  
August 25, 2014

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report (CAFR).

As management of the County of Santa Barbara, California (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's Basic Financial Statements, which immediately follow this section. All dollar amounts are expressed in thousands.

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# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Description of the Basic Financial Statements

Management's Discussion and Analysis introduces the County's Basic Financial Statements. The County's Basic Financial Statements include three components:

- Governmentwide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

### Governmentwide Financial Statements

The *Governmentwide Financial Statements* provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the County's *Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources* with the difference reported as *Net Position*. Over time, increases or decreases in *Net Position* are a useful indicator of an improving or deteriorating County financial condition.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}^*) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

The *Statement of Activities* presents the most recent fiscal year changes in the County's net position. 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 (Accrual Basis of Accounting). The statement reports items resulting in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave) as revenues and expenses.

The *Governmentwide Financial Statements* distinguish functions of the County principally supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities grouped by function of the County include Policy and Executive, Public Safety, Health and Public Assistance, Community Resources and Public Facilities, General Government and Support Services, and General County Programs. The business-type activities of the County include Resource Recovery and Laguna Sanitation.

\*For FY 2013-14, the County has no Deferred Outflows of Resources.

Component units are included in the financial statements and are legally separate entities for which the County is financially accountable. These have substantially the same governing board as the County or provide services entirely to the County. The following is a list of these component units:

- First 5 Children and Families Commission – this entity has separately issued financial statements.
- County Service Areas
- Public and Educational Access
- Santa Barbara County Fire Protection District
- Flood Control and Water Conservation Districts
- Lighting Districts
- Laguna County Sanitation District
- Community Facilities Districts
- Sandyland Seawall Maintenance District
- Water Agency
- In-Home Supportive Services Public Authority
- Santa Barbara County Finance Corporation

*Pages 28-29 of this report display the Governmentwide Financial Statements.*

### Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The County's funds are divided into three categories:

- Governmental funds
- Proprietary funds
- Fiduciary funds

#### **Governmental Funds**

Governmental funds account for essentially the same functions reported as governmental activities in the Governmentwide Financial Statements. However, unlike the Governmentwide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (Modified Accrual Basis of Accounting). Such information may be useful in evaluating the County's near-term financing requirements. To understand the long-term impact of the County's near-term financing decisions, it is useful

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

to compare the information presented for governmental funds with similar information presented for governmental activities in the Governmentwide Financial Statements. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 75 individual governmental funds combined into 28 funds for financial reporting purposes. The County segregates from the General Fund a number of significant functions in 8 major funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General; Roads; Public Health; Social Services; Alcohol, Drug and Mental Health Services (ADMHS); Flood Control District; Affordable Housing; Fire Protection District; and Capital Projects funds, all considered major funds. Data for the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for all of its operating funds. The budget and actual comparison statements provided for the General Fund and major special revenue funds demonstrate performance against this budget.

*Pages 30-46 of this report display the Governmental Funds Financial Statements.*

## **Proprietary Funds**

The County maintains two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise Funds report the same functions presented as business-type activities in the governmentwide financial statements. The County uses enterprise funds to account for Resource Recovery and Laguna Sanitation.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service funds account for information technology services, vehicle operations and maintenance, risk

management and insurance, communications services, and utilities. Since these services predominantly benefit governmental rather than business-type functions, they are consolidated within governmental activities in the governmentwide financial statements.

Proprietary funds provide the same type of information as the governmentwide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Resource Recovery and Waste Management Fund (Resource Recovery), and the Laguna Sanitation Fund. Data for the five internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

*Pages 48-50 of this report display the Proprietary Funds Financial Statements.*

## **Fiduciary Funds**

Fiduciary funds account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the Governmentwide Financial Statements because the resources of those funds are not available to support the County's own programs. Fiduciary fund accounting is similar to proprietary fund accounting. Fiduciary funds report the external portions of the Treasurer's investment pool, private-purpose trust fund, and agency funds.

*Pages 51-52 of this report display the Fiduciary Funds Financial Statements.*

## **Notes to the Financial Statements**

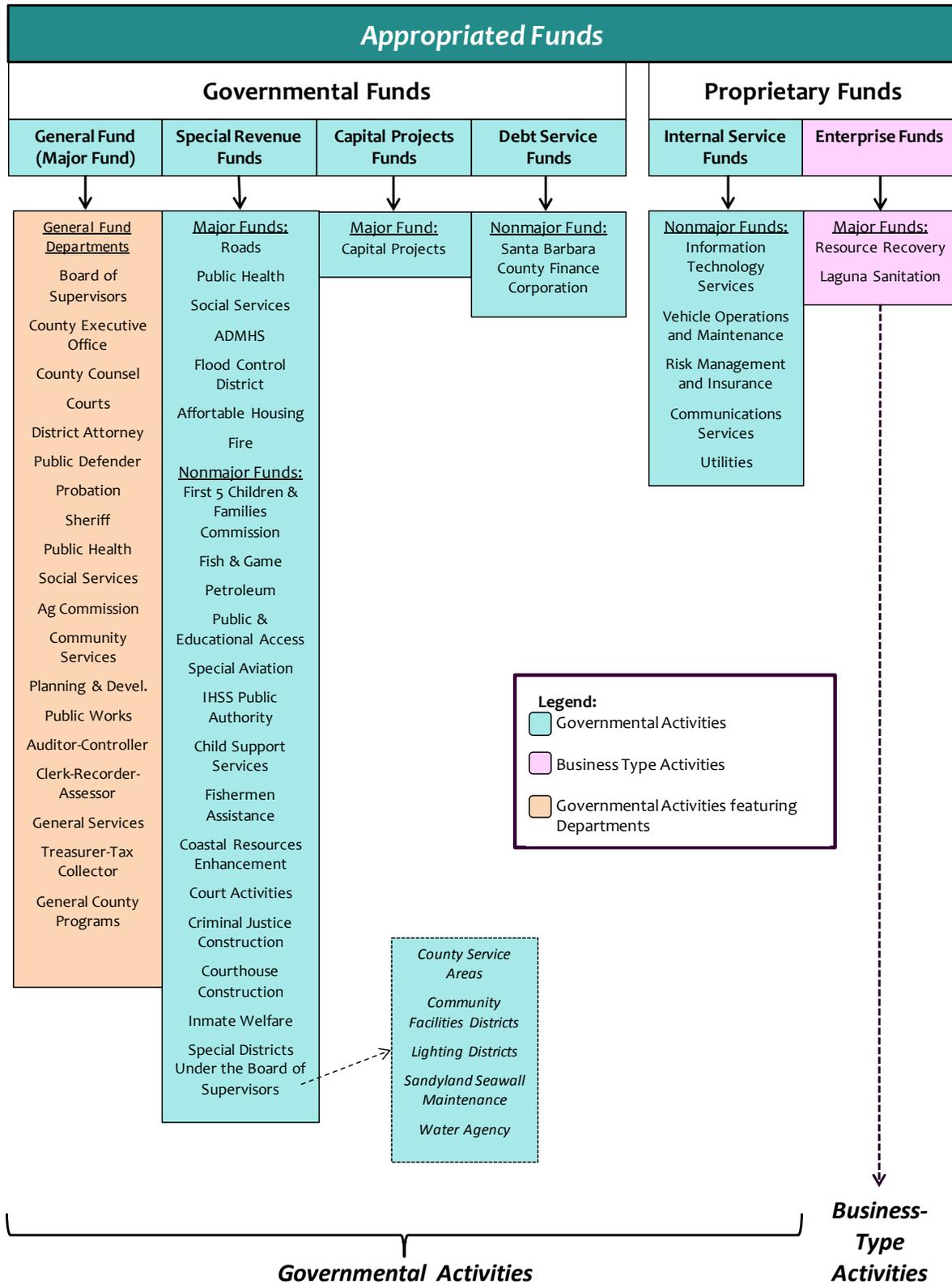
The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Governmentwide and Fund Financial Statements. Information in the Notes to the Financial Statements is described as follows:

- Note 1 provides a general description of the County's Significant Accounting Policies.
- Notes 2 & 3 provides information on Budgetary and Legal Compliance and a Reconciliation for Governmentwide and Fund Financial Statements.
- Notes 4 to 20 provide detailed notes on all funds.
- Notes 21 to 24 provide additional information on a variety of financial topics.

*Pages 53-111 of this report display the Notes to the Financial Statements.*

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014



# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Financial Highlights

### Governmentwide Financial Analysis

The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$915,720 (See *Summary of Net Position and analysis on page 16*).

- \$648,876 represents the County's investment in capital assets, less (1) accumulated depreciation, (2) related outstanding debt used to acquire those assets, and (3) related deferred inflows of resources.
- \$219,874 is available for the County's ongoing obligations related to programs with external restrictions.
- \$46,970 is available to fund County programs for citizens and debt obligations to creditors.

The County's total net position increased by \$116,263 over the prior year:

- The \$71,926 increase in net position invested in capital assets, net of related debt, represents the change in capital expenditures less depreciation, the retirement of related long-term debt, and amortization of related deferred inflows of resources.
- The \$49,991 increase in restricted net position represents the change in resources that are subject to external restrictions on their use.
- The \$5,654 decrease in unrestricted net position is the change in resources available to fund County programs to citizens and debt obligations to creditors.

### Financial Analysis of the County's Funds

The County's governmental funds' combined ending fund balance of \$263,248 was an increase of \$11,147 from the prior year ending fund balance of \$252,101. Amounts available for spending include Restricted, Committed, Assigned, and Unassigned Fund Balances; these totaled \$252,319, or 96% of ending fund balance. Of this amount:

- \$172,266 is restricted by law or externally imposed requirements,
- \$76,648 is committed for specific purposes, and
- \$3,405 is unassigned fund balance.

Spendable fund balance for the General Fund increased \$4,478 to \$82,668, which equates to 26% of total General Fund expenditures for the year.

### Capital Assets, Debt and Deferred Inflows of Resources

#### **Capital Assets**

The County's capital assets (net of accumulated depreciation) increased by \$69,200, or 10%, to \$749,663.

#### **Debt**

The County's long-term debt outstanding had a net decrease of \$6,314, or 8%, to \$76,481.

#### **Deferred Inflows of Resources**

The County had a net increase of \$7,229 in deferred inflows of resources related to Service Concession Agreements and Affordable Housing Loans.

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Governmentwide Financial Analysis

### Summary of Net Position

	Governmental		Business-type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2013	2014	2013	2014	2013	2014	Change	Change
<b>Assets:</b>								
Current and other assets	\$ 421,242	\$ 462,848	\$ 47,568	\$ 51,453	\$ 468,810	\$ 514,301	\$ 45,491	10%
Capital assets, net of depreciation	599,047	664,907	81,416	84,756	680,463	749,663	69,200	10%
<b>Total assets</b>	<b>1,020,289</b>	<b>1,127,755</b>	<b>128,984</b>	<b>136,209</b>	<b>1,149,273</b>	<b>1,263,964</b>	<b>114,691</b>	<b>10%</b>
<b>Liabilities:</b>								
Current and other liabilities	86,035	74,292	1,632	2,437	87,667	76,729	(10,938)	(12%)
Long-term liabilities	193,697	197,713	39,898	38,019	233,595	235,732	2,137	1%
<b>Total liabilities</b>	<b>279,732</b>	<b>272,005</b>	<b>41,530</b>	<b>40,456</b>	<b>321,262</b>	<b>312,461</b>	<b>(8,801)</b>	<b>-3%</b>
<b>Deferred inflows of resources:</b>								
Deferred SCAs	28,554	31,835	-	-	28,554	31,835	3,281	11%
Deferred housing loans	-	3,948	-	-	-	3,948	3,948	100%
<b>Total deferred inflows of resources</b>	<b>28,554</b>	<b>35,783</b>	<b>-</b>	<b>-</b>	<b>28,554</b>	<b>35,783</b>	<b>7,229</b>	<b>25%</b>
<b>Net position:</b>								
Net investment in capital assets	511,144	578,314	65,806	70,562	576,950	648,876	71,926	12%
Restricted	169,883	219,874	-	-	169,883	219,874	49,991	29%
Unrestricted	30,976	21,779	21,648	25,191	52,624	46,970	(5,654)	(11%)
<b>Total net position</b>	<b>\$ 712,003</b>	<b>\$ 819,967</b>	<b>\$ 87,454</b>	<b>\$ 95,753</b>	<b>\$ 799,457</b>	<b>\$ 915,720</b>	<b>\$ 116,263</b>	<b>15%</b>

As noted earlier, over time, net position may serve as a useful indicator of a government's financial condition. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$915,720 at the close of the current fiscal year.

### Analysis of Net Position

The County's total net position increased by \$116,263, or 15%, during the fiscal year. As described below, the County experienced increases in two of the three categories of net position.

#### Net investment in capital assets

The largest portion of the County's net position is invested in capital assets (e.g., land, buildings, roads, bridges, flood control channels and debris basins, machinery, equipment, and intangible assets), less the related and outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; as such, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net investment in capital assets was \$648,876 at year-end, and consisted of the following:

<b>Investment in Capital Assets</b> (net of accumulated depreciation)	\$ 749,663.00
Less:	
Related Debt	\$ 69,840.00
Related Deferred Inflows of Resources	\$ 30,947.00
<b>Net Investment in Capital Assets</b>	<b>\$ 648,876.00</b>

The \$71,926 or 12% increase in net position from the net investment in capital assets represents capital acquisitions and deletions, less current year depreciation, and the addition and/or retirement of related long-term debt and deferred inflows of resources. The County recorded a \$47,679 addition to capital assets for the Santa Maria River Levee Improvement acquisition. Other capital additions related primarily to infrastructure (roads & road improvements) and building projects. The County recorded depreciation of \$23,360 against its assets.

#### Restricted net position

Restricted net position of \$219,874 represents resources that are subject to external restrictions on their use or by enabling legislation. Due to the unique nature of funding sources, the County has significantly more restricted net position dollars than unrestricted net position dollars. Restricted net position is comprised of the following:

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

more restricted net position dollars than unrestricted net position dollars. Restricted net position is comprised of the following:

- 37% for property taxes dedicated to specific services such as flood control and fire protection
- 19% for Affordable Housing loans
- 15% for numerous State imposed restrictions
- 13% for federal and state allocations for roads and health services
- 9% for federal imposed restrictions for federally-qualified health centers and housing programs
- 4% for grant, land use, and permit agreements
- 3% for various County imposed purposes

Restricted net position increased \$49,991, or 29%. Significant changes to restricted net position, by function, include:

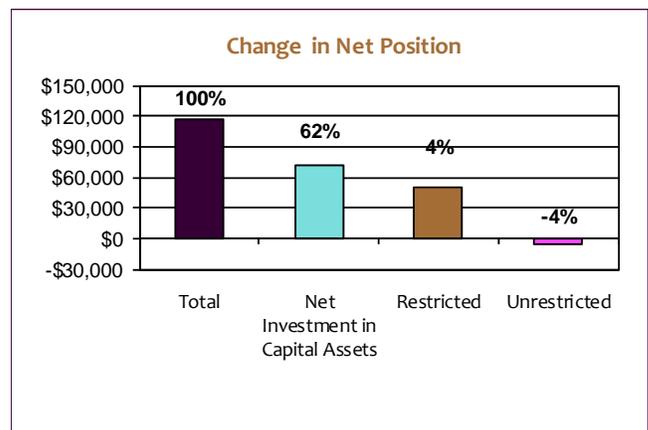
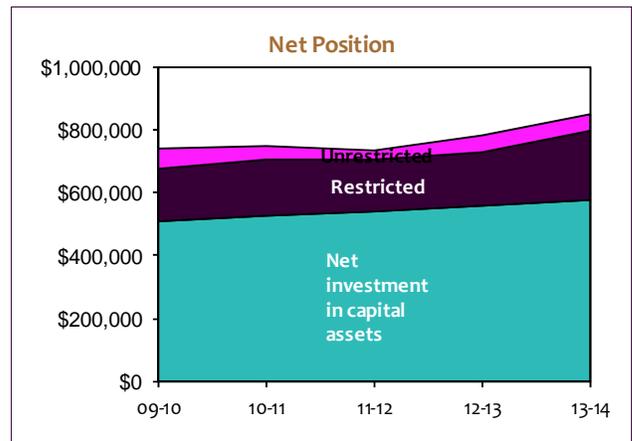
- An increase of \$40,718 for the recording of affordable housing loans.
- The Community Resources and Public Facility function increased \$5,787 as a result of Flood Control's property tax growth and the Road Fund's carryover funding for projects.
- The Public Safety function increased \$4,513 due primarily to the Fire District's increases in property taxes and the Probation department's unspent Public Safety realignment funds (AB109).

### Unrestricted net position

Unrestricted net position in the amount of \$46,970, a decrease of 11% from prior year, is available to fund County programs to citizens and debt obligations to creditors. The majority of unrestricted net position resides in the County's General Fund.

- The County General Fund increased \$4,998, as unrestricted revenues exceeded expenditures.

- Business-type activities increased \$3,543 due to operating revenues exceeding operating expenses.
- Internal service funds increased due to operating revenues exceeding operating expenses.
- A decrease in unrestricted net position for \$11,680 in Other Postemployment Benefits (OPEB) liability for the unfunded portion of the retiree medical benefits, which is being amortized over 15 years.



# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Analysis of Governmental Activities

### Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2013	2014	2013	2014	2013	2014	Dollar Change	Percent Change
<b>Revenues</b>								
Program revenues:								
Charges for services	\$ 155,451	\$ 173,875	\$ 31,043	\$ 33,346	\$ 186,494	\$ 207,221	\$ 20,727	11%
Operating grants and contributions	325,138	332,533	1,732	1,038	326,870	333,571	6,701	2%
Capital grants and contributions	50	52,352	--	--	50	52,352	52,302	104604%
Total program revenues	480,639	558,760	32,775	34,384	513,414	593,144	79,730	16%
General revenues:								
Property taxes	227,452	231,247	--	--	227,452	231,247	3,795	2%
Motor vehicle in-lieu tax	187	155	--	--	187	155	(32)	(17%)
Sales taxes	13,527	14,039	--	--	13,527	14,039	512	4%
Transient occupancy tax	6,993	7,539	--	--	6,993	7,539	546	8%
Unrestricted investment earnings	453	1,407	(95)	344	358	1,751	1,393	389%
Gain on sale of capital assets	397	73	38	13	435	86	(349)	(80%)
Other	8,022	8,027	--	--	8,022	8,027	5	0%
Total general revenues	257,031	262,487	(57)	357	256,974	262,844	5,870	2%
<b>Total revenues</b>	<b>737,670</b>	<b>821,247</b>	<b>32,718</b>	<b>34,741</b>	<b>770,388</b>	<b>855,988</b>	<b>85,600</b>	<b>11%</b>
<b>Expenses</b>								
Policy & executive	14,455	14,057	--	--	14,455	14,057	(398)	(3%)
Public safety	271,326	282,251	--	--	271,326	282,251	10,925	4%
Health & public assistance	307,239	319,565	--	--	307,239	319,565	12,326	4%
Community resources & public facilities	89,382	92,377	--	--	89,382	92,377	2,995	3%
General government & support	29,585	33,931	--	--	29,585	33,931	4,346	15%
General county programs	5,664	3,980	--	--	5,664	3,980	(1,684)	(30%)
Interest on long-term debt	3,712	3,505	--	--	3,712	3,505	(207)	(6%)
Resource recovery	--	--	20,529	20,300	20,529	20,300	(229)	(1%)
Laguna sanitation	--	--	6,181	6,176	6,181	6,176	(5)	0%
Total expenses	721,363	749,666	26,710	26,476	748,073	776,142	28,069	4%
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>16,307</b>	<b>71,581</b>	<b>6,008</b>	<b>8,265</b>	<b>22,315</b>	<b>79,846</b>	<b>57,531</b>	<b>258%</b>
Transfers	2	(34)	(2)	34	--	--	--	--
<b>Change in net position</b>	<b>16,309</b>	<b>71,547</b>	<b>6,006</b>	<b>8,299</b>	<b>22,315</b>	<b>79,846</b>	<b>57,531</b>	<b>258%</b>
<b>Net position - beginning</b>	<b>696,077</b>	<b>712,003</b>	<b>81,549</b>	<b>87,454</b>	<b>777,626</b>	<b>799,457</b>	<b>21,831</b>	<b>3%</b>
<b>Prior period adjustment</b>	<b>231</b>	<b>36,417</b>	<b>--</b>	<b>--</b>	<b>231</b>	<b>36,417</b>	<b>36,186</b>	<b>15665%</b>
<b>Cumulative effect of change in accounting principle</b>	<b>(614)</b>	<b>--</b>	<b>(101)</b>	<b>--</b>	<b>(715)</b>	<b>--</b>	<b>715</b>	<b>(100%)</b>
<b>Net position - beginning, as restated</b>	<b>695,694</b>	<b>748,420</b>	<b>81,448</b>	<b>87,454</b>	<b>777,142</b>	<b>835,874</b>	<b>58,732</b>	<b>8%</b>
<b>Net position - ending</b>	<b>\$ 712,003</b>	<b>\$ 819,967</b>	<b>\$ 87,454</b>	<b>\$ 95,753</b>	<b>\$ 799,457</b>	<b>\$ 915,720</b>	<b>\$ 116,263</b>	<b>15%</b>

Governmental activities increased the County's net position by \$107,964 to \$819,967 for the year ended June 30, 2014, accounting for 93% of the County's total increase in net position. Governmental activities operating revenues exceeded operating expenditures by \$71,581. Transfers from business-type activities decreased net position by \$34. A prior period adjustment of \$36,417, mostly due to Affordable Housing Loans, increased the net position.

### Revenues

Total revenues for the County's Governmental Activities had an overall increase from the prior year of \$83,577, 11%, to \$821,247. Revenues are divided into two categories: Program Revenues and General Revenues.

**Program Revenues** had an overall increase of \$78,121, or 16%, to \$558,760 from the prior year. As an arm of the State government, a significant portion of charges for services and operating grants and contributions are tied to mandated services such as public assistance, health and Alcohol, Drug, & Mental Health Services (ADMHS). Total program revenues represent 68% of the County's funding for governmental activities.

- Charges for services increased \$18,424 or 12% to \$173,875 primarily due to \$5,549 in housing loan revenue, \$2,886 in grant, audit, and other settlements, \$2,360 in pharmacy fees, \$2,293 in Public Health Medi-Cal and Medicare fees, \$2,016 in increased Fire incident reimbursements, and an increase in Property Tax penalty revenue of \$770.

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

- *Operating grants and contributions (intergovernmental revenues)* increased \$7,395 or 2%, to \$332,533 primarily due to a \$5,797 increase in State and Federal Medi-Cal administration revenues, a \$3,372 increase in 1991 and 2011 Realignment revenue, a \$2,511 increase in state highway users tax, a \$2,403 increase in unrealized gains on investments, and offset by a \$6,571 decrease in Water Agency reimbursements for pass-through projects for other government agencies.
- *Capital grants and contributions (intergovernmental revenues)* increased \$52,302, or 1,046%, to \$52,352 due primarily to a \$45,251 donation for the improvement of the Santa Maria Levee and a \$7,051 increase for three real estate property transfers from the Redevelopment Agency (RDA) Successor Agency.

**General Revenues** had an overall increase of \$5,456 or 2% to \$262,487. These revenues included general taxes which provided the Board of Supervisors with the most discretionary spending ability. Since the formation of County government in the 1850's, basic public safety services such as sheriff, fire, and district attorney consume most of these resources. The increase in general revenues is due primarily to the following changes:

- *Property Tax Revenue* increased \$3,795, or 2% to \$231,247. However, regular ongoing property tax accounts grew approximately \$11,333 or 4% but were offset by a prior year one-time distribution for \$7,157 in RDA proceeds.
- *Sales Tax Revenue* increased \$512, or 4%, to \$14,039.
- *Transient Occupancy Tax* revenue increased \$546, or 8%, to \$7,539.
- *Unrestricted Investment Earnings* increased \$954, or 211%, to \$1,407 due to higher rates of return on Treasury investments available in the current market.

**Expenses** had an overall increase for governmental activities of \$28,303, or 4%, to \$749,666 from the prior year.

As a service delivery entity, the County's major cost component is salaries and benefits, amounting to 64% of the total County expenses. The average full-time equivalent (FTE) count for the County (including business-type activities) had a net increase of 85 FTEs from 3,876 in the prior year to 3,961 at June 30, 2014. The Department of Social Services, funded by Federal and State programs and caseload growth, was able to add 81 FTEs with an additional 4 FTEs spread across all other departments.

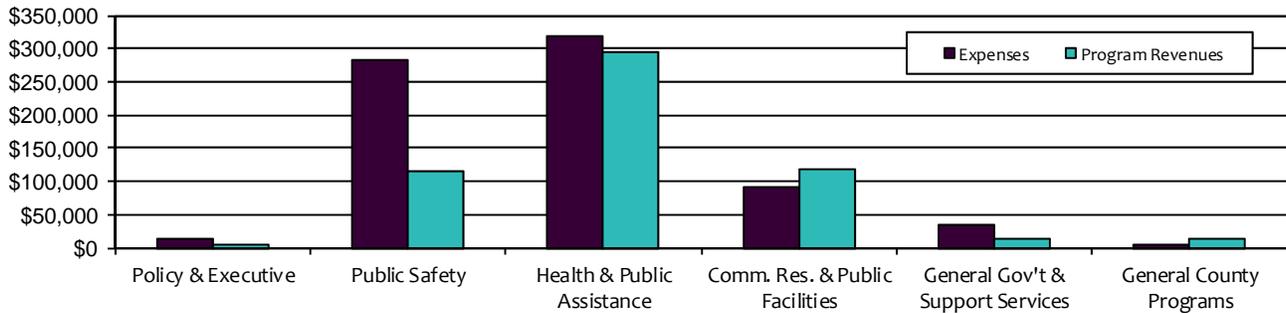
Program expenses for the County's governmental activities are generally attributable to the following factors:

- Total salaries and benefits expense increased \$19,482, or 4%, to \$479,522 across all functions and is primarily made up of the following:
  - An increase in regular salary costs of \$9,505, or 4% to \$271,252 primarily due additional positions added in Social Services and re-instituting merit increases and cost of living adjustments (COLAs).
  - An increase in retirement costs of \$8,672, or 7% to \$122,321, due to an increase in employer retirement rates from 35.87% to 38.30% and the additional positions in Social Services.
  - An increase in overtime costs of \$1,914, or 21%, to \$11,134, generally due to staffing shortages in the Sheriff department.
  - An increase in health insurance costs of \$1,211, or 5%, to \$24,569.
  - An increase in reimbursable overtime cost of \$637, or 27% to \$2,991 for fire incident responses.
  - An increase in extra help costs of \$339, or 4%, to \$9,524.
  - A decrease in workers' compensation expense of \$2,102, or 16%, to \$10,774 due to a reduction in the workers' compensation actuarial liability.
- A decrease in unemployment insurance costs of \$253, or 48%, to \$277.
- A decrease of \$558 or 3%, in Other Postemployment Benefits (OPEB) expense of \$19,497.

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Program Expenses and Revenues - Governmental Activities

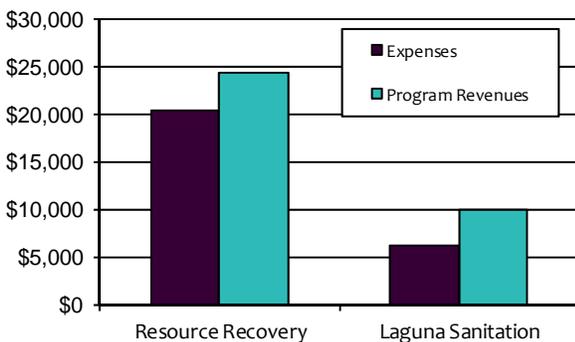


## Analysis of Business-type Activities

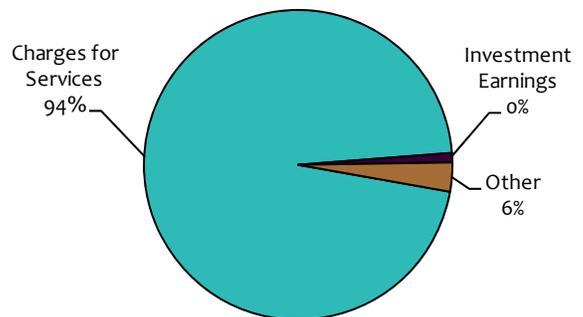
The net position of business-type activities increased by 9%, or \$8,299, to \$95,753 which indicates these activities generated revenues sufficient to cover the costs of operations. See discussion on Proprietary Funds in the next section.

This increase in net position is a result of Laguna Sanitation and Resource Recovery increasing rates and holding down expenses.

## Program Expenses and Revenues Business-type Activities



## Revenues by Source Business-type Activities



# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Financial Analysis of the County's Funds

### Balance Sheet – Governmental Funds

	<u>General</u>	<u>Major Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
<b>Total Assets</b>	\$ 119,193	\$ 233,573	\$ 31,173	\$ 383,939
<b>Liabilities &amp; Deferred Inflows of Resources</b>				
<b>Total Liabilities</b>	25,852	47,487	2,651	75,990
<b>Total Deferred Inflows of Resources</b>	535	44,166	--	44,701
<b>Fund Balances</b>				
Nonspendable	10,138	762	29	10,929
Restricted	21,245	126,665	24,356	172,266
Committed	58,018	14,493	4,137	76,648
Unassigned	3,405	--	--	3,405
<b>Total Fund Balances</b>	92,806	141,920	28,522	263,248
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	\$ 119,193	\$ 233,573	\$ 31,173	\$ 383,939

As noted earlier, the County uses fund accounting to demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources (modified accrual basis of accounting). Such information is useful in assessing the County's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of a government's resources available for spending at the end of the fiscal year.

At June 30, 2014, the County's Governmental Funds reported total fund balances of \$263,248, a \$11,147 increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows (for more information see Note 18 – Fund Balances):

- *Nonspendable Fund Balance*, \$10,929, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) legally required Teeter Tax program loss reserves of \$7,074, (2) long-term receivables of \$3,799, and (3) prepaid expenses and deposits of \$56.
- *Restricted Fund Balance*, \$172,266, consists of amounts with constraints put on their use by

creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control), (2) grants for capital outlay, and (3) legislated amounts reserved for health care.

- *Committed Fund Balance*, \$76,648, consists of amounts for specific purposes determined by the Board of Supervisors, such as strategic reserve of \$24,172 and audit exceptions of \$2,150.
- *Unassigned Fund Balance*, \$3,405, represents the residual classification for the County's General Fund.

Approximately 96%, or \$252,319, of the total fund balances is spendable which means it is available to meet the County's current and future needs. With the approval of the Board of Supervisors, County management can earmark a portion of fund balance to a particular function, project or activity, and can also earmark it for purposes beyond the current year, within the constraints applied to the various categories of fund balance. With the exception of the nonspendable portion, fund balances are available for appropriation at any time.

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## General Fund

The General Fund is the main operating fund of the County. The General Fund's total fund balance increased by 6%, or \$4,998, to \$92,806 at June 30, 2014.

The spendable portion of fund balance increased \$6,140 to \$82,668 due to positive operating results. The nonspendable portion of fund balance increased \$520 to \$10,138 due to additional property tax impounds related to oil property assessment appeals.

As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 29% of total General Fund expenditures while spendable fund balance equates to 26% of total General Fund expenditures. Of the General Fund spendable fund balance, \$21,245, or 26% is restricted, and \$58,018, or 70% is committed.

The most significant committed amounts are:

- \$24,172 strategic reserve earmarked for severe economic downturns and emergencies,
- \$4,326 in employee concession savings,
- \$5,108 in Health Care Programs,
- \$3,300 for New Jail Operations, and
- \$1,746 for a tax collector property tax system.

General Fund unassigned fund balance at year-end was \$3,405, a 58%, or \$4,687, decrease from the prior year.

## Other Governmental Funds

As compared with the prior year, the total fund balances of the remaining governmental funds increased 6%, or \$9,620, to \$170,442 with the following significant changes:

The fund balances of the major governmental funds as a whole increased by \$1,539 to \$141,920. The changes occurred in the following funds:

- The Roads fund for operations, maintenance, and infrastructure incurred expenditures of \$33,800 and finished the year with a \$3,089 increase in fund balance to \$21,590 mainly due to carryover of project funds to the following year.
- The \$66,124 Public Health operation balanced its budget this year and increased fund balance in the amount of \$4,140 to \$22,909 mainly due to higher revenues than anticipated.
- The Federal and State funded Social Services safety net programs are among the largest in the County

with expenditures of \$139,610. This year the department decreased fund balances by a net of \$6,549 to \$3,452 drawing down on Realignment reserves offset by a temporary decreased contribution from the General Fund.

- The ADMHS fund, with expenditures of \$79,895, finished the year with a draw on its fund balance of \$545 to \$7,352.
- The Flood Control District with expenditures of \$57,492 increased its fund balance by \$2,600 to \$62,476 due to property taxes exceeding estimates.
- The Affordable Housing Fund incurred expenditures of \$8,905 and finished the year with a \$525 draw on fund balance to \$4,810.
- The Fire Protection District Fund, with expenditures of \$53,089, finished positive with an increase to fund balance of \$3,172 to \$8,239 due to property taxes exceeding estimates.
- The Capital Projects Fund decreased by \$3,843 to \$11,092 due to the expenditure of County funds for the design of the North County Jail.

The fund balances of nonmajor governmental funds as a whole increased by \$4,610 to \$28,522. The significant changes occurred in the following funds:

- The In-Home Supportive Services' (IHSS) fund balance increased by \$1,640 primarily due to changes from Realignment funding.
- The Court Activities' fund balance increased \$1,000 mostly due to higher than anticipated revenues from fines, forfeitures, and penalties.
- The Water Agency's fund balance increased by \$652 to \$6,662 due to lower than expected professional services expenditures.

## Proprietary Funds

The County's proprietary funds provide the same type of information found in the Governmentwide Financial Statements, but in more detail.

Total Enterprise Funds Net Positions, which at year-end were comprised of the Resource Recovery Fund and the Laguna Sanitation Fund, increased by \$8,168, or 9%, from the prior year. Resource Recovery Fund net position increased by \$4,285, and Laguna Sanitation Fund net position increased by \$3,883. Revenues increased \$2,304, or 7%, to \$33,347. Non-operating revenues (expenses) decreased a net \$259. Sales generated by the Resource Recovery Fund increased

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

\$1,059, and Laguna Sanitation user fee revenue increased \$1,245. Resource Recovery expenses decreased \$217 and Laguna Sanitation expenses decreased \$40.

Total internal service funds net position increased by \$5,187, or 11%, to \$52,169. The Risk Management and Insurance Fund's net position increased \$3,397, or 624% to \$3,941. This is primarily due a reduction in actuarial liabilities.

The remaining internal service funds experienced the following changes: the Information Technology Services Fund increased net position by \$656, the Vehicle Operations and Maintenance Fund had an increase in net position of \$692, the Utilities Fund had an increase in net position of \$40, and the Communications Services Fund had a decrease in net position of \$402.

## Capital Assets, Debt and Deferred Inflows of Resources

### Capital Assets

#### Capital Assets (net of depreciation, in thousands)

	Governmental		Business-type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2013	2014	2013	2014	2013	2014	Change	Change
Land	\$ 50,518	\$ 54,699	\$ 12,285	\$ 13,176	\$ 62,803	\$ 67,875	\$ 5,072	8%
Land easements	47,316	47,316	--	--	47,316	47,316	--	0%
Construction in progress	61,979	56,383	458	2,797	62,437	59,180	(3,257)	(5%)
SCA assets	28,814	33,907	--	--	28,814	33,907	5,093	18%
Capital assets, not being depreciated	188,627	192,305	12,743	15,973	201,370	208,278	6,908	3%
Land improvements	7,214	11,756	315	304	7,529	12,060	4,531	60%
Structures and improvements	155,504	210,863	6,036	6,451	161,540	217,314	55,774	35%
Equipment and software	45,953	51,312	13,821	14,900	59,774	66,212	6,438	11%
Infrastructure	201,749	198,671	48,501	47,128	250,250	245,799	(4,451)	(2%)
Capital assets, net of accumulated depreciation	410,420	472,602	68,673	68,783	479,093	541,385	62,292	13%
<b>Total</b>	<b>\$599,047</b>	<b>\$ 664,907</b>	<b>\$ 81,416</b>	<b>\$ 84,756</b>	<b>\$680,463</b>	<b>\$749,663</b>	<b>\$ 69,200</b>	<b>10%</b>

During the fiscal year, the County's investment in capital assets increased by \$69,200, or 10%, to \$749,663 (net of accumulated depreciation). This investment is in a broad range of capital assets including land, land easements, construction in progress (CIP), land improvements, structures and improvements, equipment and software, and infrastructure.

The County both purchases and constructs capital assets throughout the year. When a capital project will be completed in a subsequent fiscal year, related expenditures are recorded as CIP. In the year of completion, a project's CIP is allocated to the appropriate capital asset classification(s). In the current fiscal year, CIP had a net decrease of \$5,596 for governmental activities and increase of \$2,339 for business-type activities, as CIP expenditures of \$77,621 were offset by project completions/disposals of \$80,878.

The County completed and capitalized projects costing approximately \$78,573. Some major projects completed were as follows:

- General Government & Support Services – New Cuyama Modular Community Center (\$938), Santa Maria Seismic (\$1,001), Santa Maria Admin Building Expansion (\$1,953), Santa Maria Court Clerks Building (\$4,906)
- Community Resources & Public Facilities – Cachuma Sewage Treatment Plant (\$966), Kinevan Road Bridge (\$1,286), Cachuma Water Treatment System (\$1,632), Santa Maria River Levee (approx. \$47,000)
- Health & Human Services – Electronic Health Records (\$2,491)
- General County Programs – RDA Transfer of 3 real estate properties in the Isla Vista Project Area (\$6,815)

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

As a result of Governmental Accounting Standards Board (GASB) reporting requirements, the County recorded \$33,907 in capital assets for improvements made to County property by operators of County service concession arrangements (SCAs). A related deferred inflow of resources was also recorded and is being amortized over the life of the existing SCA contracts. See Notes 8 and 17 of the Notes to the Financial Statements for more information on capital assets and deferred inflows of resources related to SCAs.

During the year, the County capitalized \$17,187 in equipment and software purchases, and also recorded depreciation of \$23,360 against its capital assets. Capital asset disposals for the fiscal year totaled \$2,437, net of accumulated depreciation.

*Additional capital asset information, including depreciation and outstanding CIP by project as of June 30, 2014, can be found in Note 7 of the Notes to the Financial Statements.*

## Debt

### Outstanding Debt (in thousands)

	Governmental		Business-type		Total		Total	
	Activities		Activities				Dollar	Percent
	2013	2014	2013	2014	2013	2014	Change	Change
Capital lease obligations	\$ 3,418	\$ 3,013	\$ --	\$ --	\$ 3,418	\$ 3,013	\$ (405)	(12%)
Certificates of participation	43,353	41,414	7,356	6,781	50,709	48,195	(2,514)	(5%)
Bonds and notes payable	19,740	17,070	8,928	8,203	28,668	25,273	(3,395)	(12%)
<b>Total</b>	<b>\$ 66,511</b>	<b>\$ 61,497</b>	<b>\$ 16,284</b>	<b>\$ 14,984</b>	<b>\$ 82,795</b>	<b>\$ 76,481</b>	<b>\$ (6,314)</b>	<b>(8%)</b>

At June 30, 2014, the County had total long-term debt outstanding of \$76,481. This amount was comprised of \$48,195 of certificates of participation (COP) issued by the County Finance Corporation, and secured by the County's lease rental payments with a covenant to budget and appropriate lease payments. It also includes \$3,013 of capital lease obligations, \$25,273 of bonds, and a State sponsored note payable for the Laguna Sanitation Fund.

The County's total long-term debt decreased by \$6,314, or 8%, during the fiscal year. The decrease was due to the following payments made: \$2,514 for COP debt, \$405 for capital lease obligations, and \$3,395 for bonds and notes payable.

**The County maintains a Standard & Poor's 'SP-1+' rating for short-term notes and both a Standard & Poor's 'AA+' and a Moody's 'A1' for long-term certificates of participation.**

Standard & Poor's, in its June 12, 2013 credit profile, assigned an 'AA+' rating to the County's appropriation debt.

The rationale behind the rating reflects the rating agency's view of:

- The long-term general creditworthiness of the County;
- The County's covenant to budget and appropriate debt payments; and

- Rental interruption insurance that covers sublease payments to offset risk to the bondholders.

The 'AA+' rating is based on the following long-term strengths of the County:

- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong unreserved General Fund balances despite limited financial flexibility due to state mandates;
- An experienced management team that has implemented strong financial policies and prudent expenditure controls; and
- Low overall debt levels.

Standard & Poor's, in its May 29, 2013 rating of the County's fiscal year (FY) 13-14 \$35,000 Tax and Revenue Anticipation Notes (TRAN), states that the 'SP-1+' rating reflects their view of "the County's very strong underlying general credit characteristics; strong county-projected note repayment coverage of 1.78x at maturity; and very strong county-projected coverage of 3.21x at maturity..."

*Additional information on the County's long-term debt can be found in Notes 10 through 13 in the Notes to the Financial Statements.*

# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## General Fund Budgetary Highlights

The County's final budget appropriations for expenditures for the General Fund differ from the original budget by supplemental appropriations of \$12,023, or 4%. The major changes in appropriations are as follows:

- Salaries and benefits increased \$898 due to required excess overtime in the Sheriff's department.
- Services, supplies and other charges increased \$3,341 made up primarily of increased professional service costs on various County projects.
- Capital asset appropriations increased \$7,785. This significant increase is mostly due to the transfer of Redevelopment Agency assets in the amount of \$6,815 to the County's General Fund.

**Revenues:** General Fund revenues were \$669 less than total adjusted budget revenue estimates. However, a mid-year adjustment increasing Adopted Tax Revenues by \$4,000 was made to reflect positive tax growth. The main reasons for the variance from the Adjusted Budget amounts are as follows:

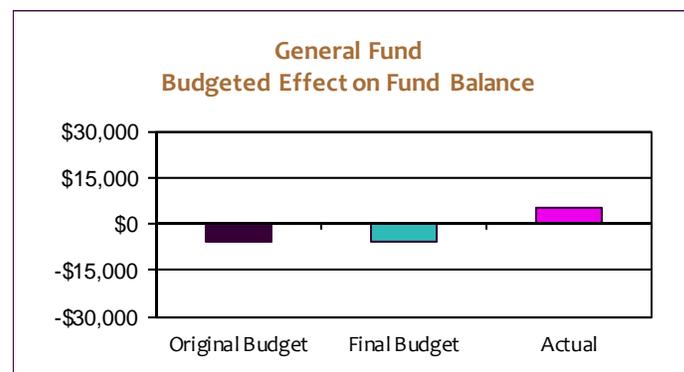
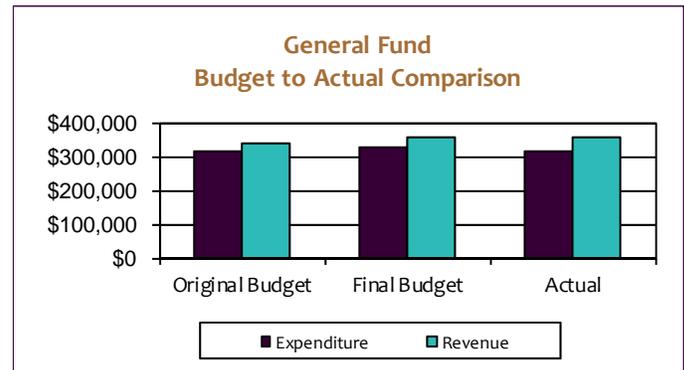
- Tax revenues outperformed revenue estimates by a modest \$1,027, or 0%, primarily due to better than expected Property Tax and Transient Occupancy Tax growth.
- Licenses, permits, and franchise revenues had a positive \$364 variance from revenue estimates due to increased franchise fees and land use permits.
- Fines, forfeitures, and penalties revenue was \$657 more due to higher than estimated penalty collections associated with delinquent property tax payments.
- Interest earnings were higher than budget estimates by \$409 due to increased investment returns and larger cash balances to invest.
- Intergovernmental revenues were under budgeted estimates by \$2,039 due primarily to the County collecting less revenue than anticipated from a variety of federal and state reimbursement sources, which in most cases also had offsetting expenditure savings.

- Charges for services fell short of revenue estimates by \$1,301 primarily due to lower than expected administrative charges and other services.

**Expenditures:** The variance between the final budget and actual expenditures resulted in \$11,017 of unspent appropriations. Key variances are as follows: salary and benefit cost savings of approximately \$6,042 resulting from unfilled positions, \$2,806 resulting from unspent appropriations for services and supplies across all functions, and \$1,377 resulting from capital assets budgeted, but not procured in this fiscal cycle.

By year-end, appropriation savings and unanticipated revenues reduced the budget plan to draw upon fund balance: the General Fund's equity position increased \$4,998, versus the budget plan to draw on fund equity by \$5,766.

The General Fund Budget to Actual statement can be found on page 38 of this report.



# Management's Discussion and Analysis

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's operating budget for fiscal year (FY) 2014-15:

- Although the FY 2014-15 budget shows a decrease in General Fund general revenues of .05%, or \$1,249, compared to FY 13-14 actual revenues, the prior year included a one-time receipt of three real estate properties from the RDA Successor Agency in the amount of \$6,815. If adjusted, the estimate for general revenues increased \$5,566 or 1.6%.
- We are expecting a continued moderate sustainable growth in the general revenue accounts. Property taxes, after hitting a low point of 1% growth in FY 2011-12, have now rebounded with a growth rate of 5.3% in FY 2014-15.
- Assessed property values grew approximately 5.0% for 2014 which will increase property tax revenues by an equivalent amount for secured and unsecured property taxes collected in FY 14-15. The FY 14-15 budget was adopted with an estimate slightly lower at approximately 3.5%.
- The budget includes a 10%, or \$47,672, increase in salaries and benefits when compared to FY 13-14

actuals for all County funds. The budget includes funding for new positions, and moderate increases for salary COLAs, retirement contributions, and health insurance.

- The State adopted a budget on time and its financial condition continues to improve. The improving condition of State finances is helping the County's own effort to balance its local budget with continued funding in the areas of Realignment 1991 and 2011, mandate reimbursements, and various Public Safety and Health and Human Services funding sources.

As of June 30, 2014, the available spendable General Fund balance was \$82,668. Of this amount, \$21,245 was Restricted and \$58,018 was Committed but remains available for appropriation. The County's General Fund ended with \$3,405 of Unassigned fund balance at June 30, 2014. The County's Recommended performance-based FY 14-16 budget and the County's Five Year Capital Improvement Program can be found at [www.countyofsb.org/ceo/index.asp](http://www.countyofsb.org/ceo/index.asp).

## Requests for Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Santa Barbara

County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039. The County's Comprehensive Annual Financial Report and Financial Highlights publications can also be found on the County's website at [www.countyofsb.org/auditor/publications](http://www.countyofsb.org/auditor/publications).

# **BASIC FINANCIAL STATEMENTS**

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF NET POSITION  
GOVERNMENTWIDE  
June 30, 2014 (in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 4)	\$ 283,223	\$ 31,794	\$ 315,017
Accounts receivable, net:			
Taxes	17,533	--	17,533
Licenses, permits, and franchises	616	231	847
Fines, forfeitures, and penalties	642	--	642
Use of money and property	546	103	649
Intergovernmental	47,523	37	47,560
Charges for services	18,336	2,402	20,738
Other	721	529	1,250
Internal balances	2,200	(2,200)	--
Inventories	296	296	592
Prepaid items	548	--	548
Note receivable	14,955	--	14,955
Other receivables	9,045	20	9,065
Restricted cash and investments (Note 5)	21,998	18,241	40,239
Housing loans receivable (Note 6)	38,788	--	38,788
Housing loans interest receivable (Note 6)	5,878	--	5,878
Capital assets, not being depreciated (Note 7)	192,305	15,973	208,278
Capital assets, net of accumulated depreciation (Note 7)	472,602	68,783	541,385
Total assets	<u>1,127,755</u>	<u>136,209</u>	<u>1,263,964</u>
<b>Liabilities</b>			
Accounts payable	13,961	1,488	15,449
Salaries and benefits payable	28,711	574	29,285
Interest payable	336	39	375
Other payables	1,034	113	1,147
Advances from grantors and third parties (Note 9)	22,198	--	22,198
Customer deposits payable	8,052	223	8,275
Long-term liabilities (Note 10):			
Portion due within one year:			
Compensated absences (Note 10)	28,128	586	28,714
Capital lease obligations (Note 11)	271	--	271
Certificates of participation, net (Note 12)	1,825	695	2,520
Bonds and notes payable (Note 13)	2,265	741	3,006
Liability for self-insurance claims (Note 14)	7,975	--	7,975
Landfill closure/postclosure care costs (Note 16)	--	533	533
Portion due in more than one year:			
Compensated absences (Note 10)	3,322	82	3,404
Capital lease obligations (Note 11)	2,742	--	2,742
Certificates of participation, net (Note 12)	39,589	6,086	45,675
Other long-term obligations (Note 10)	2,434	--	2,434
Bonds and notes payable (Note 13)	14,805	7,462	22,267
Liability for self-insurance claims (Note 14)	20,442	--	20,442
Estimated litigation liability (Note 15)	794	--	794
Landfill closure/postclosure care costs (Note 16)	--	20,263	20,263
Other postemployment benefits (OPEB) obligation (Note 22)	73,121	1,571	74,692
Total liabilities	<u>272,005</u>	<u>40,456</u>	<u>312,461</u>
<b>Deferred inflows of resources (Note 17)</b>			
Deferred service concession arrangements	31,835	--	31,835
Deferred housing loan principal payments	3,948	--	3,948
Total deferred inflows of resources	<u>35,783</u>	<u>--</u>	<u>35,783</u>
<b>Net position</b>			
Net investment in capital assets	578,314	70,562	648,876
Restricted for (Note 19):			
Public safety	24,107	--	24,107
Health and public assistance	31,005	--	31,005
Community resources and public facilities	144,215	--	144,215
General government and support services	4,951	--	4,951
General county programs	15,596	--	15,596
Unrestricted	21,779	25,191	46,970
Total net position	<u>\$ 819,967</u>	<u>\$ 95,753</u>	<u>\$ 915,720</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF ACTIVITIES  
GOVERNMENTWIDE  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position		
	Direct Expenses	Indirect Expenses	Total Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
					Grants and Contributions	Grants and Contributions			
Governmental activities:									
Policy & executive	\$ 16,028	\$ (1,971)	\$ 14,057	\$ 4,129	\$ 1,265	\$ --	\$ (8,663)	\$ --	\$ (8,663)
Public safety	277,896	4,355	282,251	43,635	70,890	--	(167,726)	--	(167,726)
Health & public assistance	315,286	4,279	319,565	75,536	218,428	--	(25,601)	--	(25,601)
Community resources & public facilities	88,978	3,399	92,377	32,286	39,080	45,301	24,290	--	24,290
General government & support services	44,332	(10,401)	33,931	11,768	2,046	--	(20,117)	--	(20,117)
General county programs	3,828	152	3,980	6,521	824	7,051	10,416	--	10,416
Interest on long-term debt	3,505	--	3,505	--	--	--	(3,505)	--	(3,505)
Total governmental activities	<u>749,853</u>	<u>(187)</u>	<u>749,666</u>	<u>173,875</u>	<u>332,533</u>	<u>52,352</u>	<u>(190,906)</u>	<u>--</u>	<u>(190,906)</u>
Business-type activities:									
Resource Recovery	20,181	119	20,300	23,439	952	--	--	4,091	4,091
Laguna Sanitation	6,108	68	6,176	9,907	86	--	--	3,817	3,817
Total business-type activities	<u>26,289</u>	<u>187</u>	<u>26,476</u>	<u>33,346</u>	<u>1,038</u>	<u>--</u>	<u>--</u>	<u>7,908</u>	<u>7,908</u>
Total primary government	<u>\$ 776,142</u>	<u>\$ --</u>	<u>\$ 776,142</u>	<u>\$ 207,221</u>	<u>\$ 333,571</u>	<u>\$ 52,352</u>	<u>(190,906)</u>	<u>7,908</u>	<u>(182,998)</u>
General Revenues:									
Taxes:									
Property							172,823	--	172,823
Sales							7,825	--	7,825
Transient occupancy							7,539	--	7,539
Payments in lieu of taxes							4,047	--	4,047
Motor vehicle in-lieu tax							155	--	155
Franchise fees							3,269	--	3,269
Other general revenues							711	--	711
Restricted for community resources and public facilities:									
Sales tax, allocated to roads							6,214	--	6,214
Property tax, levied for flood control districts							8,897	--	8,897
Property tax, levied for county service areas							1,156	--	1,156
Property tax, levied for water agency							2,339	--	2,339
Property tax, levied for lighting districts							411	--	411
Property tax, levied for community facilities districts							434	--	434
Property tax, residual distribution from the redevelopment property tax trust fund							6,718	--	6,718
Restricted for public safety:									
Property tax, levied for fire district							38,469	--	38,469
Unrestricted investment earnings							1,407	344	1,751
Gain on sale of capital assets							73	13	86
Transfers							(34)	34	--
Total general revenues and transfers							<u>262,453</u>	<u>391</u>	<u>262,844</u>
Change in net position							71,547	8,299	79,846
Net position - beginning							712,003	87,454	799,457
Prior period adjustment (Note 24)							36,417	--	36,417
Net position - beginning, as restated							<u>748,420</u>	<u>87,454</u>	<u>835,874</u>
Net position - ending							<u>\$ 819,967</u>	<u>\$ 95,753</u>	<u>\$ 915,720</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014 (in thousands)**

	General	Roads	Public Health	Social Services	ADMHS
<b>Assets</b>					
Assets:					
Cash and investments (Note 4)	\$ 64,080	\$ 19,869	\$ 21,747	\$ 223	\$ 3,389
Accounts receivable, net:					
Taxes	17,533	--	--	--	--
Licenses, permits, and franchises	616	--	--	--	--
Fines, forfeitures, and penalties	15	--	--	--	--
Use of money and property	157	22	20	32	17
Intergovernmental	11,826	5,428	5,611	13,389	5,657
Charges for services	1,006	2,509	566	--	8,880
Other	94	--	--	18	247
Due from other funds (Note 20)	942	--	--	--	--
Prepaid items	50	--	--	473	--
Other receivables	5,868	--	--	--	8
Advances to other funds (Note 20)	1,759	--	--	--	--
Restricted cash and investments (Notes 4 & 5)	14,747	--	--	--	--
Housing loans receivable (Note 6)	500	--	--	--	--
Housing loans interest receivable (Note 6)	--	--	--	--	--
Total assets	<u>\$ 119,193</u>	<u>\$ 27,828</u>	<u>\$ 27,944</u>	<u>\$ 14,135</u>	<u>\$ 18,198</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>					
Liabilities:					
Accounts payable	\$ 2,580	\$ 436	\$ 1,517	\$ 29	\$ 4,524
Salaries and benefits payable	14,556	770	2,787	4,376	2,122
Other payables	47	146	484	6	2,544
Advances from grantors and third parties (Note 9)	1,258	4,435	--	6,272	1,099
Due to other funds (Note 20)	--	--	247	--	557
Customer deposits payable	7,411	451	--	--	--
Total liabilities	<u>25,852</u>	<u>6,238</u>	<u>5,035</u>	<u>10,683</u>	<u>10,846</u>
Deferred inflows of resources (Note 17):					
Deferred for property tax impounds	35	--	--	--	--
Deferred housing loan principal payments	500	--	--	--	--
Deferred housing loan interest payments	--	--	--	--	--
Total deferred inflows of resources	<u>535</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances (Note 18):					
Nonspendable	10,138	--	--	--	--
Restricted	21,245	21,590	17,797	2,214	7,352
Committed	58,018	--	5,112	1,238	--
Unassigned	3,405	--	--	--	--
Total fund balances	<u>92,806</u>	<u>21,590</u>	<u>22,909</u>	<u>3,452</u>	<u>7,352</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 119,193</u>	<u>\$ 27,828</u>	<u>\$ 27,944</u>	<u>\$ 14,135</u>	<u>\$ 18,198</u>

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

Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds	
\$ 63,076	\$ 4,966	\$ 5,206	\$ 15,067	\$ 24,331	\$ 221,954	<b>Assets</b>
--	--	--	--	--	17,533	Assets:
--	--	--	--	--	616	Cash and investments (Note 4)
--	--	--	--	627	642	Accounts receivable, net:
64	5	7	12	147	483	Taxes
1,361	175	645	480	2,951	47,523	Licenses, permits, and franchises
--	--	4,774	--	255	17,990	Fines, forfeitures, and penalties
--	146	30	--	150	685	Use of money and property
--	--	--	--	--	942	Intergovernmental
--	--	--	--	--	523	Charges for services
41	--	717	--	29	6,663	Other
--	--	--	--	--	1,759	Due from other funds (Note 20)
--	2,621	--	1,909	2,683	21,960	Prepaid items
--	38,288	--	--	--	38,788	Other receivables
--	5,878	--	--	--	5,878	Advances to other funds (Note 20)
\$ 64,542	\$ 52,079	\$ 11,379	\$ 17,468	\$ 31,173	\$ 383,939	Restricted cash and investments (Notes 4 & 5)
						Housing loans receivable (Note 6)
						Housing loans interest receivable (Note 6)
						Total assets
						<b>Liabilities, deferred inflows of resources, and fund balances</b>
						Liabilities:
\$ 1,323	\$ 488	\$ 46	\$ 572	\$ 1,623	\$ 13,138	Accounts payable
253	25	2,598	--	736	28,223	Salaries and benefits payable
169	--	--	38	3	3,437	Other payables
171	2,500	471	5,766	226	22,198	Advances from grantors and third parties (Note 9)
--	90	--	--	48	942	Due to other funds (Note 20)
150	--	25	--	15	8,052	Customer deposits payable
2,066	3,103	3,140	6,376	2,651	75,990	Total liabilities
--	--	--	--	--	35	Deferred inflows of resources (Note 17):
--	38,288	--	--	--	38,788	Deferred for property tax impounds
--	5,878	--	--	--	5,878	Deferred housing loan principal payments
--	44,166	--	--	--	44,701	Deferred housing loan interest payments
						Total deferred inflows of resources
45	--	717	--	29	10,929	Fund balances (Note 18):
62,431	4,334	7,522	3,425	24,356	172,266	Nonspendable
--	476	--	7,667	4,137	76,648	Restricted
--	--	--	--	--	3,405	Committed
62,476	4,810	8,239	11,092	28,522	263,248	Unassigned
\$ 64,542	\$ 52,079	\$ 11,379	\$ 17,468	\$ 31,173	\$ 383,939	Total fund balances
						Total liabilities, deferred inflows of resources, and fund balances

COUNTY OF SANTA BARBARA, CALIFORNIA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2014 (in thousands)

Amounts reported for governmental activities in the Statement of Net Position are different because (Note 3):

Total fund balances - governmental funds	\$ 263,248
(1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet.	639,554
(2) Note receivable for governmental activities from the RDA Successor Agency private-purpose trust fund.	14,955
(3) Other receivable not due in the current period is not a current financial resource, therefore it is not reported in the balance sheet.	1,212
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet	(160,194)
(5) Accrued interest on long-term debt.	(336)
(6) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds and recognized as revenue in the Statement of Activities.	44,701
(7) Deferred inflows of resources reported in the Statement of Net Position.	(35,783)
(8) Internal Service Funds are used by management to charge the costs of fleet management, information technology, risk management, communications, and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.	52,169
(9) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year.	441
	<u>441</u>
Net position of governmental activities (page 28)	<u>\$ 819,967</u>

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



COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	General	Roads	Public Health	Social Services	ADMHS
<b>Revenues</b>					
Taxes	\$ 194,304	\$ 7,160	\$ --	\$ --	\$ --
Licenses, permits, and franchises	13,330	521	45	78	--
Fines, forfeitures, and penalties	5,734	51	802	3	3
Use of money and property	2,680	146	129	330	103
Intergovernmental	77,675	23,031	23,952	131,154	40,563
Charges for services	57,152	409	34,918	--	26,234
Other	4,504	89	4,096	812	3,600
Total revenues	<u>355,379</u>	<u>31,407</u>	<u>63,942</u>	<u>132,377</u>	<u>70,503</u>
<b>Expenditures</b>					
Current:					
Policy & executive	15,408	--	--	--	--
Public safety	201,455	--	--	--	--
Health & public assistance	9,201	--	66,124	139,610	79,895
Community resources & public facilities	38,241	33,800	--	--	--
General government & support services	43,654	--	--	--	--
General county programs	8,129	--	--	--	--
Debt service:					
Principal	--	--	--	--	--
Interest	699	--	--	--	--
Capital outlay	--	--	--	--	--
Total expenditures	<u>316,787</u>	<u>33,800</u>	<u>66,124</u>	<u>139,610</u>	<u>79,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,592</u>	<u>(2,393)</u>	<u>(2,182)</u>	<u>(7,233)</u>	<u>(9,392)</u>
<b>Other financing sources (uses)</b>					
Transfers in (Note 20)	4,807	5,525	6,955	2,536	9,833
Transfers out (Note 20)	(38,404)	(59)	(633)	(1,852)	(988)
Proceeds from sale of capital assets	3	16	--	--	2
Total other financing sources (uses)	<u>(33,594)</u>	<u>5,482</u>	<u>6,322</u>	<u>684</u>	<u>8,847</u>
Net change in fund balances	4,998	3,089	4,140	(6,549)	(545)
Fund balances - beginning	87,808	18,501	18,769	10,001	7,897
Fund balances - ending	<u>\$ 92,806</u>	<u>\$ 21,590</u>	<u>\$ 22,909</u>	<u>\$ 3,452</u>	<u>\$ 7,352</u>

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

Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds	
\$ 9,215	\$ --	\$ 39,068	\$ --	\$ 4,430	\$ 254,177	<b>Revenues</b>
--	--	11	--	45	14,030	Taxes
--	--	--	--	4,290	10,883	Licenses, permits, and franchises
424	30	16	41	1,096	4,995	Fines, forfeitures, and penalties
46,890	6,871	4,232	1,128	25,289	380,785	Use of money and property
3,366	136	14,408	198	5,018	141,839	Intergovernmental
36	2,983	216	949	3,519	20,804	Charges for services
59,931	10,020	57,951	2,316	43,687	827,513	Other
						Total revenues
						<b>Expenditures</b>
--	--	--	--	--	15,408	Current:
--	--	52,991	--	16,159	270,605	Policy & executive
--	--	--	--	22,492	317,322	Public safety
57,492	8,905	--	141	6,993	145,572	Health & public assistance
--	--	--	332	208	44,194	Community resources & public facilities
--	--	--	--	70	8,199	General government & support services
						General county programs
--	--	90	--	4,412	4,502	Debt service:
--	--	8	--	2,601	3,308	Principal
--	--	--	7,079	--	7,079	Interest
57,492	8,905	53,089	7,552	52,935	816,189	Capital outlay
						Total expenditures
2,439	1,115	4,862	(5,236)	(9,248)	11,324	Excess (deficiency) of revenues over (under) expenditures
						<b>Other financing sources (uses)</b>
166	130	1,105	1,445	17,215	49,717	Transfers in (Note 20)
(50)	(1,770)	(2,800)	(52)	(3,357)	(49,965)	Transfers out (Note 20)
45	--	5	--	--	71	Proceeds from sale of capital assets
161	(1,640)	(1,690)	1,393	13,858	(177)	Total other financing sources (uses)
2,600	(525)	3,172	(3,843)	4,610	11,147	Net change in fund balances
59,876	5,335	5,067	14,935	23,912	252,101	Fund balances - beginning
\$ 62,476	\$ 4,810	\$ 8,239	\$ 11,092	\$ 28,522	\$ 263,248	Fund balances - ending

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 11,147
<u>Capital assets:</u>	
(1) The acquisition of capital assets uses current financial resources but has no effect on net position	76,416
(2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation/amortization expense in the statement of activities.	(15,991)
(3) The proceeds from the sale of capital assets provide current financial resources but have no effect on net position	(71)
(4) The net loss on the disposal of capital assets does not affect current financial resources but decreases net position	(2,049)
<u>Long-term debt:</u>	
(5) Principal payments on long-term debt use current financial resources but have no effect on net position	4,502
<u>Measurement focus:</u>	
(6) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	4,413
(7) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in interest payable liability	17
Change in compensated absences liability	(371)
Change in estimated litigation liability	(287)
Accrued other postemployment benefits (OPEB)	(11,230)
Amortization of bond premiums/discounts and issuance costs	(14)
<u>Internal service funds:</u>	
(8) Internal service funds are used by management to charge the costs of information technology, fleet management, risk management, communication services, and utilities to individual funds. The net revenue of internal service funds is reported within governmental activities.	5,065
Change in net position of governmental activities	<u>\$ 71,547</u>

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



COUNTY OF SANTA BARBARA, CALIFORNIA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 188,739	\$ 193,276	\$ 194,304	\$ 1,028
Licenses, permits, and franchises	12,927	12,966	13,330	364
Fines, forfeitures, and penalties	4,735	5,077	5,734	657
Use of money and property	2,178	2,270	2,680	410
Intergovernmental	67,368	79,714	77,675	(2,039)
Charges for services	58,092	58,453	57,152	(1,301)
Other	3,870	4,291	4,504	213
Total revenues	<u>337,909</u>	<u>356,047</u>	<u>355,379</u>	<u>(668)</u>
<b>Expenditures</b>				
Current:				
Policy & executive	15,668	15,931	15,408	523
Public safety	200,397	203,492	201,455	2,037
Health & public assistance	9,758	9,886	9,201	685
Community resources & public facilities	39,908	41,044	38,241	2,803
General government & support services	47,987	48,486	43,654	4,832
General county programs	1,201	8,149	8,129	20
Debt service:				
Interest	814	814	699	115
Total expenditures	<u>315,733</u>	<u>327,802</u>	<u>316,787</u>	<u>11,015</u>
Excess of revenues over expenditures	<u>22,176</u>	<u>28,245</u>	<u>38,592</u>	<u>10,347</u>
<b>Other financing sources (uses)</b>				
Transfers in	5,400	5,675	4,807	(868)
Transfers out	(33,342)	(40,045)	(38,404)	1,641
Proceeds from sale of capital assets	--	--	3	3
Total other financing uses	<u>(27,942)</u>	<u>(34,370)</u>	<u>(33,594)</u>	<u>776</u>
Net change in fund balances	(5,766)	(6,125)	4,998	11,123
Fund balances - beginning	87,808	87,808	87,808	--
Fund balances - ending	<u>\$ 82,042</u>	<u>\$ 81,683</u>	<u>\$ 92,806</u>	<u>\$ 11,123</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
ROADS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,191	\$ 5,826	\$ 7,160	\$ 1,334
Licenses, permits, and franchises	215	215	521	306
Fines, forfeitures, and penalties	--	--	51	51
Use of money and property	58	58	146	88
Intergovernmental	22,975	24,570	23,031	(1,539)
Charges for services	4,758	949	409	(540)
Other	88	88	89	1
Total revenues	<u>34,285</u>	<u>31,706</u>	<u>31,407</u>	<u>(299)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	43,021	47,017	33,800	13,217
Total expenditures	<u>43,021</u>	<u>47,017</u>	<u>33,800</u>	<u>13,217</u>
Deficiency of revenues under expenditures	<u>(8,736)</u>	<u>(15,311)</u>	<u>(2,393)</u>	<u>12,918</u>
<b>Other financing sources (uses)</b>				
Transfers in	10,273	8,256	5,525	(2,731)
Transfers out	(6,759)	(2,927)	(59)	2,868
Proceeds from sale of capital assets	--	--	16	16
Total other financing sources	<u>3,514</u>	<u>5,329</u>	<u>5,482</u>	<u>153</u>
Net change in fund balances	(5,222)	(9,982)	3,089	13,071
Fund balances - beginning	18,501	18,501	18,501	--
Fund balances - ending	<u>\$ 13,279</u>	<u>\$ 8,519</u>	<u>\$ 21,590</u>	<u>\$ 13,071</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
PUBLIC HEALTH SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses, permits, and franchises	\$ 36	\$ 36	\$ 45	\$ 9
Fines, forfeitures, and penalties	636	815	802	(13)
Use of money and property	75	84	129	45
Intergovernmental	25,636	26,059	23,952	(2,107)
Charges for services	31,019	31,417	34,918	3,501
Other	4,148	4,177	4,096	(81)
Total revenues	<u>61,550</u>	<u>62,588</u>	<u>63,942</u>	<u>1,354</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	70,895	71,678	66,124	5,554
Total expenditures	<u>70,895</u>	<u>71,678</u>	<u>66,124</u>	<u>5,554</u>
Deficiency of revenues under expenditures	<u>(9,345)</u>	<u>(9,090)</u>	<u>(2,182)</u>	<u>6,908</u>
<b>Other financing sources (uses)</b>				
Transfers in	9,736	8,613	6,955	(1,658)
Transfers out	(3,733)	(2,721)	(633)	2,088
Total other financing sources	<u>6,003</u>	<u>5,892</u>	<u>6,322</u>	<u>430</u>
Net change in fund balances	(3,342)	(3,198)	4,140	7,338
Fund balances - beginning	18,769	18,769	18,769	--
Fund balances - ending	<u>\$ 15,427</u>	<u>\$ 15,571</u>	<u>\$ 22,909</u>	<u>\$ 7,338</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
SOCIAL SERVICES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses, permits, and franchises	\$ 66	\$ 66	\$ 78	\$ 12
Fines, forfeitures, and penalties	13	13	3	(10)
Use of money and property	302	302	330	28
Intergovernmental	135,136	141,325	131,154	(10,171)
Other	667	667	812	145
Total revenues	<u>136,184</u>	<u>142,373</u>	<u>132,377</u>	<u>(9,996)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	145,579	151,750	139,610	12,140
Total expenditures	<u>145,579</u>	<u>151,750</u>	<u>139,610</u>	<u>12,140</u>
Deficiency of revenues under expenditures	<u>(9,395)</u>	<u>(9,377)</u>	<u>(7,233)</u>	<u>2,144</u>
<b>Other financing sources (uses)</b>				
Transfers in	3,000	2,587	2,536	(51)
Transfers out	<u>(1,770)</u>	<u>(1,914)</u>	<u>(1,852)</u>	<u>62</u>
Total other financing sources	<u>1,230</u>	<u>673</u>	<u>684</u>	<u>11</u>
Net change in fund balances	(8,165)	(8,704)	(6,549)	2,155
Fund balances - beginning	10,001	10,001	10,001	--
Fund balances - ending	<u>\$ 1,836</u>	<u>\$ 1,297</u>	<u>\$ 3,452</u>	<u>\$ 2,155</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
ALCOHOL, DRUG AND MENTAL HEALTH SERVICES (ADMHS) SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 4	\$ 4	\$ 3	\$ (1)
Use of money and property	45	45	103	58
Intergovernmental	38,956	41,994	40,563	(1,431)
Charges for services	31,500	26,764	26,234	(530)
Other	198	3,419	3,600	181
Total revenues	<u>70,703</u>	<u>72,226</u>	<u>70,503</u>	<u>(1,723)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	78,320	85,046	79,895	5,151
Total expenditures	<u>78,320</u>	<u>85,046</u>	<u>79,895</u>	<u>5,151</u>
Deficiency of revenues under expenditures	<u>(7,617)</u>	<u>(12,820)</u>	<u>(9,392)</u>	<u>3,428</u>
<b>Other financing sources (uses)</b>				
Transfers in	6,526	11,679	9,833	(1,846)
Transfers out	(1,031)	(1,167)	(988)	179
Proceeds from sale of capital assets	--	--	2	2
Total other financing sources	<u>5,495</u>	<u>10,512</u>	<u>8,847</u>	<u>(1,665)</u>
Net change in fund balances	(2,122)	(2,308)	(545)	1,763
Fund balances - beginning	7,897	7,897	7,897	--
Fund balances - ending	<u>\$ 5,775</u>	<u>\$ 5,589</u>	<u>\$ 7,352</u>	<u>\$ 1,763</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
FLOOD CONTROL DISTRICT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,422	\$ 8,430	\$ 9,215	\$ 785
Use of money and property	282	282	424	142
Intergovernmental	6,911	48,710	46,890	(1,820)
Charges for services	3,216	3,217	3,366	149
Other	37	37	36	(1)
Total revenues	<u>18,868</u>	<u>60,676</u>	<u>59,931</u>	<u>(745)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	23,502	67,612	57,492	10,120
Total expenditures	<u>23,502</u>	<u>67,612</u>	<u>57,492</u>	<u>10,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,634)</u>	<u>(6,936)</u>	<u>2,439</u>	<u>9,375</u>
<b>Other financing sources (uses)</b>				
Transfers in	166	166	166	--
Transfers out	(57)	(57)	(50)	7
Proceeds from sale of capital assets	--	--	45	45
Total other financing sources	<u>109</u>	<u>109</u>	<u>161</u>	<u>52</u>
Net change in fund balances	(4,525)	(6,827)	2,600	9,427
Fund balances - beginning	59,876	59,876	59,876	--
Fund balances - ending	<u>\$ 55,351</u>	<u>\$ 53,049</u>	<u>\$ 62,476</u>	<u>\$ 9,427</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 AFFORDABLE HOUSING SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 19	\$ 15	\$ 30	\$ 15
Intergovernmental	3,265	7,976	6,871	(1,105)
Charges for services	52	52	136	84
Other	4,713	2,885	2,983	98
Total revenues	<u>8,049</u>	<u>10,928</u>	<u>10,020</u>	<u>(908)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	6,826	11,194	8,905	2,289
Total expenditures	<u>6,826</u>	<u>11,194</u>	<u>8,905</u>	<u>2,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,223</u>	<u>(266)</u>	<u>1,115</u>	<u>1,381</u>
<b>Other financing sources (uses)</b>				
Transfers in	--	130	130	--
Transfers out	(1,158)	(2,216)	(1,770)	446
Total other financing uses	<u>(1,158)</u>	<u>(2,086)</u>	<u>(1,640)</u>	<u>446</u>
Net change in fund balances	65	(2,352)	(525)	1,827
Fund balances - beginning	5,335	5,335	5,335	--
Fund balances - ending	<u>\$ 5,400</u>	<u>\$ 2,983</u>	<u>\$ 4,810</u>	<u>\$ 1,827</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FIRE PROTECTION DISTRICT SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 37,218	\$ 37,320	\$ 39,068	\$ 1,748
Licenses, permits, and franchises	20	20	11	(9)
Use of money and property	--	5	16	11
Intergovernmental	4,229	4,299	4,232	(67)
Charges for services	12,475	12,475	14,408	1,933
Other	171	171	216	45
Total revenues	<u>54,113</u>	<u>54,290</u>	<u>57,951</u>	<u>3,661</u>
<b>Expenditures</b>				
Current:				
Public safety	54,541	54,541	52,991	1,550
Debt service:				
Principal	16	16	90	(74)
Interest	5	5	8	(3)
Total expenditures	<u>54,562</u>	<u>54,562</u>	<u>53,089</u>	<u>1,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(449)</u>	<u>(272)</u>	<u>4,862</u>	<u>5,134</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,105	1,105	1,105	--
Transfers out	(2,875)	(2,966)	(2,800)	166
Proceeds from sale of capital assets	--	--	5	5
Total other financing uses	<u>(1,770)</u>	<u>(1,861)</u>	<u>(1,690)</u>	<u>171</u>
Net change in fund balances	(2,219)	(2,133)	3,172	5,305
Fund balances - beginning	5,067	5,067	5,067	--
Fund balances - ending	<u>\$ 2,848</u>	<u>\$ 2,934</u>	<u>\$ 8,239</u>	<u>\$ 5,305</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 12	\$ 34	\$ 41	\$ 7
Intergovernmental	1,936	2,016	1,128	(888)
Charges for services	420	968	198	(770)
Other	211	1,288	949	(339)
Total revenues	<u>2,579</u>	<u>4,306</u>	<u>2,316</u>	<u>(1,990)</u>
<b>Expenditures</b>				
Current:				
Public safety	2,544	23	--	23
Community resources & public facilities	--	141	141	--
General government & support services	--	332	332	--
Capital outlay	5,257	13,623	7,079	6,544
Total expenditures	<u>7,801</u>	<u>14,119</u>	<u>7,552</u>	<u>6,567</u>
Deficiency of revenues under expenditures	<u>(5,222)</u>	<u>(9,813)</u>	<u>(5,236)</u>	<u>4,577</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,755	3,017	1,445	(1,572)
Transfers out	(673)	(1,271)	(52)	1,219
Total other financing sources	<u>1,082</u>	<u>1,746</u>	<u>1,393</u>	<u>(353)</u>
Net change in fund balances	(4,140)	(8,067)	(3,843)	4,224
Fund balances - beginning	14,935	14,935	14,935	--
Fund balances - ending	<u>\$ 10,795</u>	<u>\$ 6,868</u>	<u>\$ 11,092</u>	<u>\$ 4,224</u>

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



COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
<b>Assets</b>				
Current assets:				
Cash and investments (Note 4)	\$ 17,021	\$ 14,773	\$ 31,794	\$ 61,269
Accounts receivable, net:				
Licenses, permits, and franchises	231	--	231	--
Use of money and property	87	16	103	63
Intergovernmental	37	--	37	--
Charges for services	1,424	978	2,402	346
Other	529	--	529	36
Inventories	268	28	296	296
Prepaid items	--	--	--	25
Other receivables	--	20	20	--
Total current assets	<u>19,597</u>	<u>15,815</u>	<u>35,412</u>	<u>62,035</u>
Noncurrent assets:				
Other receivables	--	--	--	1,170
Restricted cash and investments (Notes 4 & 5)	18,118	123	18,241	38
Capital assets, not being depreciated/amortized (Note 7)	12,022	3,951	15,973	--
Capital assets, net of accumulated depreciation/amortization (Note 7)	<u>40,522</u>	<u>28,261</u>	<u>68,783</u>	<u>25,353</u>
Total noncurrent assets	<u>70,662</u>	<u>32,335</u>	<u>102,997</u>	<u>26,561</u>
Total assets	<u>90,259</u>	<u>48,150</u>	<u>138,409</u>	<u>88,596</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,239	249	1,488	823
Salaries and benefits payable	469	105	574	488
Interest payable	9	30	39	--
Other payables	113	--	113	31
Customer deposits payable	100	123	223	--
Compensated absences (Note 10)	476	110	586	468
Certificates of participation payable (Note 12)	695	--	695	--
Bonds and notes payable (Note 13)	--	741	741	330
Liability for self-insurance claims (Note 14)	--	--	--	7,975
Landfill closure/postclosure care costs (Note 16)	<u>533</u>	<u>--</u>	<u>533</u>	<u>--</u>
Total current liabilities	<u>3,634</u>	<u>1,358</u>	<u>4,992</u>	<u>10,115</u>
Noncurrent liabilities:				
Compensated absences (Note 10)	82	--	82	269
Certificates of participation payable, net (Note 12)	6,086	--	6,086	--
Bonds and notes payable (Note 13)	--	7,462	7,462	4,260
Liability for self-insurance claims (Note 14)	--	--	--	20,442
Landfill closure/postclosure care costs (Note 16)	20,263	--	20,263	--
Advances payable (Note 20)	1,759	--	1,759	--
OPEB obligation (Note 22)	<u>1,274</u>	<u>297</u>	<u>1,571</u>	<u>1,341</u>
Total noncurrent liabilities	<u>29,464</u>	<u>7,759</u>	<u>37,223</u>	<u>26,312</u>
Total liabilities	<u>33,098</u>	<u>9,117</u>	<u>42,215</u>	<u>36,427</u>
<b>Net position</b>				
Net investment in capital assets	46,554	24,008	70,562	20,791
Unrestricted	<u>10,607</u>	<u>15,025</u>	<u>25,632</u>	<u>31,378</u>
Total net position	<u>\$ 57,161</u>	<u>\$ 39,033</u>	<u>96,194</u>	<u>\$ 52,169</u>
			(441)	
Adjustment to reflect the allocation of the internal service funds' cumulative net loss				
Net position of business-type activities			<u>\$ 95,753</u>	

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
<b>Operating revenues</b>				
Charges for services	\$ 17,208	\$ 9,888	\$ 27,096	\$ 50,638
Sale of scrap and recyclables	2,876	--	2,876	--
Self-insurance recovery	--	--	--	4,142
Other operating revenues	3,356	19	3,375	130
Total operating revenues	<u>23,440</u>	<u>9,907</u>	<u>33,347</u>	<u>54,910</u>
<b>Operating expenses</b>				
Salaries and benefits	8,190	1,866	10,056	8,045
Services and supplies	4,530	2,255	6,785	27,935
Self-insurance claims	--	--	--	10,662
Contractual services	5,591	389	5,980	518
Depreciation and amortization	2,243	1,268	3,511	3,856
County overhead allocation	120	68	188	211
Closure/postclosure costs	(565)	--	(565)	--
Total operating expenses	<u>20,109</u>	<u>5,846</u>	<u>25,955</u>	<u>51,227</u>
Operating income	<u>3,331</u>	<u>4,061</u>	<u>7,392</u>	<u>3,683</u>
<b>Non-operating revenues (expenses)</b>				
Use of money and property	590	97	687	570
Interest expense	(256)	(316)	(572)	(194)
Gain (loss) on sale of assets	24	(37)	(13)	206
Settlements and damages	(55)	--	(55)	--
Other non-operating revenues	617	78	695	708
Total non-operating revenues (expenses), net	<u>920</u>	<u>(178)</u>	<u>742</u>	<u>1,290</u>
Income before transfers	<u>4,251</u>	<u>3,883</u>	<u>8,134</u>	<u>4,973</u>
Transfers in (Note 20)	35	--	35	393
Transfers out (Note 20)	(1)	--	(1)	(179)
Transfers in (out), net	<u>34</u>	<u>--</u>	<u>34</u>	<u>214</u>
Change in net position	4,285	3,883	8,168	5,187
Total net position - beginning	52,876	35,150	88,026	46,982
Total net position - ending	<u>\$ 57,161</u>	<u>\$ 39,033</u>	<u>\$ 96,194</u>	<u>\$ 52,169</u>
Change in net position - total enterprise funds			\$ 8,168	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			131	
Change in net position of business-type activities			<u>\$ 8,299</u>	

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
<b>Cash flows from operating activities</b>				
Receipts from interfund services provided	\$ --	\$ --	\$ --	\$ 51,907
Receipts from self-insurance recovery	--	--	--	4,142
Receipts from customers and users	23,708	10,372	34,080	--
Payments to employees	(7,912)	(1,847)	(9,759)	(7,681)
Payments to suppliers	(9,549)	(2,624)	(12,173)	(29,633)
Payments for self-insurance claims	--	--	--	(13,244)
Payments for landfill closure/postclosure costs	(129)	--	(129)	--
County overhead allocation payments to the General Fund	(120)	(68)	(188)	(211)
Other receipts	617	(38)	579	551
Net cash provided by operating activities	<u>6,615</u>	<u>5,795</u>	<u>12,410</u>	<u>5,831</u>
<b>Cashflows from noncapital financing activities</b>				
Transfers from other funds	35	--	35	393
Transfers to other funds	(1)	--	(1)	(179)
Payment on landfill settlement	(55)	--	(55)	--
Net cash provided (used) by noncapital financing activities	<u>(21)</u>	<u>--</u>	<u>(21)</u>	<u>214</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(5,041)	(1,865)	(6,906)	(6,790)
Proceeds from sale of capital assets	122	37	159	355
Principal paid on certificates of participation	(664)	--	(664)	--
Interest and fees paid on certificates of participation	(284)	--	(284)	--
Principal paid on bonds and notes payable	--	(725)	(725)	(330)
Interest and fees paid on bonds and notes payable	--	(316)	(316)	(194)
Federal interest subsidy on bonds payable	--	116	116	155
Net cash used by capital and related financing activities	<u>(5,867)</u>	<u>(2,753)</u>	<u>(8,620)</u>	<u>(6,804)</u>
<b>Cash flows from investing activities</b>				
Use of money and property received	580	91	671	554
Net cash provided by investing activities	<u>580</u>	<u>91</u>	<u>671</u>	<u>554</u>
Net change in cash and cash equivalents	1,307	3,133	4,440	(205)
Cash and cash equivalents - beginning	33,832	11,763	45,595	61,512
Cash and cash equivalents - ending	<u>\$ 35,139</u>	<u>\$ 14,896</u>	<u>\$ 50,035</u>	<u>\$ 61,307</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>				
Cash and investments per Statement of Net Position	\$ 17,021	\$ 14,773	\$ 31,794	\$ 61,269
Restricted cash and investments per Statement of Net Position	18,118	123	18,241	38
Total cash and cash equivalents per Statement of Net Position	<u>\$ 35,139</u>	<u>\$ 14,896</u>	<u>\$ 50,035</u>	<u>\$ 61,307</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 3,331	\$ 4,061	\$ 7,392	\$ 3,683
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,243	1,268	3,511	3,856
Other non-operating revenue	617	(38)	579	551
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts and other receivables	268	465	733	1,139
Inventories	31	(10)	21	23
Accounts payable	541	30	571	(1,203)
Salaries and benefits payable	278	19	297	364
Liability for self-insurance claims	--	--	--	(2,582)
Landfill closure cost liability	(694)	--	(694)	--
Net cash provided by operating activities	<u>\$ 6,615</u>	<u>\$ 5,795</u>	<u>\$ 12,410</u>	<u>\$ 5,831</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014 (in thousands)

	Investment Trust Fund	Private-purpose Trust Fund	Agency Funds
<b>Assets</b>			
Cash and investments (Note 4)	\$ 622,924	\$ 1,244	\$ 47,884
Interest receivable	693	1	100
Restricted cash and investments (Note 5)	--	1,433	--
Total assets	<u>623,617</u>	<u>2,678</u>	<u>\$ 47,984</u>
<b>Liabilities</b>			
Accounts payable	--	--	\$ 3,936
Funds held as agent for others	--	--	44,048
Note payable	--	14,955	--
Total liabilities	<u>--</u>	<u>14,955</u>	<u>\$ 47,984</u>
<b>Net position</b>			
Net position held in trust	<u>\$ 623,617</u>	<u>\$ (12,277)</u>	

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Investment Trust Fund	Private-purpose Trust Fund
<b>Additions</b>		
Contributions:		
Contributions to pooled investments	\$ 3,428,672	\$ --
Redevelopment Agency Property Tax Trust Fund	--	1,504
Total contributions	<u>3,428,672</u>	<u>1,504</u>
Interest and Investment Revenue:		
Use of money and property	2,362	101
Total interest and investment revenue	<u>2,362</u>	<u>101</u>
Total additions	<u>3,431,034</u>	<u>1,605</u>
<b>Deductions</b>		
Benefits paid:		
Distributions from pooled investments	3,383,709	--
Property transfer to Santa Barbara County	--	7,054
Total benefits paid	<u>3,383,709</u>	<u>7,054</u>
Obligation retirements:		
Interest on note payable	--	671
Total obligation retirements	<u>--</u>	<u>671</u>
Administrative expenses:		
County administrative expenses	--	148
Direct property management expenses	--	58
Total administrative expenses	<u>--</u>	<u>206</u>
Total deductions	<u>3,383,709</u>	<u>7,931</u>
Change in net position	47,325	(6,326)
Net position held in trust - beginning	576,292	(5,951)
Net position held in trust - ending	<u>\$ 623,617</u>	<u>\$ (12,277)</u>

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

# **NOTES TO THE FINANCIAL STATEMENTS**

# Notes to the Financial Statements - Table of Contents

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Reporting Entity and Accounting Policies

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# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### The Reporting Entity

The County of Santa Barbara (County), which was established by an act of the Legislature on February 18, 1850, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a five member Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying financial statements present the activities of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

### Blended Component Units

While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as, or appointing, the governing board for each of the component units and its ability to impose its will. Because of their relationship with the County and the nature of their operations, component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined, or blended with the activities of the County for purposes of reporting in the accompanying basic financial statements.

Unless otherwise noted, additional detailed information and/or separately issued financial statements of the County's component units can be obtained from the County Auditor-Controller's office located at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93101.

Descriptions of the County's blended component units are as follows:

<b>Component Unit</b>	<b>Included in the Reporting Entity Because:</b>	<b>Separate Financial Statements</b>
<i>First 5 Children and Families Commission (Commission):</i> established to promote, support, and improve the early development of children from prenatal stage to five years. Revenues consist primarily of funds generated by a state tax increase on cigarettes and tobacco products as mandated by Proposition 10.	1) Unit's board is appointed by the Board and 2) The board approves Unit's budget	Available at the First 5 Children and Families Commission Office at 1306 Santa Barbara Street or at <a href="http://www.first5santabarbaracounty.org">www.first5santabarbaracounty.org</a>
<i>County Service Areas:</i> established to provide specific services to distinct geographical areas within the County. These services include street lighting, open space maintenance, library, community sewer sanitation and maintenance, and road maintenance. Revenues consist primarily of property taxes and benefit assessments.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

<p><i>Public and Educational Access:</i> established to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are the support of educational and public information through programs aimed at expanding public access and educational access to telecommunication services.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Santa Barbara County Fire Protection District:</i> established to provide a full range of fire services to most of the unincorporated territory of Santa Barbara County; the cities of Buellton, Solvang and Goleta; and private lands within the National Forest. Revenues consist primarily of property taxes.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Flood Control and Water Conservation Districts:</i> established to control flood and storm waters and to conserve such waters for beneficial public use. Revenues consist primarily of property taxes and aid from other governmental units.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Lighting Districts:</i> established to provide operation and maintenance of streetlights in certain areas of the County. Revenues consist primarily of property taxes and benefit assessments.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Laguna County Sanitation District:</i> established to provide water and sewage treatment services to users. The costs of operating this district are charged to the users in the form of water charges and sewer fees.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Community Facilities Districts:</i> established to allow for financing of public improvements and services. The services and improvements that can be financed include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities. Revenues consist primarily of Mello-Roos property taxes.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

<p><i>Sandyland Seawall Maintenance District:</i> established to provide for maintenance of a seawall constructed in the Sandyland Cove area. Revenues consist primarily of benefit assessments levied against those properties adjacent to that beachfront area.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Water Agency (Agency):</i> established to prepare investigations and reports on the County's water requirements, project development, and importation of water from the State Water Project. The Agency provides technical assistance to County departments, water districts, and the public relative to ground water availability and water well locations and design. The Agency also administers the Cachuma Project and Twitchell Project contracts with the U.S. Bureau of Reclamation.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>In-Home Supportive Services Public Authority (IHSS):</i> established to act as the employer of record for IHSS individual providers. As an administrative unit, IHSS carries out functions prescribed in Welfare &amp; Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. IHSS also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers.</p>	<p>1) Unit's board is the same as the Board and 2) County Management has operational responsibility</p>	<p>Not available</p>
<p><i>Santa Barbara County Finance Corporation:</i> established on July 28, 1983, this corporation is a nonprofit public benefit corporation and, in general, its purpose is to: purchase, lease or otherwise acquire real property; construct, install or acquire public improvements; operate, maintain, repair or improve real or personal property; and borrow money and become indebted for the purpose of acquiring and improving such property. The corporation facilitates financing for the County and other public entities.</p>	<p>1) Unit's board is appointed by the Board and 2) The Board approves Unit's budget</p>	<p>Not available</p>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The accompanying financial statements include an Investment Trust Fund that holds assets of numerous self-governed school and special districts for which the County Treasurer acts as custodian. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments, and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. The County Auditor-Controller makes disbursements upon the request of the responsible school or special district officers. Activities of the school and special districts are administered by separate boards and are independent of the County Board. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or to appropriate surplus funds available in these entities.

The accompanying financial statements also include a statutorily required Private-Purpose Trust Fund for the Santa Barbara County Redevelopment Successor Agency (Successor Agency). The Successor Agency was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency (RDA). The Successor Agency operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution. Its assets are held in trust for the benefit of the taxing entities within the former RDA boundaries and as such are not available for County use.

### New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 67 <i>Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25</i>	The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2013. There was no impact to the financial statements.
Statement No. 70 <i>Accounting and Financial Reporting for Nonexchange Financial Guarantees</i>	The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013. There was no impact to the financial statements.

### Financial Statements

In accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," the financial statements consist of the following:

- Governmentwide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

The governmentwide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund intra-function activity has been eliminated from the governmentwide financial statements. All internal balances in the Statement of Net Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. The Statement of Activities presents function revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the Statement of Activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The governmentwide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include policy and executive, public safety, health and public assistance, community resources and public facilities, general government and support services, and general county programs. The business-type activities of the County include resource recovery and waste management and sanitation operations.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual Countywide Cost Allocation Plan which allocates the cost of central service departments to service user departments. Costs allocated in the Cost Allocation Plan include administrative and support costs such as budget preparation and oversight, county counsel, landscaping, payroll, utilities, and facilities maintenance. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmentwide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The governmentwide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met, except for the timing requirement.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County, in general, considers revenues available if they are collected within 180 days after fiscal year-end, except for property taxes, which the County considers available if they are collected within 60 days after fiscal year-end. Grants, Medi-Cal reimbursements and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures that meet accrual criteria are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, and claims and judgments which are recognized when payment is due.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

For the governmental funds financial statements, the County considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual, and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All expenditure-driven grants are recorded at the time of receipt or earlier. If qualifying expenditures have been incurred and all other eligibility requirements have been met, expenditure-driven grants are recognized as revenue. When all eligibility requirements are met, except for the timing requirement, a deferred inflow of resources is reported until time requirements have passed.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

The County reports the following major governmental funds:

- The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in specialized funds.
- The **Roads Fund** is used to account for the planning, design, construction, maintenance and administration of County roads. It is also used to account for traffic safety and other transportation planning activities. Funding comes primarily from local sales and state highway user taxes, along with state and federal highway improvement grants.
- The **Public Health Fund** accounts for a variety of preventative health programs, outpatient services and inmate health programs. The fund is also used to account for Environmental Health and Emergency Medical Services. Revenue sources are primarily state and federal grants and vehicle license fees.
- The **Social Services Fund** accounts for a variety of public assistance and social service programs that are funded primarily from state and federal grants.
- The **Alcohol, Drug, and Mental Health Services (ADMHS) Fund** is used to account for mandated community health services under the California Mental Health Act including a mandated responsibility to "guarantee and protect public safety." Revenue sources are primarily charges for services, sales tax revenue and state grants.
- The **Flood Control District Fund** is used to account for the provision of flood protection activities. Revenues come from a variety of sources including property taxes, charges for services, benefits assessments and federal grants.
- The **Affordable Housing Fund** is used to account for the various affordable housing programs administered by the County and provides local match to leverage federal funding for the creation of affordable housing. Prior to Fiscal Year Ended 2013-14, the affordable housing fund was classified as two separate nonmajor funds, the Affordable Housing Fund and the Redevelopment Successor Agency Housing Fund. These funds were combined for reporting clarity, as they both account for similar functions related to affordable housing.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- The **Fire Protection District Fund** is used to account for the finances of the Santa Barbara County Fire Department. The Fire Department utilizes property tax revenues, which are collected for public safety within the district's boundaries. The Fire Department provides a full range of emergency services for most of the unincorporated territory of Santa Barbara County; the Cities of Buellton, Solvang, and Goleta; and private lands within the National Forest. The National Forest and military installations provide their own fire protection.
- The **Capital Projects Fund** is used to account for financial resources used in constructing major facilities.

The County reports the following major proprietary funds:

- The **Resource Recovery and Waste Management Fund (Resource Recovery)** accounts for the activities of refuse collection, disposal, landfill operations, and recycling programs.
- The **Laguna County Sanitation District Fund (Laguna Sanitation)** accounts for the activities of sewer collection and sewage treatment in the Orcutt area.

Additionally, the County reports the following fund types:

- **Internal Service Funds** account for vehicle operations, risk management, information technology, communications operations, and utilities operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.
- The **Investment Trust Fund** accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants. These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities. The County separately maintains these entities' money in 374 individual funds; these funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The **Private-Purpose Trust Fund** is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Santa Barbara County Redevelopment Successor Agency (Successor Agency).
- **Agency Funds** are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including *Clearing and Revolving Funds*, *Deposit Funds*, *Other Agency Funds*, *State and City Revenue Funds*, and *Tax Collection Funds*) account for assets held by the County in an agency capacity for individuals or other government units. The County reports on 280 different agency funds.

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 Resource Recovery and Laguna Sanitation enterprise funds and of the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds include all Trust and Agency funds, which account for assets held by the County as a trustee, or as an agent for individuals or other government units.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Cash and Investments

The County's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County Treasurer in a cash management investment pool (Pool).

The Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with state statutes. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by state statute.

The Air Pollution Control District and the Santa Barbara County Association of Governments, as well as the public school districts, cemetery districts, fire protection districts, pest control districts, recreation and park districts, and resource conservation districts within the County are required by legal provisions to participate in the County's investment pool. The deposits held for these districts are included in the Investment Trust Fund.

### Accounts Receivable and Payable

The County only accrues revenues at fiscal year-end and accrues only those revenues it deems collectible; as such, the County has no allowance for uncollectible accounts. The County expects to collect all accounts receivable within one year. County policy requires that all revenues and expenditures greater than \$5 be accrued at fiscal year-end, while revenues and expenditures under \$5 may be accrued at fiscal year-end at the discretion of individual departments.

The County levies, collects, and apportions property taxes for all taxing jurisdictions within the County including school and special districts. Article XIII B of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to \$1 per \$100 of full cash value. Taxes levied to service voter-approved debt are excluded from this limitation.

Secured property taxes are levied in September of each year based upon the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Since Fiscal Year (FY) 93-94, the County has used an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in June of each year. This method also provides that all of the delinquent penalties and redemption penalties of the participating entity flow to the County's General Fund. All County entities receiving property taxes were required by statute to participate. All delinquent taxes are recorded as accounts receivable in the General Fund. At June 30, 2014, property taxes receivable of \$17,533 are recorded in the General Fund. In addition, the Teeter Plan requires that a property tax loss reserve be maintained in an amount equal to 1% of the current year's secured tax levy, which is shown as a nonspendable portion of fund balance in the General Fund (see Note 18).

### Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the County recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The government has no items which qualify for reporting in this category.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. The government has five items which qualify for reporting in this category; refer to Note 17 for a detailed listing of the deferred inflows of resources the County has recognized.

### Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmentwide financial statements as "internal balances." In the governmental funds financial statements, advances between funds are offset by a corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

### Inventories and Prepaid Items

Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, approximating market value, using the first-in, first-out (FIFO) method. The costs of governmental funds inventories are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmentwide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Capital Assets

Capital assets include land, land improvements, structures and improvements (e.g., office buildings and building improvements), equipment (e.g., vehicles, machinery and computers), infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., land easements and computer software). Pursuant to GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," the County also includes capital assets held by Service Concession Arrangements (SCA). They are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements, at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization thresholds are \$5 for equipment and \$100 for land improvements, buildings and improvements, infrastructure, and computer software.

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements:	Parking lots, sidewalks, outdoor lighting, landscaping, drainage and irrigation systems	5 to 50 years
Buildings & improvements:	Office buildings	20 to 100 years
	Building improvements	5 to 50 years
Equipment:	Automobiles and light trucks	5 to 10 years
	Construction and maintenance vehicles	5 to 20 years
	General machinery and office equipment	3 to 25 years
Infrastructure:	Pavement and traffic signals	15 to 30 years
	Bridges	40 to 75 years
	All other	20 to 99 years
Intangible assets:	Computer software	2 to 10 years

Outlays for capital assets and improvements are capitalized, as projects are constructed, in accordance with the County's capitalization policy. Interest and indirect costs incurred during the construction phase of capital assets of proprietary funds are reflected in the capitalized value of the asset constructed. Depreciation/amortization expense is allocated to functions/programs and included as a direct expense in the Statement of Activities. Capital assets that are under construction or development and have not been completed are put into Construction in Progress and are presented as a capital asset not being depreciated on the Statement of Net Position.

### Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the governmentwide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Long-term Debt

In the governmentwide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are expensed in the year incurred.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statement of the related fund.

### Compensated Absences

County policy permits employees to accumulate earned but unused vacation, holiday and sick pay benefits. County policy states that unused sick leave shall not be cashed out at time of separation from service with the County; therefore, no liability for unpaid accumulated sick leave exists. Employees eligible for full retirement benefits, however, may convert their unused sick leave to up to one year's service credit in determining their retirement benefits.

All vacation and holiday pay is accrued when incurred in the governmentwide and proprietary funds financial statements. In the governmental funds financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

### Fund Equity

In the fund financial statements, in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- *Assigned fund balance* – amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County’s special revenue funds. As a result of limitations imposed by the California County Budget Act, this classification is currently not used by the County.
- *Unassigned fund balance* – the residual classification for the County’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution (ordinances and resolutions are considered of equal authority with respect to fund balance). This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use Restricted fund balance resources first, followed by the unrestricted resources in the Committed and Unassigned fund balances, as they are needed.

### **Fund Balance Policy**

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance in its County funds sufficient to fund cash flows of the County and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the County’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 15% of operating revenue (approximately 60 days working capital) at the close of each fiscal year, consistent with the recommended level promulgated by the Government Finance Officers Association (GFOA).

Additional detailed information, along with the complete *Fund Balance Policy*, can be obtained from the County Auditor-Controller’s office located at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93101.

### **Strategic Reserve Policy**

The County has established a separate committed fund balance account known as the Strategic Reserve. The target funding level for the Strategic Reserve is an amount equivalent to 8% of operating revenue (approximately 30 days working capital) for the General Fund. Funding for the Strategic Reserve is appropriated annually by the Board of Supervisors as part of the budget approval process.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The purpose of the County's Strategic Reserve is to:

1. Mitigate economic downturns that reduce County general revenue;
2. Mitigate state or federal budget actions that may reduce County revenue;
3. Maintain core service levels essential to public health, safety, and welfare;
4. Front-fund or completely fund, if necessary, disaster costs or costs associated with emergencies. Only those events that have been legally declared to be a disaster at the local, state or federal level are eligible for funding from the Strategic Reserve; and
5. Absorb liability settlements in excess of available resources in the County's committed litigation fund balance.

The monies in the Strategic Reserve are separate monies used only for the purposes stated above. The funds are used only to support the operating budget when general revenue increases less than 3% from the prior fiscal year. Any transfer of funds is approved by the Board of Supervisors and does not exceed the amount sufficient to balance the General Fund. Transfers require approval by 3/5 vote during budget hearings and 4/5 vote at all other times during the fiscal year in accordance with the County Budget Act.

As of June 30, 2014, the County's Strategic Reserve fund balance was \$24,172

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

### Future Accounting Pronouncements

GASB Statements Nos. 68-71 listed below will be implemented in future financial statements:

Statement No. 68	<i>Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27</i>	The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.
Statement No. 69	<i>Government Combinations and Disposals of Government Operations</i>	The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013.
Statement No. 71	<i>Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68</i>	The provisions of this statement should be applied simultaneously with the provisions of Statement No. 68.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 2. BUDGETARY AND LEGAL COMPLIANCE

The County is legally required to adopt an annual budget and adhere to the provisions of the California Government Code (Sections 29000 – 29144 and 30200), commonly known as the County Budget Act. Budgets are adopted for the general, special revenue, debt service and capital projects funds. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. The Board annually conducts a public hearing for the discussion of a proposed budget. At the conclusion of the hearings, statutorily no later than October 2, the Board adopts the final budget including revisions by resolution. However, it has been the County's practice to adopt the budget prior to the start of the fiscal year. The Board also adopts subsequent revisions that occur throughout the year. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over capital assets, and fund balance accounts which are controlled at the line item level. Presentation of the basic financial statements at the legal level is not feasible due to excessive length; therefore, the budget and actual statements have been aggregated by function. The County prepares a separate Final Budget document that demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website, or can be obtained from the Auditor-Controller's office.

For the year ended June 30, 2014, no instances existed in which expenditures exceeded appropriations.

The Board must approve amendments or transfers of appropriations between funds or departments, as well as items related to capital assets, and fund balance accounts. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. Finally, the Board must approve amendments or transfers of appropriations between object levels within the same department. Any deficiency caused by expenditures and other financing uses being greater than revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 3. RECONCILIATION OF GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the Statement of Net Position are different from those reported for governmental funds in the balance sheet. The following two schedules provide a reconciliation of those differences:

	Total Governmental Funds (Page 31)	Long-term Assets and Liabilities (1)	Internal Service Funds (2) (Page 48)	Adjustments (3)	Total Governmental Activities (Page 28)
<b>Assets</b>					
<b>Assets</b>					
Cash and investments	\$ 221,954	\$ --	\$ 61,269	\$ --	\$ 283,223
Accounts receivable, net:					
Taxes	17,533	--	--	--	17,533
Licenses, permits, and franchises	616	--	--	--	616
Fines, forfeitures, and penalties	642	--	--	--	642
Use of money and property	483	--	63	--	546
Intergovernmental	47,523	--	--	--	47,523
Charges for services	17,990	--	346	--	18,336
Other	685	--	36	--	721
Due from other funds	942	--	--	(942)	--
Internal balances	--	--	--	2,200	2,200
Inventories	--	--	296	--	296
Prepaid items	523	--	25	--	548
Note receivable	--	14,955	--	--	14,955
Other receivables	6,663	1,212	1,170	--	9,045
Advances to other funds	1,759	--	--	(1,759)	--
Restricted cash and investments	21,960	--	38	--	21,998
Housing loans receivable	38,788	--	--	--	38,788
Housing loans interest receivable	5,878	--	--	--	5,878
Capital assets	--	639,554	25,353	--	664,907
<b>Total assets</b>	<b>\$ 383,939</b>	<b>\$ 655,721</b>	<b>\$ 88,596</b>	<b>\$ (501)</b>	<b>\$ 1,127,755</b>
<b>Liabilities, deferred inflows of resources, &amp; fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 13,138	\$ --	\$ 823	\$ --	\$ 13,961
Salaries and benefits payable	28,223	--	488	--	28,711
Interest payable	--	336	--	--	336
Other payables and long-term obligations	3,437	--	31	--	3,468
Advances from grantors and third parties	22,198	--	--	--	22,198
Due to other funds	942	--	--	(942)	--
Customer deposits payable	8,052	--	--	--	8,052
Notes payable	--	12,480	4,590	--	17,070
Advances payable	--	--	--	--	--
Compensated absences	--	30,713	737	--	31,450
Capital lease obligations	--	3,013	--	--	3,013
Certificates of participation (COP)	--	41,592	--	--	41,592
Unamortized premium on COP	--	21	--	--	21
Unamortized discount on COP	--	(199)	--	--	(199)
Liability for self-insurance claims	--	--	28,417	--	28,417
Estimated litigation liability	--	794	--	--	794
OPEB obligation	--	71,780	1,341	--	73,121
<b>Total liabilities</b>	<b>75,990</b>	<b>160,530</b>	<b>36,427</b>	<b>(942)</b>	<b>272,005</b>
<b>Deferred inflows of resources</b>					
Deferred for property tax impounds	35	(35)	-	-	--
Deferred housing loan principal payments	38,788	(34,840)	-	-	3,948
Deferred housing loan interest payments	5,878	(5,878)	-	-	--
Deferred service concession arrangements	-	31,835	-	-	31,835
<b>Total deferred inflows of resources</b>	<b>44,701</b>	<b>(8,918)</b>	<b>-</b>	<b>-</b>	<b>35,783</b>
<b>Fund balance/net position:</b>					
Total fund balance/net position	263,248	504,109	52,169	441	819,967
<b>Total liabilities, deferred inflows of resources, &amp; fund balance/net position</b>	<b>\$ 383,939</b>	<b>\$ 655,721</b>	<b>\$ 88,596</b>	<b>\$ (501)</b>	<b>\$ 1,127,755</b>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 3. RECONCILIATION OF GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

(1) Capital assets used in governmental activities (excluding Internal Service Funds) are not current financial resources and, therefore, are not reported in the balance sheet (Note 7).	\$ 639,554
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet (Note 10):	
Certificates of participation	\$ (41,592)
Unamortized premium on certificates of participation	(21)
Unamortized discount on certificates of participation	199
Notes payable	(12,480)
Capital lease obligations (excluding Internal Service Funds)	(3,013)
Estimated liability for litigation	(794)
Compensated absences (excluding Internal Service Funds)	(30,713)
OPEB obligation (excluding Internal Service Funds)	<u>(71,780)</u>
Total long-term liabilities	\$(160,194)
Accrued interest on long-term debt	(336)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the Statement of Activities (Note 17).	44,701
Deferred inflows of resources reported in the Statement of Net Position (Note 17).	(35,783)
Note receivable for governmental activities from the RDA Successor Agency	
Private-purpose Trust Fund.	14,955
Other receivable	<u>1,212</u>
	<u>\$ 504,109</u>
(2) Internal Service Funds are used by management to charge the costs of information technology, reprographics and digital imaging services, vehicle operations and maintenance, risk management and insurance, communications and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.	<u>\$ 52,169</u>
(3) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year. Also included are immaterial rounding adjustments.	<u>\$ 441</u>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 4. CASH AND INVESTMENTS

Cash and investments include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer. The Santa Barbara County Treasury Pool (Pool) is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool.

### **Custodial Credit Risk Related to Deposits**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pool will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the County's total bank balance, \$250 is insured by the Federal Depository Insurance Corporation. The remaining \$142,130 on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

At June 30, 2014, the carrying amount of the Pool's deposits was \$145,378 and the corresponding bank balance was \$142,380. The difference of \$2,998 was principally due to deposits in transit.

### **Investments**

Pursuant to Section 53646 of the Government Code, the County Treasurer prepares an Investment Policy Statement annually, presents it to the Treasury Oversight Committee (TOC) for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the investment pools managed by a Joint Powers Authority. As of June 30, 2014, all investments are in compliance with State law and with the investment policy.

Investments are stated at fair value. Fair value is established quarterly based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of participants' position in the Pool is the same as the value of the Pool shares. The value of participants' equity withdrawn is based on the book value of the participants' percentage of participation at the date of such withdrawal.

The Pool participates in LAIF and the California Asset Management Program (CAMP). Investments in LAIF and CAMP are governed by State statutes and overseen by a five member Local Investment Advisory Board and a seven member Board of Trustees, respectively.

### **Credit Risk and Concentration of Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 4. CASH AND INVESTMENTS- CONTINUED

The Treasurer's Investment Policy sets specific parameters by type of investment to be met at the time of purchase. Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by Standard & Poor's (S&P). Corporate notes, with a maturity greater than three years, shall be rated at a minimum of AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated at a minimum of AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of three major ratings services.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2014:

	Moody's	S&P	Fitch	% of Portfolio
Treasurer's Pooled Investments:				
CAMP	NR*	AAAm	NR	1.14%
LAIF	NR	NR	NR	5.72%
Government Agency Bonds and Notes	Aaa	AA+	AAA	53.20%
Government Agency Bonds and Notes	Aaa	AA+	NR	25.10%
US Treasuries	Aaa	AA+	AAA	14.84%
Total Treasurer's Pooled Investments				<u>100.00%</u>

Instruments in any one issuer that represent 5% or more of the County's investments as of June 30, 2014 are as follows (excluding external investment pools and debt explicitly guaranteed by the U.S. government):

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Treasurer's Pooled Investments:			
Federal Home Loan Mortgage Corporation	Government Sponsored	\$ 153,327	17.53%
Federal Home Loan Bank	Government Sponsored	\$ 219,585	25.10%
Federal Farm Credit Bank	Government Sponsored	\$ 197,859	22.61%
Federal National Mortgage Association	Government Sponsored	\$ 114,263	13.06%

### Custodial Credit Risk

Custodial credit risk for investments is the risk that the Pool will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the Pool are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that long-term investments (greater than one year), in the aggregate, shall not exceed 75% of the portfolio.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 4. CASH AND INVESTMENTS- CONTINUED

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost; conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs for the next six months and will preclude the Treasurer from having to sell investments below amortized cost. At June 30, 2014, \$38,869 or 4.44% of the Pool was held in U.S. agency step-up notes. These securities grant the issuer the option to call the note on a certain specified date(s). On a certain date, or dates, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note.

Interest net realized earnings are apportioned quarterly to Pool participants based upon each participant's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participating funds based upon the participant's ending cash balance.

Investment income consisted of the following for the year ended June 30, 2014:

Investment earnings	\$ 5,364
Net increase in fair value of investments	3,401
Administrative expenses	<u>(1,373)</u>
Net investment income	<u>\$ 7,392</u>

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," such discount, when realized, is considered a gain rather than interest.

The following is a summary of investments held by the County as of June 30, 2014:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u> <u>Range</u>	<u>Maturity</u> <u>Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u>
Treasurer's pooled investments:					
CAMP	\$ 10,000	\$ 10,000	0.05%	On Demand	On Demand
LAIF	50,000	50,000	0.23%	On Demand	On Demand
US Treasuries	130,000	129,717	.25%-.75%	6/15-2/18	767 days
Government agency bonds	270,000	270,341	.12%-2.25%	7/13-7/16	269 days
Government agency discount notes	45,000	44,982	Discount	8/13-5/14	161 days
Government agency bonds - callable	370,760	369,711	.21%-2.28%	11/14-6/18	1,134 days
Total pooled and directed investments	<u>\$ 875,760</u>	<u>\$ 874,751</u>			
Investments held with fiscal agents:		8,520			
Cash in banks:					
Non-interest bearing deposits		145,410			
Cash on hand:					
		<u>60</u>			
Total cash and investments		<u>\$ 1,028,741</u>			
Total unrestricted cash and investments					
		\$ 987,069			
Total restricted cash and investments (Note 5)					
		<u>41,672</u>			
Total cash and investments		<u>\$ 1,028,741</u>			
Total cash and investments summary:					
Total governmental activities		\$ 305,221			
Total business-type activities		50,035			
Total fiduciary funds		<u>673,485</u>			
Total cash and investments		<u>\$ 1,028,741</u>			

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 4. CASH AND INVESTMENTS- CONTINUED

The following represents a condensed Statement of Net Position and Changes in Net Position for the Treasurer's investment pool as of June 30, 2014:

Statement of Net Position	
Net position held in trust	<u>\$ 1,021,329</u>
Equity of internal pool	\$ 398,405
Equity of external pool participants (voluntary and involuntary)	<u>622,924</u>
Total equity	<u>\$ 1,021,329</u>
Statement of Changes in Net Position	
Net position held for pool participants, July 1, 2013	\$ 955,975
Net change in investments by pool	<u>65,354</u>
Net position held for pool participants, June 30, 2014	<u>\$ 1,021,329</u>

Additional detailed information and/or separately issued financial statements of the County Treasurer's Investment Pool can be obtained from the County Treasurer-Tax Collector's office located at 105 East Anapamu Street, Room 109, Santa Barbara, CA 93102.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 5. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2014 that are restricted by legal or contractual requirements are comprised of the following:

### Governmental Activities

General Fund		
Deposits by various developers	\$	7,227
Property tax loss reserves		7,074
RDA Bond Proceeds		236
Court ordered restitution funds		210
Total General Fund	\$	14,747
Major Governmental Funds		
Capital project funds		2,621
Energy efficiency loan loss reserve		1,909
Total major governmental funds		4,530
Nonmajor Governmental Funds		
Debt service reserves		2,668
Clean water plan check trust		15
Total nonmajor governmental funds		2,683
Internal Service Funds		
Reserve for Qualified Energy Conservation Bonds		28
Funds for underground tank clean-up		10
Total internal service funds		38
Total governmental activities		21,998

### Business-type Activities

Resource Recovery Fund		
Funds for landfill site closure and maintenance costs (see Note 16)		15,712
Financial assurance for landfill corrective action (see Note 16)		1,620
Debt service reserves related to capital		786
Total Resource Recovery Fund		18,118
Laguna Sanitation Fund		
Capital project funds		123
Total Laguna Sanitation Fund		123
Total business-type activities		18,241
Total governmentwide restricted cash and investments	\$	40,239

### Fiduciary Activities

Total fiduciary activities		1,433
Total restricted cash and investments	\$	41,672

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 6. RECEIVABLES

GASB Statement No. 38, "Certain Financial Statement Note Disclosures," requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. The detail of receivable balances not expected to be collected within the next fiscal year is as follows:

### *Note Receivable*

The County has recorded a note receivable for governmental activities from the RDA Successor Agency Private-purpose Trust Fund. The total balance of the note receivable at June 30, 2014 is \$14,955 and the amount not expected to be collected within the next fiscal year is \$14,220.

### *Housing Loans Receivable and Housing Loans Interest Receivable*

A total of \$38,788 was recorded as housing loans receivable and a total of \$5,878 was recorded as housing loans interest receivable at June 30, 2014. These represent low or no interest mortgage notes and related accrued interest to finance multi-family and single family construction and rehabilitation projects, as well as homebuyer assistance for low income families, as part of the County's affordable housing program. Loan terms range from 15 to 55 years with interest rates from 0% to 7.02%. Loans, with a total principal balance of \$3,948, contain a forgiveness clause and more than likely will not be repaid back to the County. The County's primary sources of funding for these loans come from grants from the federal HOME Investment Partnership (HOME) and Community Development Block Grant (CDBG) programs. The HOME and CDBG grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements. Due to the terms of the loans, offsetting deferred inflows of resources of \$44,666 have been established in the Governmental Funds Balance Sheet for the housing loan principal and interest payments. Additionally, offsetting deferred inflows of resources of \$3,948 have been established in the Statement of Net Position for the principal balance of loans with a forgiveness clause.

### *Other Receivables*

The following amounts are included in other receivables on the financial statements, and are not expected to be received within the next fiscal year:

- \$1,319 for impounded disputed property taxes; and
- \$200 deposit with the County's workers' compensation claims administrator.

## 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 includes the following adjustments amounts:

- \$432 adjustment for a prior year Structure asset not included in the Statement of Net Position (see Note 24).
- (\$756) in net adjustments to Construction in Progress to correct for prior year costs related to capital outlay projects that were incorrectly classified (see Note 24).

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 7. CAPITAL ASSETS - CONTINUED

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions/ Restatements	Deletions	Transfers & Adjustments, net	Balance June 30, 2014
<b>Governmental activities:</b>					
Capital assets, non-depreciable:					
Land	\$ 50,518	\$ 4,181	\$ --	\$ --	\$ 54,699
Land easements	47,316	--	--	--	47,316
Service concession arrangements	28,814	5,098	(5)	--	33,907
Construction in progress	61,979	74,853	(80,449)	--	56,383
Total capital assets, non-depreciable	188,627	84,132	(80,454)	--	192,305
Capital assets, depreciable/amortizable:					
Land improvements	13,274	4,966	--	--	18,240
Structures and improvements	247,556	63,434	(2,037)	--	308,953
Equipment and software	116,122	14,356	(8,028)	--	122,450
Infrastructure	293,345	1,541	--	--	294,886
Total capital assets, depreciable/amortizable	670,297	84,297	(10,065)	--	744,529
Less accumulated depreciation/amortization for:					
Land improvements	(6,060)	(424)	--	--	(6,484)
Structures and improvements	(92,052)	(6,038)	--	--	(98,090)
Equipment and software	(70,169)	(8,768)	7,799	--	(71,138)
Infrastructure	(91,596)	(4,619)	--	--	(96,215)
Total accumulated depreciation/amortization	(259,877)	(19,849)	7,799	--	(271,927)
Total capital assets, depreciable/amortizable, net	410,420	64,448	(2,266)	--	472,602
Sub-total governmental activities	599,047	148,580	(82,720)	--	664,907
<b>Business-type activities:</b>					
Capital assets, non-depreciable:					
Land	12,285	891	--	--	13,176
Construction in progress	458	2,768	(429)	--	2,797
Total capital assets, non-depreciable	12,743	3,659	(429)	--	15,973
Capital assets, depreciable/amortizable:					
Land improvements	485	--	(2)	--	483
Structures and improvements	9,787	686	--	--	10,473
Equipment and software	28,853	2,831	(563)	--	31,121
Infrastructure	66,507	275	--	--	66,782
Total capital assets, depreciable/amortizable	105,632	3,792	(565)	--	108,859
Less accumulated depreciation/amortization for:					
Land improvements	(170)	(9)	--	--	(179)
Structures and improvements	(3,751)	(271)	--	--	(4,022)
Equipment and software	(15,032)	(1,583)	394	--	(16,221)
Infrastructure	(18,006)	(1,648)	--	--	(19,654)
Total accumulated depreciation/amortization	(36,959)	(3,511)	394	--	(40,076)
Total capital assets, depreciable/amortizable, net	68,673	281	(171)	--	68,783
Sub-total business-type activities	81,416	3,940	(600)	--	84,756
Total capital assets, net	\$ 680,463	\$ 152,520	\$ (83,320)	\$ --	\$ 749,663

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 7. CAPITAL ASSETS - CONTINUED

Capital assets activity for each major enterprise fund for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers & Adjustments, net	Balance June 30, 2014
<b>Resource Recovery:</b>					
Capital assets, non-depreciable:					
Land	\$ 9,487	\$ --	\$ --	\$ --	\$ 9,487
Construction in progress	322	2,642	(429)	--	2,535
Total capital assets, non-depreciable	9,809	2,642	(429)	--	12,022
Capital assets, depreciable/amortizable:					
Structures and improvements	3,175	--	--	--	3,175
Equipment and software	20,085	2,668	(401)	--	22,352
Infrastructure	39,786	273	--	--	40,059
Total capital assets, depreciable/amortizable	63,046	2,941	(401)	--	65,586
Less accumulated depreciation/amortization for:					
Structures and improvements	(1,600)	(84)	--	--	(1,684)
Equipment and software	(11,225)	(1,106)	304	--	(12,027)
Infrastructure	(10,300)	(1,053)	--	--	(11,353)
Total accumulated depreciation/amortization	(23,125)	(2,243)	304	--	(25,064)
Total capital assets, depreciable/amortizable, net	39,921	698	(97)	--	40,522
Sub-total Resource Recovery	49,730	3,340	(526)	--	52,544
<b>Laguna Sanitation:</b>					
Capital assets, non-depreciable:					
Land	2,799	890	--	--	3,689
Construction in progress	136	126	--	--	262
Total capital assets, non-depreciable	2,935	1,016	--	--	3,951
Capital assets, depreciable/amortizable:					
Land improvements	485	--	(2)	--	483
Structures and improvements	6,612	686	--	--	7,298
Equipment and software	8,769	162	(162)	--	8,769
Infrastructure	26,721	2	--	--	26,723
Total capital assets, depreciable/amortizable	42,587	850	(164)	--	43,273
Less accumulated depreciation/amortization for:					
Land improvements	(170)	(9)	--	--	(179)
Structures and improvements	(2,151)	(187)	--	--	(2,338)
Equipment and software	(3,809)	(477)	92	--	(4,194)
Infrastructure	(7,706)	(595)	--	--	(8,301)
Total accumulated depreciation/amortization	(13,836)	(1,268)	92	--	(15,012)
Total capital assets, depreciable/amortizable, net	28,751	(418)	(72)	--	28,261
Sub-total Laguna Sanitation	31,686	598	(72)	--	32,212
Total capital assets, net - business-type activities	\$ 81,416	\$ 3,938	\$ (598)	\$ --	\$ 84,756

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 7. CAPITAL ASSETS - CONTINUED

Internal Service Funds (ISF) predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities. Capital assets activity for Internal Service Funds for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers & Adjustments, net	Balance June 30, 2014
<b>Internal Service Funds:</b>					
Capital assets, depreciable/amortizable:					
Structures and improvements	\$ 2,603	\$ 3	\$ --	\$ --	\$ 2,606
Equipment and software	50,988	6,787	(3,592)	--	54,183
Total capital assets, depreciable/amortizable	<u>53,591</u>	<u>6,790</u>	<u>(3,592)</u>	<u>--</u>	<u>56,789</u>
Less accumulated depreciation/amortization for:					
Structures and improvements	(728)	(126)	--	--	(854)
Equipment and software	(30,294)	(3,730)	3,442	--	(30,582)
Total accumulated depreciation/amortization	<u>(31,022)</u>	<u>(3,856)</u>	<u>3,442</u>	<u>--</u>	<u>(31,436)</u>
Total capital assets, net - Internal service funds	<u>\$ 22,569</u>	<u>\$ 2,934</u>	<u>\$ (150)</u>	<u>\$ --</u>	<u>\$ 25,353</u>

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

	Depreciation/ Amortization (excluding ISF)	ISF Deprecation/ Amortization Allocation (1)	Total
<b>Governmental activities:</b>			
Policy & executive	\$ 603	\$ 71	\$ 674
Public safety	5,083	1,858	6,941
Health & public assistance	2,768	896	3,664
Community resources & public facilities	6,417	705	7,122
General government & support services	1,122	325	1,447
General county programs	--	1	1
Sub-total governmental activities	<u>15,993</u>	<u>3,856</u>	<u>19,849</u>
<b>Business-type activities:</b>			
Resource Recovery	2,243	--	2,243
Laguna Sanitation	1,268	--	1,268
Sub-total business-type activities	<u>3,511</u>	<u>--</u>	<u>3,511</u>
Total depreciation expense	<u>\$ 19,504</u>	<u>\$ 3,856</u>	<u>\$ 23,360</u>

- (1) Depreciation/amortization of capital assets held by the County's ISF is charged to the various functions based on their usage of the assets.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 7. CAPITAL ASSETS - CONTINUED

Construction in progress at June 30, 2014 consists of the following projects for the primary government:

### Governmental activities:

Capital Outlay projects:			
North County jail	\$	7,120	
Santa Barbara courthouse HVAC		897	
Other projects (individually less than \$800)		<u>3,005</u>	
			\$ 11,022
Roads projects:			
Jonata Park bridge		3,549	
Black Road bridge rehabilitation		2,353	
Jalama Road bridge		1,304	
Floridale Avenue bridge		1,075	
Cathedral Oaks bridge		936	
Sandspit Road bridge		853	
Other projects (individually less than \$500)		<u>3,972</u>	
			14,042
Flood Control projects:			
Mission Creek Corps project		12,673	
San Jose Channel		5,146	
Las Vegas Creek/Encina drain		3,787	
Other projects (individually less than \$500)		<u>1,187</u>	
			22,793
General Fund projects			8,463
Alcohol Drug and Mental Health projects			63
Sub-total governmental activities			<u>56,383</u>

### Business-type activities:

Laguna Sanitation projects			262
Resource Recovery projects			<u>2,535</u>
Sub-total business-type activities			<u>2,797</u>
Total construction in progress	\$		<u><u>59,180</u></u>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 8. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement No. 60 (GASB 60), "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. As used in GASB 60, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met:

- a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset (referred to in the statement as a "facility") in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
- b. The operator collects and is compensated by fees from third parties.
- c. The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.

The County has determined that the following arrangements meet the criteria set forth above (where the County is the transferor) and therefore included these SCAs in the County's financial statements. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as such an operator.

### **Boathouse Restaurant**

On February 1, 2008, the County entered into a 9-year agreement (having options for a 10-year extension and a subsequent 5-year extension) with Santa Barbara Shellfish Company Incorporated (SB Shellfish), under which SB Shellfish will operate the Boathouse restaurant, a walk-up snack bar, and rent beach-related equipment and supplies. Services are to be provided at reasonable rates. A summary of the important details, capital assets and the present value of installment payments pertaining to this SCA can be found below.

### **Cachuma Store and Marina**

On March 6, 2012, the County entered into a 10-year agreement with Pyramid Enterprises, Incorporated (Pyramid), under which Pyramid will operate the Cachuma store, a marina, and store and sell gas. Services are to be provided at reasonable rates. The structures and related equipment pertaining to the SCA have been fully depreciated. A summary of the important details of this SCA can be found below.

### **County Bowl**

On June 1, 2011, the County entered into a 28-year agreement (having an option for a 25-year extension) with the Santa Barbara County Bowl Foundation (Foundation), under which the Foundation will operate the outdoor amphitheater, maximizing access for community programs, stage events, musical performances, and other performing art events. Pricing for merchandise, food, and beverages are to be comparable to prices charged at similar establishments; however, the Foundation sets ticket pricing. A portion of each ticket goes to the Santa Barbara Arts Commission with the remaining revenue used to run operations and maintain and improve facilities. A summary of the important details and the capital assets pertaining to this SCA can be found below.

### **Beachside Restaurant**

On March 25, 1985, the County entered into a 37-year agreement with Richhardy Corporation (Richhardy), under which Richhardy will have exclusive rights to operate and maintain a food and beverage business, fishing tackle and bait shop, and boat rental business. The County has the ability to review the rates Richhardy charges. A summary of the important details, capital assets, and the present value of installment payments pertaining to this SCA can be found below.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 8. SERVICE CONCESSION ARRANGEMENTS (SCA) - CONTINUED

### Jalama Beach Store

On January 1, 2008, the County entered into a 9-year agreement (having an option for two 5-year extensions) with Jalama Beach Store Incorporated (Jalama), under which Jalama has the right to the sell food and beverages (including beer and wine), kitchen supplies, camping supplies, housekeeping and other related supplies and conveniences; rent swimming and beach equipment & supplies; operate a restaurant and delicatessen; and rent vacation trailers. Services are to be provided at reasonable rates. A summary of the important details, capital assets and the present value of installment payments pertaining to this SCA can be found below.

A summary of the important details for each SCA over the term of their agreements are as follows:

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Minimum Installment Payment (per month)	Revenue Sharing
Boathouse Restaurant	2/1/2008	9 years	12/31/2017	\$ 16	10% gross sales; 1.47% on income over \$3.8 million
Jalama Beach Store	1/1/2008	9 years	12/31/2017	3	8% of gross sales
Beachside Restaurant	3/25/1985	37 years	3/31/2022	2	6% of gross sales
Cachuma Store and Marina	3/6/2012	10 years	3/5/2022	-	10% of marina gross sales; 7% of store gross sales
County Bowl	6/1/2011	28 years	1/1/2039	-	\$0.25 per ticket sold up to \$50,000 per concert season
				\$ 21	

Capital assets balances for each SCA for the year ended June 30, 2014 and over the term of the agreement are as follows:

	Structures & Structure		
	Improvements	Land	Total
County Bowl	\$ 30,414	\$ 1,188	\$ 31,602
Boathouse Restaurant	1,698	-	1,698
Beachside Restaurant	568	-	568
Jalama Beach Store	39	-	39
	\$ 32,719	\$ 1,188	\$ 33,907

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 8. SERVICE CONCESSION ARRANGEMENTS (SCA) - CONTINUED

The deferred inflows of resources activity for each SCA for year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions/ Restatements	Deletions/ Amortization (1)	Balance June 30, 2014
SCA Capital Assets				
County bowl	\$ 25,504	\$ 5,098	\$ (1,200)	29,402
Boathouse restaurant	1,384	--	(313)	1,071
Beachside restaurant	509	--	(59)	450
Jalama Beach store	36	--	(12)	24
Sub-total SCA capital assets	<u>27,433</u>	<u>5,098</u>	<u>(1,584)</u>	<u>30,947</u>
Present Value of Installment Payments (2):				
Boathouse restaurant	816	--	(181)	635
Jalama Beach store	153	--	(18)	135
Beachside restaurant	152	--	(34)	118
Sub-total present value of installment	<u>1,121</u>	<u>--</u>	<u>(233)</u>	<u>888</u>
Total deferred inflows	<u>\$ 28,554</u>	<u>\$ 5,098</u>	<u>\$ (1,817)</u>	<u>\$ 31,835</u>

(1) Amortization calculated using straight-line method for the term of agreement for each SCA.

(2) Installment payments present value calculated using a discount rate of 2.1% for the term of agreement for each SCA.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 9. ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the governmentwide Statement of Net Position as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

At June 30, 2014, the various components of advances from grantors and third parties reported are as follows:

	<u>Advances</u>
General Fund:	
Camping and day use fees	\$ 1,258
Roads Fund:	
Developer mitigation fees	3,538
Advances from California Department of Transportation for road projects	837
Farmworker fare revenue	<u>60</u>
Total Roads Fund	<u>4,435</u>
Social Services Fund:	
Grant drawdowns prior to meeting eligibility requirements	6,272
Alcohol, Drug, and Mental Health Services Fund:	
Early, periodic, screening, diagnosis, and treatment	1,006
Mental Health Services Act capital/information technology	<u>93</u>
Total Alcohol, Drug, and Mental Health Fund	<u>1,099</u>
Flood Control District Fund:	
Developer mitigation fees	171
Affordable Housing Fund:	
Advances on state & federal grants for Affordable Housing	2,500
Fire Protection District Fund:	
Fire district mitigation fees	471
Capital Projects Fund:	
Developer mitigation fees	5,766
Nonmajor Governmental Funds:	
Advances on state & federal grants for Child Support Services	<u>226</u>
Total advances from grantors and third parties	<u>\$ 22,198</u>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 10. LONG-TERM LIABILITIES

### Changes in Long-term Liabilities

The long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance			Balance	
	July 1, 2013	Additions	Deletions	June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
Capital lease obligations	\$ 3,418	\$ --	\$ (405)	\$ 3,013	271
Certificates of participation (COP)	43,353	--	(1,761)	41,592	1,825
Unamortized premium on COP	29	--	(8)	21	--
Unamortized discount on COP	(221)	--	22	(199)	--
Bonds and notes payable	19,740	--	(2,670)	17,070	2,265
Compensated absences	31,017	28,561	(28,128)	31,450	28,128
Liability for self-insurance claims	31,944	7,135	(10,662)	28,417	7,975
Estimated litigation liability	507	287	--	794	--
OPEB obligation	61,688	11,433	--	73,121	--
Other long-term liabilities	2,222	212	--	2,434	--
Sub-total governmental activities	<u>193,697</u>	<u>47,628</u>	<u>(43,612)</u>	<u>197,713</u>	<u>40,464</u>
<b>Business-type activities:</b>					
Certificates of participation	7,356	--	(664)	6,692	695
Unamortized premium on COP	117	--	(28)	89	--
Bonds and notes payable	8,928	--	(725)	8,203	741
Compensated absences	682	619	(633)	668	586
Landfill closure/postclosure care costs	21,490	620	(1,314)	20,796	533
OPEB obligation	1,325	246	--	1,571	--
Sub-total business-type activities	<u>39,898</u>	<u>1,485</u>	<u>(3,364)</u>	<u>38,019</u>	<u>2,555</u>
Total long-term liabilities	<u>\$ 233,595</u>	<u>\$ 49,113</u>	<u>\$ (46,976)</u>	<u>\$ 235,732</u>	<u>\$ 43,019</u>

The long-term liability activity for each major enterprise fund for the year ended June 30, 2014 was as follows:

	Balance			Balance	
	July 1, 2013	Additions	Deletions	June 30, 2014	Due Within One Year
<b>Resource Recovery:</b>					
Certificates of participation	\$ 7,356	\$ --	\$ (664)	\$ 6,692	\$ 695
Unamortized premium on COP	117	--	(28)	89	--
Compensated absences	543	491	(476)	558	476
Landfill closure/postclosure care costs	21,490	620	(1,314)	20,796	533
OPEB obligation	1,075	199	--	1,274	--
Sub-total Resource Recovery	<u>30,581</u>	<u>1,310</u>	<u>(2,482)</u>	<u>29,409</u>	<u>1,704</u>
<b>Laguna Sanitation:</b>					
Bonds and notes payable	8,928	--	(725)	8,203	741
Compensated absences	139	128	(157)	110	110
OPEB obligation	250	47	--	297	--
Sub-total Laguna Sanitation	<u>9,317</u>	<u>175</u>	<u>(882)</u>	<u>8,610</u>	<u>851</u>
Total long-term liabilities - business-type activities	<u>\$ 39,898</u>	<u>\$ 1,485</u>	<u>\$ (3,364)</u>	<u>\$ 38,019</u>	<u>\$ 2,555</u>

In governmental activities, the liability for the majority of employee compensated absences, litigation, and other postemployment benefit obligations are liquidated by the General Fund. The self-insurance claims liability is reported in the risk management and insurance internal service fund and will be liquidated by that fund.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 10. LONG-TERM LIABILITIES- CONTINUED

Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of the totals for governmental activities. The long-term liability activity for the Internal Service Funds for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
<b>Internal Service Funds:</b>					
Compensated absences	\$ 673	\$ 532	\$ (468)	\$ 737	\$ 468
Bonds and notes payable	4,920	--	(330)	4,590	330
Liability for self-insurance claims	31,944	3,942	(7,469)	28,417	7,975
OPEB obligation	1,137	204	--	1,341	--
Total long-term liabilities - Internal Service Funds	<u>\$ 38,674</u>	<u>\$ 4,678</u>	<u>\$ (8,267)</u>	<u>\$ 35,085</u>	<u>\$ 8,773</u>

### Rebatable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings, and found that the County had no rebateable arbitrage liability at June 30, 2014.

### Governmental Activities – Conduit Debt

#### *Fixed Rate Obligation – Montecito Retirement Association*

In March 2004, the County issued conduit debt in the form of certificates of participation (COP) under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. This was done on behalf of the Montecito Retirement Association (Association). These funds were used to finance the construction of facilities in the County, to finance certain equipment used by the Association in its operations, and to refund other debt held by the Association.

In March 2012, the County issued new conduit debt in the form of a fixed-rate obligation held by Santa Barbara Bank & Trust. These funds were used to refund the Association's 2004 COP obligations. This debt does not represent a liability of the County, as the County is not obligated in any manner for the debt. Accordingly, it is not reported as a liability in the accompanying financial statements. As of June 30, 2014, the conduit debt principal amount outstanding was \$10,645.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 11. LEASES

### Operating Leases as Lessee

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 116
2016	116
2017	57
2018	17
2019	2
Total minimum rental payments	<u>\$ 308</u>

Total rental expenditure/expense for the year ended June 30, 2014 was \$2,963, of which \$195 was recorded in the General Fund.

### Operating Leases as Lessor

The County as lessor leases sections of the Casa Nueva building to both the Santa Barbara County Association of Governments and the Santa Barbara Air Pollution Control District under operating leases with terms from July 2003 through April 2034. The original cost of the Casa Nueva building was \$6,168. As of June 30, 2014, the building had a carrying amount of \$4,934, net of accumulated depreciation of \$1,234.

The County as lessor also leases sections of the Public Health building known as the VA Clinic to the Veterans Administration under an operating lease with a term of October 2007 through September 2017. The original cost of the VA Clinic was \$891. As of June 30, 2014, the building had a carrying amount of \$328, net of accumulated depreciation of \$564.

The following is a schedule of future minimum rentals to be received under operating leases entered into by the County as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 587
2016	591
2017	595
2018	383
2019	312
2020-2024	1,561
2025-2029	1,561
2030-2034	1,508
Total minimum rentals to be received	<u>\$ 7,098</u>

As of the year ended June 30, 2014, total rental income was \$560, all of which was recorded in the General Fund.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 11. LEASES - CONTINUED

### Capital Leases

The County has entered into certain capital lease arrangements under which the related structures and equipment will become the property of the County when all terms of the lease agreements are met. The following is a schedule of future minimum capital lease payments, payable from the General Fund and certain special revenue funds, as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2015	\$ 429
2016	506
2017	506
2018	467
2019	406
2020-2024	1,096
2025-2029	496
Total minimum lease payments	3,906
Less: amount representing interest	(893)
Total present value of minimum lease payments	<u>\$ 3,013</u>

The following is a schedule of capital assets acquired through capital leases as of June 30, 2014:

	<u>Governmental Activities</u>
Land	\$ 1,283
Structures and improvements	3,610
Equipment	172
Total capital assets, gross	5,065
Less: accumulated depreciation	(752)
Total capital assets, net, under capital leases	<u>\$ 4,313</u>

Depreciation expense related to capital assets under capital leases for governmental activities was \$138 for the year ended June 30, 2014.

## 12. CERTIFICATES OF PARTICIPATION (COP)

The Santa Barbara County Finance Corporation (Corporation), a public benefit corporation, was created to issue certificates of participation that are securities issued and marketed to investors. The certificates are sold to provide funds to the County to finance the costs of acquisition, installation and construction of capital projects. These certificates are secured by annual lease payments paid by the County to the Corporation and these lease payments are used by the Corporation to pay the interest and principal of the debt.

The certificates contain certain debt covenants, which are deemed by the County to be duties imposed by law. The County must include the applicable lease payments due each year in its annual budget and make the necessary appropriations. The County is also required to maintain certain levels of liability, property damage, casualty, business interruption, earthquake and title insurance in connection with each lease agreement. The County is in compliance with all significant financial restrictions and requirements as set forth in its various debt covenants.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 12. CERTIFICATES OF PARTICIPATION (COP) - CONTINUED

In FY 09-10, the County issued \$14,935 of taxable COP debt classified as Recovery Zone Economic Development Bonds (RZEDB) for purposes of the American Recovery and Reinvestment Act (ARRA). Pursuant to the ARRA, the County expects to receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable. The County received a subsidy of \$389 during the current fiscal year.

A summary of COP principal outstanding as of June 30, 2014 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of 6/30/2014
<b>Governmental activities:</b>					
2005 Capital Improvements	3.00-4.50	4/21/2005	3/1/2025	\$ 18,785	\$ 11,080
2008 Capital Improvements	4.00-4.75	6/25/2008	12/1/2028	17,000	14,955
2010 Capital Improvements	3.00-5.00	6/10/2010	12/1/2019	884	622
2010 Capital Improvements - RZEDB	6.22-6.25	6/10/2010	12/1/2040	14,935	14,935
Sub-total governmental activities				<u>51,604</u>	<u>41,592</u>
<b>Business-type activities:</b>					
2008 Capital Improvements	3.00-4.50	6/25/2008	12/1/2023	\$ 6,625	\$ 4,705
2010 Capital Improvements	3.00-5.00	6/10/2010	12/1/2019	2,821	1,987
Sub-total business-type activities				<u>9,446</u>	<u>6,692</u>
Total COP principal outstanding				<u>\$ 61,050</u>	<u>\$ 48,284</u>

The following is a schedule of total COP debt service requirements to maturity as of June 30, 2014:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 1,825	\$ 2,069	\$ 695	\$ 258
2016	1,718	1,996	717	231
2017	1,748	1,928	752	203
2018	1,835	1,857	775	175
2019	1,914	1,782	806	145
2020-2024	12,413	7,395	2,947	301
2025-2029	10,344	4,347	--	--
2030-2034	3,605	2,513	--	--
2035-2039	4,270	1,286	--	--
2040-2041	1,920	121	--	--
Sub-total	<u>41,592</u>	<u>25,294</u>	<u>6,692</u>	<u>1,313</u>
Unamortized premium	21	--	89	--
Unamortized discount	(199)	--	--	--
Total COP debt, net	<u>\$ 41,414</u>	<u>\$ 25,294</u>	<u>\$ 6,781</u>	<u>\$ 1,313</u>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 13. BONDS AND NOTES PAYABLE

### Governmental Activities

#### *Tax and Revenue Anticipation Notes*

During FY 13-14 tax and revenue anticipation notes (TRAN) of \$35,000 were issued at a premium with an average interest rate of 2.00% and a true interest cost of 0.37%. Proceeds from the notes were used to meet FY 13-14 cash flow requirements.

The following is a summary of changes in TRAN payable for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
2013-2014 TRAN	\$ -	\$ 35,000	\$ (35,000)	\$ -

#### **Bonds Payable**

On September 27, 2011, the County issued \$16,945 of tax-exempt bonds payable at an interest rate of 2.10%, and used the proceeds to refund the County's 2001 COP debt (see Note 12). The bonds payable interest rate is 3.09% below the average coupon rate for the 2001 COP debt, which reduced the County's total debt service payments by \$1,774 over the next 10 years.

The bonds payable outstanding at June 30, 2014 is \$12,480. The following is the repayment schedule as of June 30, 2014:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,935	\$ 242	\$ 2,177
2016	1,665	204	1,869
2017	1,700	169	1,869
2018	1,740	133	1,873
2019	1,775	96	1,871
2020-2021	3,665	77	3,742
Total bonds payable	<u>\$ 12,480</u>	<u>\$ 921</u>	<u>\$ 13,401</u>

### Internal Service Funds

#### **Photovoltaic Solar Energy Facility Qualified Energy Conservation Bonds**

On September 27, 2011, the County issued \$5,250 of Qualified Energy Conservation Bonds (QECB) at an interest rate of 4.08% per annum. The proceeds were used to acquire a photovoltaic solar energy facility for the County's Calle Real campus.

The QECBs are taxable bonds that entitle the issuer to receive a direct subsidy payment from the United States Treasury (Treasury) equal to the lesser of (i) the taxable rate of the bonds or (ii) 70% of the Qualified Tax Credit Bond (QTCB) Rate on every semi-annual interest payment date. At the time of issuance, the QTCB Rate was 4.55%; therefore, the County will receive a Treasury subsidy of 70% of 4.55%, or approximately \$1,395 over the life of the bonds, resulting in a true interest cost of 0.94%. These bonds will be repaid from the Utilities Fund.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 13. BONDS AND NOTES PAYABLE - CONTINUED

The Calle Real solar facility bonds payable outstanding at June 30, 2014 is \$4,590. The following is the repayment schedule as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 335	\$ 181	\$ 516
2016	335	167	502
2017	340	153	493
2018	345	139	484
2019	345	125	470
2020-2024	1,785	409	2,194
2025-2027	1,105	68	1,173
Total bonds payable	<u>\$ 4,590</u>	<u>\$ 1,242</u>	<u>\$ 5,832</u>

### Business-Type Activities

#### ***Laguna Sanitation Wastewater Treatment Plant Note Payable***

On August 16, 2001, the Laguna County Sanitation District (Laguna Sanitation) entered into a financing contract with the State of California (State) for the construction of a Total Dissolved Solids and Recycled Water Treatment Plant. Under the contract, the State made fifteen disbursements totaling \$9,150 to Laguna Sanitation during the period of February 2002 through June 2003. Repayment of the note commenced in July 2004 and will continue through July 2023. Note payments are due on July 1<sup>st</sup> of each year; as such, these payments are regularly made in June of the prior fiscal year. The interest rate on the note is 2.40% per annum.

The note payable outstanding at June 30, 2014 is \$4,767. The following is the repayment schedule as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 481	\$ 114	\$ 595
2016	492	103	595
2017	504	91	595
2018	516	79	595
2019	529	67	596
2020-2024	2,245	136	2,381
Total note payable	<u>\$ 4,767</u>	<u>\$ 590</u>	<u>\$ 5,357</u>

#### ***Laguna Sanitation Qualified Energy Conservation Bonds***

On May 25, 2011, the Laguna County Sanitation District (Laguna Sanitation) issued \$4,170 of Qualified Energy Conservation Bonds (QECB) at an interest rate of 5.25% per annum. The proceeds were used to acquire a photovoltaic solar energy facility, which is projected to save the District \$12,000 in financing, operating and maintenance costs over a 30 year period.

The QECBs are taxable bonds that entitle the issuer to receive a direct subsidy payment from the United States Treasury (Treasury) equal to the lesser of (i) the taxable rate of the bonds or (ii) 70% of the Qualified Tax Credit Bond (QTCB) Rate on every semi-annual interest payment date. At the time of issuance, the QTCB Rate was 4.95%; therefore, the District will receive a Treasury subsidy of 70% of 4.95%, or \$1,162 over the life of the bonds, resulting in a true interest cost of 1.97%.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 13. BONDS AND NOTES PAYABLE - CONTINUED

The Laguna Sanitation QECB bonds payable outstanding at June 30, 2014 is \$3,436. The following is the repayment schedule as of June 30, 2014:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 260	\$ 182	\$ 442
2016	265	168	433
2017	270	154	424
2018	270	140	410
2019	275	125	400
2020-2024	1,470	391	1,861
2025-2026	626	42	668
Total bonds payable	\$ 3,436	\$ 1,202	\$ 4,638

## 14. SELF-INSURANCE

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical malpractice. For these risks, the County has chosen to establish risk management internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits. In addition, the County has established separate self-insurance financing funds for unemployment claims and dental insurance benefits for employees and their dependents.

For general liability, medical malpractice, and workers' compensation claims, excess coverage is provided by the California State Association of Counties Excess Insurance Authority (Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its members, which includes 93% of the counties in California and nearly 60% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other Joint Powers Authorities. A Board of Directors consisting of representatives from its members governs the Authority. The County's aggregate annual premium, including property insurance, paid to the Authority for the year ended June 30, 2014, was \$12,960. The Authority issues its own audited Comprehensive Annual Financial Report which can be obtained from the Authority located at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

The Authority retains financial responsibility for risk management claims in excess of the County's self-insurance retention. Self-insurance and Authority limits are as follows:

Type of Coverage	Self-Insurance Limit	Authority Limit
General Liability	\$ 500	\$ 25,000
Medical Malpractice	\$ 500	\$ 25,000
Workers' Compensation*	\$ -	Statutory

\*Effective July 1, 2010, the County obtained first dollar Workers' Compensation coverage through County State Association of Counties (CSAC) - Excess Insurance Authority (EIA)'s Primary Workers' Compensation program. Claims for injuries prior to that date are covered under the CSAC-EIA Excess Insurance program.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 14. SELF-INSURANCE - CONTINUED

The County purchases property insurance through the Authority from commercial insurance companies via a pool comprised of a majority of California counties and other California Public Agencies. The County is insured up to \$600,000 for All Risk coverage, up to \$415,000 for Flood coverage, and up to \$327,500 for Earthquake coverage. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. Deductibles per occurrence are \$10 for fire or other property damage, and \$25 for flood. The earthquake deductible is 5% of total values per separate building per occurrence, subject to a \$100 minimum.

The unpaid claims liabilities included in the risk management self-insurance internal service funds are based on the results of actuarial studies and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. General liability, workers' compensation, and medical malpractice liabilities are carried at present value using a discount rate of 1%. It is the County's practice to annually obtain full actuarial studies for general liability, medical malpractice, and workers' compensation coverages. Premiums are charged to departments using various allocation methods that include actual costs, trends in claims experience, and payroll costs. Premiums charged annually are established such that, when added with cash reserves on hand, adequate resources are provided to meet liabilities as they come due.

Changes in the claims liability for all self-insurance claims during the past two fiscal years are as follows:

	Fiscal Year Ended	
	June 30, 2013	June 30, 2014
Unpaid claims, beginning of year	\$ 35,790	\$ 31,944
Incurred claims	4,477	7,135
Claim payments	(8,323)	(10,662)
Unpaid claims, end of year	<u>\$ 31,944</u>	<u>\$ 28,417</u>

## 15. COMMITMENTS AND CONTINGENCIES

### Litigation

The County is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of County operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability for litigation of \$794, representing County Counsel's best estimate of the ultimate loss, has been accrued in the governmentwide Statement of Net Position. The timing of the payment of these losses cannot presently be determined.

A number of lawsuits and claims are pending against the County for which the financial loss to the County has been determined to be reasonably possible by County Counsel. These lawsuits include claims filed for inverse condemnation, tort liability, workers' compensation, civil rights violation, breach of contract, land use disputes, and storm damage. These lawsuits are seeking damages in excess of \$1,648. The County intends to vigorously defend itself against these lawsuits. The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments which may result from such claims will not, in the opinion of County Counsel, significantly affect the financial condition of the County.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 15. COMMITMENTS AND CONTINGENCIES - CONTINUED

### Grants

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. Although the County's federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1997 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial, with the exception of the Alcohol, Drug, and Mental Health Services Fund.

### Alcohol, Drug, and Mental Health Services (ADMHS) Fund

Counties provide mental health services to Medi-Cal beneficiaries through a publicly or privately operated mental health managed care plan contracted with the State Department of Health Care Services (DHCS) and share in the financial risk. Each California County operates its own mental health plan for Medi-Cal beneficiaries. The County, through the mental health plan, provides mental health services to adults and children directly and through Community Based Organizations (CBO).

Mental Health Medi-Cal claiming is a reimbursement system in which counties are provided an interim cash flow of State and Federal funding pending a three step process of reimbursement that includes filing a cost report, settlement of valid units of service and a cost report audit. Funding is made available through the Federal Medicaid entitlement program and California provides matching State and County funds. Claims are reimbursed based upon the appropriate Federal Medical Assistance Percentage (FMAP). This percentage represents the percentage of a claim for which the Federal government will pay Federal Financial Participation (FFP). Any amounts not provided by FFP must be matched by State or County funds. The year-end reporting process is the culmination of the mental health financial and statistical data accumulation for the services provided within the relevant Fiscal Year. The County is required to submit a cost report to DHCS by December 31 for all services provided by County and CBO staff for a fiscal year ending June 30. The cost report serves as a basis for computing the year-end settlement of approved service units and a settlement payment between the DHCS and the County and is also the basic standardized record subject to audit. All year-end settlements are considered interim settlements and are subject to audit by DHCS. The audit is required to be completed three years after the year-end cost report is submitted and reconciled. Generally the cycle, from cost report submittal to final settlement, is not complete until five years after the initial cost report is filed by the County.

In past years this cost report settlement and audit process resulted in significant settlements with the State Department of Mental Health and now its successor agency DHCS. The County currently estimates a potential liability exposure of up to \$4.6 million for outstanding issues with the State dating back to FY 06-07. For FY 06-07, the DHCS issued an audit report disallowing approximately \$3.5 million of County's reported costs. The County has appealed this audit report and audit findings. The parties have scheduled a formal hearing on the County's appeal for August 21, 2014. The settlement and payment of these liabilities could span a five to ten year period. The County has identified sources to pay these liabilities that include a General Fund audit exception committed fund balance of \$2.2 million and ADMHS other long-term liabilities payable of \$2.4 million.

### Santa Barbara County Redevelopment Successor Agency

In accordance with Assembly Bill (AB) 1X 26 and AB 1434, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. It is reasonably possible that the State Department of Finance could invalidate any of the obligations reported on the Successor Agency's Recognized Obligations Payment Schedule. The range of potential loss of revenue to pay these obligations is between \$0 and \$20,000 over the remaining life of the Successor Agency (16 years).

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 15. COMMITMENTS AND CONTINGENCIES - CONTINUED

### Contracts

The County has entered into contracts to purchase goods and services from various vendors. Approximately \$73,632 will be payable upon future performance under these contracts.

## 16. LANDFILL CLOSURE AND POSTCLOSURE CARE

The County owns and operates three landfill sites: Tajiguas, Foxen Canyon, and New Cuyama. Two of the three sites are closed - New Cuyama closed in FY 95-96; Foxen Canyon was converted to a transfer station in FY 03-04 and subsequently closed in FY 08-09.

State and federal laws and regulations require the County to place a final cover on these landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at each site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the respective landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$20,796 reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported to date based on the estimated percentages of used capacity of the landfills as follows:

<u>Landfill</u>	<u>Capacity Used</u>	<u>Remaining Years</u>	<u>Remaining Postclosure Years</u>
Tajiguas	80%	11	Open
Foxen Canyon	95%	closed	25
New Cuyama	100%	closed	15

The County will recognize the remaining estimated cost of closure and postclosure care of \$4,329 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all remaining closure and postclosure care in 2014. The County expects to close the Tajiguas landfill in the year 2026. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions and/or provide an alternative funding mechanism to finance closure and postclosure care. The County is in compliance with these requirements, and, at June 30, 2014, restricted cash and investments of \$17,332 are held for these purposes. These are reported as restricted assets on the balance sheet (see Note 5).

Restricted cash for closure, postclosure and corrective action financial assurances costs at June 30, 2014 is comprised of the following:

<u>Landfill</u>	<u>Closure Cost</u>	<u>Postclosure Cost</u>	<u>Corrective Action Cost</u>	<u>Total Restricted Cash</u>
Tajiguas	\$ 12,531	\$ 2,553	\$ 657	\$ 15,741
Foxen Canyon	--	515	282	797
New Cuyama	--	113	681	794
Total	<u>\$ 12,531</u>	<u>\$ 3,181</u>	<u>\$ 1,620</u>	<u>\$ 17,332</u>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 16. LANDFILL CLOSURE AND POSTCLOSURE CARE - CONTINUED

Additionally, the County has pledged revenues from future tipping fees generated at the Santa Barbara South Coast Transfer Station to fund a portion of the postclosure maintenance costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered through landfill tip fees and/or added program fees to the municipal refuse rates paid by county residents.

## 17. DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the County recognized deferred inflows of resources in the governmentwide and governmental fund statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The County has two items that are reportable on the Governmentwide Statement of Net Position, one of these items relates to the assets and future installment payments of the Service Concession Arrangements (Note 8) and the other item relates to the principal balance of the loans with a forgiveness clause included in the housing loan receivable amount (Note 6).

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. The County has three items that are reportable on the Governmental Fund Balance Sheet: the first of these items relates to the total housing loan principal receivable amount (Note 6), the second relates to the housing loan interest receivable amount (Note 6), and the third relates to property tax impounds.

Deferred inflows of resources balances for the year ended June 30, 2014 were as follows:

	Balance June 30, 2014
Governmentwide Deferred Inflows	
Governmental Activities	
Service Concession Arrangements	\$ 31,835
Housing Loan Principal Payments	3,948
Total Governmental Activities	<u>35,783</u>
Total Governmentwide Deferred Inflows	<u>\$ 35,783</u>
Governmental Funds Deferred Inflows	
General Fund	
Housing Loan Principal Payments	\$ 500
Property Tax Impounds	35
Total General Fund	<u>535</u>
Affordable Housing Fund	
Housing Loan Principal Payments	38,288
Housing Loan Interest Payments	5,878
Total Affordable Housing Fund	<u>44,166</u>
Total Governmental Fund Deferred Inflows	<u>\$ 44,701</u>

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 18. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2014 is as follows:

	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable in form:											
Teeter Tax Losses	\$ 7,074	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,074
Receivables	3,014	--	--	--	--	45	--	717	--	23	3,799
Prepays/Deposits	50	--	--	--	--	--	--	--	--	6	56
Total nonspendable fund balance	10,138	--	--	--	--	45	--	717	--	29	10,929
Restricted for:											
Purpose of Fund	193	13,847	1,016	2,020	2,916	49,024	2,795	6,894	--	19,510	98,215
Allocated for Capital Outlay	--	2,875	--	--	--	13,206	--	628	--	666	17,375
Health Care Programs	--	--	15,008	--	--	--	--	--	--	--	15,008
Local Realignment 2011	4,460	--	--	--	1,033	--	--	--	--	--	5,493
Measure A Roads Funds	--	4,204	--	--	--	--	--	--	--	--	4,204
Public Safety Prop 172	2,822	--	--	--	--	--	--	--	--	--	2,822
Debt Service	--	--	--	--	--	--	--	--	--	2,669	2,669
P&D Offsite Mitigation	2,242	--	--	--	--	--	--	--	--	--	2,242
MHSA Prudent Reserve	--	--	--	--	2,023	--	--	--	--	--	2,023
COP Proceeds	--	--	--	--	--	--	--	--	1,910	25	1,935
Sheriff Categorical Grants	1,657	--	--	--	--	--	--	--	--	--	1,657
DMV/Livescan	--	--	--	--	--	--	--	--	1,491	--	1,491
FY 12/13,13/14 Operating Plans	--	--	880	125	67	201	12	--	--	155	1,440
Housing Trust Funds	--	--	--	--	--	--	1,330	--	--	--	1,330
Recorder Modernization	1,305	--	--	--	--	--	--	--	--	--	1,305
Donations	130	--	--	32	--	--	--	--	--	1,003	1,165
PHD Special Projects	247	--	890	--	--	--	--	--	--	--	1,137
Probation YOBG	1,103	--	--	--	--	--	--	--	--	--	1,103
Recorder Operations	845	--	--	--	--	--	--	--	--	--	845
Probation LESF/COPS	754	--	--	--	--	--	--	--	--	--	754
Forfeiture Penalty	702	--	--	--	--	--	--	--	--	--	702
Alcoholism Programs	--	--	--	--	674	--	--	--	--	--	674
Road Infrastructure Mitigation	--	661	--	--	--	--	--	--	--	--	661
Los Prietos Donation	640	--	--	--	--	--	--	--	--	--	640
Maintenance-Casa Nueva Bldg	538	--	--	--	--	--	--	--	--	--	538
ADP SAPT Block Grant Set-Aside	--	--	--	--	504	--	--	--	--	--	504
Assessor AB818	504	--	--	--	--	--	--	--	--	--	504
Survey Monument	359	--	--	--	--	--	--	--	--	--	359
District Attorney Programs	344	--	--	--	--	--	--	--	--	--	344
Gaviota Bikeway	319	--	--	--	--	--	--	--	--	--	319
Weights and Measures	238	--	--	--	--	--	--	--	--	--	238
Recorder Micrographics	323	--	--	--	--	--	--	--	--	--	323
RDA to SBC 2008 Bond Proceeds	236	--	--	--	--	--	--	--	--	--	236
Public Arts Program	236	--	--	--	--	--	--	--	--	--	236
Dispute Resolution	--	--	--	--	--	--	--	--	--	227	227
State - CDBG	--	--	--	--	--	--	197	--	--	--	197
Recorder Redaction	186	--	--	--	--	--	--	--	--	--	186
Vital Records	144	--	--	--	--	--	--	--	--	--	144
State Off Hwy Fee	147	--	--	--	--	--	--	--	--	--	147
Probation Programs	131	--	--	--	--	--	--	--	--	--	131
Parks Projects	--	--	--	--	--	--	--	--	24	100	124
Drug Abuse Programs	--	--	--	--	130	--	--	--	--	--	130
Real Estate Fraud	117	--	--	--	--	--	--	--	--	--	117
Consumer/Environmental	101	--	--	--	--	--	--	--	--	--	101
DSS Childrens Trust	--	--	--	22	--	--	--	--	--	--	22
Recorder ERDS	90	--	--	--	--	--	--	--	--	--	90
Animal Control Programs	52	--	--	--	--	--	--	--	--	--	52
CalVet Subvention Program	40	--	--	--	--	--	--	--	--	--	40
DARE	40	--	--	--	--	--	--	--	--	--	40
Imprest Cash	--	1	3	15	5	--	--	--	--	1	25
School Safety AB186	--	2	--	--	--	--	--	--	--	--	2
	21,245	21,590	17,797	2,214	7,352	62,431	4,334	7,522	3,425	24,356	172,266

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 18. FUND BALANCES - CONTINUED

A detailed schedule of fund balances at June 30, 2014 continued:

	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Committed to:											
Strategic Reserve	24,172	--	--	--	--	--	--	--	--	--	24,172
Purpose of Fund	844	--	--	1,238	--	--	476	--	4,018	4,137	10,713
Health Care Programs	--	--	5,108	--	--	--	--	--	--	--	5,108
Salary & Benefits Reductions	4,326	--	--	--	--	--	--	--	--	--	4,326
SB 1022 Match	3,900	--	--	--	--	--	--	--	--	--	3,900
New Jail Operations	3,300	--	--	--	--	--	--	--	--	--	3,300
Contingencies	3,073	--	--	--	--	--	--	--	--	--	3,073
Program Restoration	2,290	--	--	--	--	--	--	--	--	--	2,290
Audit Exceptions	2,150	--	--	--	--	--	--	--	--	--	2,150
Parks Projects	698	--	--	--	--	--	--	--	1,410	--	2,108
General Services Projects	498	--	--	--	--	--	--	--	1,507	--	2,005
Treas Tax Collector Projects	1,746	--	--	--	--	--	--	--	--	--	1,746
Auditor Systems Maint/Develop	1,348	--	--	--	--	--	--	--	--	--	1,348
Litigation	1,230	--	--	--	--	--	--	--	--	--	1,230
Clerk Record Assessor Projects	1,037	--	--	--	--	--	--	--	--	--	1,037
Sheriff Projects	218	--	--	--	--	--	--	--	732	--	950
Elections Voting Equipment	916	--	--	--	--	--	--	--	--	--	916
Planning/Development Projects	810	--	--	--	--	--	--	--	--	--	810
North County Jail Contingency	802	--	--	--	--	--	--	--	--	--	802
P&D Land Use System	744	--	--	--	--	--	--	--	--	--	744
Facilities Maintenance	701	--	--	--	--	--	--	--	--	--	701
Human Resources Programs	684	--	--	--	--	--	--	--	--	--	684
General County Programs	643	--	--	--	--	--	--	--	--	--	643
County Executive Programs	513	--	--	--	--	--	--	--	--	--	513
District Attorney Programs	411	--	--	--	--	--	--	--	--	--	411
Public Defender Programs	320	--	--	--	--	--	--	--	--	--	320
Ag Commissioner Projects	172	--	--	--	--	--	--	--	--	--	172
Salary & Retirement Offset	147	--	--	--	--	--	--	--	--	--	147
Rental Maintenance	119	--	--	--	--	--	--	--	--	--	119
Probation Programs	94	--	--	--	--	--	--	--	--	--	94
Building & Safety Permitting	40	--	--	--	--	--	--	--	--	--	40
Imprest Cash	22	--	--	--	--	--	--	--	--	--	22
Housing Programs	21	--	--	--	--	--	--	--	--	--	21
Accumulated Capital Outlay	19	--	--	--	--	--	--	--	--	--	19
Toxic Waste Monitoring	10	--	--	--	--	--	--	--	--	--	10
Tobacco Settlement	--	--	4	--	--	--	--	--	--	--	4
	58,018	--	5,112	1,238	--	--	476	--	7,667	4,137	76,648
Unassigned fund balance:	3,405	--	--	--	--	--	--	--	--	--	3,405
Total fund balances	\$ 92,806	\$ 21,590	\$ 22,909	\$ 3,452	\$ 7,352	\$ 62,476	\$ 4,810	\$ 8,239	\$ 11,092	\$ 28,522	\$ 263,248

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 19. RESTRICTED COMPONENT OF NET POSITION

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

The restricted component of net position at June 30, 2014 for governmental activities is as follows:

Restricted for Public Safety:		
Fire Protection District	\$ 8,239	
Probation	7,270	
Sheriff	6,739	
District Attorney	1,259	
Public Defender	373	
Trial Courts	<u>227</u>	
		\$ 24,107
Restricted for Health & Public Assistance:		
Public Health	18,285	
Alcohol, Drug, and Mental Health Services	7,352	
Social Services	5,141	
Child Support Services	<u>227</u>	
		31,005
Restricted for Community Resources & Public Facilities:		
Flood Control District	62,476	
Roads	21,590	
Water Agency	6,001	
County Service Areas	3,123	
Other	3,079	
Planning and Development	2,747	
RDA Dissolution Housing Isla Vista	1,853	
Housing	1,506	
Coastal Resources Enhancement	<u>1,122</u>	
		103,497
Restricted for General Government & Support Services:		
Clerk-Recorder-Assessor	3,397	
Affordable Housing	976	
General Services	538	
Treasurer Tax Collector	<u>40</u>	
		4,951
Restricted for General County Programs:		
Teeter Tax Losses	7,074	
First 5 Children and Families Commission	4,831	
Impound Receivable	1,255	
Public and Educational Access	1,030	
Criminal Justice and Courthouse Construction	1,023	
RDA Bond Proceeds	236	
State Highway Fee	<u>147</u>	
		15,596
Total restricted component of net position - governmental activities		<u>\$ 179,156</u>

Included in governmental activities restricted net position at June 30, 2014 is net position restricted by enabling legislation of \$8,082.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 20. INTERFUND TRANSACTIONS

### Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Alcohol, Drug, & Mental Health Services	\$ 557
General	Public Health	247
General	Affordable Housing	90
General	Criminal Justice Facility Construction	43
General	Child Support Services	5
Total due to/from other funds		<u>\$ 942</u>

Advances to/from other funds at June 30, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Resource Recovery	\$ 1,759

The \$1,759 advanced to the Resource Recovery enterprise fund represents the remaining balance of an initial \$2,994 loan that provided financing resources for a landfill litigation settlement.

### Transfers

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, (2) move receipts identified for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 20. INTERFUND TRANSACTIONS - CONTINUED

Transfers to/from other funds at June 30, 2014 are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	9,345	General Fund Contribution
	Alcohol, Drug, & Mental Health Services Fund	7,748	Other
	Public Health Fund	6,864	General Fund Contribution
	Social Services Fund	2,852	General Fund Contribution
	Nonmajor Fund	2,794	Debt Service
	Roads Fund	2,626	General Fund Contribution
	Roads Fund	2,500	Other
	Alcohol, Drug, & Mental Health Services Fund	1,776	General Fund Contribution
	Fire Protection District Fund	694	Other
	Capital Projects Fund	522	Other
	Fire Protection District Fund	318	Reimbursement
	Nonmajor Fund	116	Capital Projects
	Internal Service Fund	68	Other
	Internal Service Fund	51	Vehicles
	Capital Projects Fund	47	General Fund Contribution
	Nonmajor Fund	44	Other
	Resource Recovery Enterprise Fund	35	Other
Public Health Fund	4	Other	
		<u>38,404</u>	
Roads Fund	Capital Projects Fund	59	Capital Projects
Public Health Fund	General Fund	320	Other
	Alcohol, Drug, & Mental Health Services Fund	235	Program Administration
	Alcohol, Drug, & Mental Health Services Fund	78	Other
		<u>633</u>	
Social Services Fund	Nonmajor Governmental Funds	1,662	Other
	Affordable Housing Fund	130	Other
	General Fund	60	Other
		<u>1,852</u>	

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 20. INTERFUND TRANSACTIONS - CONTINUED

Transfers to/from other funds at June 30, 2014 continued:

Transfer From	Transfer To	Amount	Purpose
Alcohol, Drug, & Mental Health Services Fund	Nonmajor Governmental Funds	561	Debt Service
	General Fund	262	Other
	Internal Service Funds	69	Vehicles
	Social Services Fund	53	Other
	Social Services Fund	<u>43</u>	Reimbursement
		988	
Flood Control District Fund	Internal Service Funds	49	Vehicles
	Capital Projects Fund	<u>1</u>	Capital Projects
		50	
Affordable Housing Fund	Capital Projects Fund	491	Capital Projects
	General Fund	406	Other
	General Fund	315	Program Administration
	Roads Fund	174	Program Administration
	Capital Projects Fund	166	Program Administration
	Roads Fund	114	Other
	Roads Fund	84	Capital Projects
	Capital Projects Fund	<u>20</u>	Other
		1,770	
Fire Protection District	General Fund	2,289	Other
	Nonmajor Governmental Funds	274	Debt Service
	Internal Service Funds	157	Vehicles
	Public Health Fund	63	Other
	Capital Projects	<u>17</u>	Capital Projects
		2,800	
Capital Projects Fund	General Fund	52	Other
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,993	Debt Service
	General Fund	547	Reimbursement
	General Fund	480	Other
	Flood Control District Fund	156	Reimbursement
	Fire Protection District Fund	93	Other
	Capital Projects Fund	68	Other
	Flood Control District Fund	10	Other
	General Fund	<u>10</u>	Program Administration
		3,357	
Internal Service Funds	Capital Projects Fund	53	Capital Projects
	General Fund	35	Vehicles
	General Fund	30	Other
	Roads Fund	27	Vehicles
	Public Health Fund	18	Vehicles
	Nonmajor Governmental Funds	<u>16</u>	Vehicles
		179	
Enterprise Funds	Capital Projects Fund	<u>1</u>	Capital Projects
	Total transfers	<u>\$ 50,145</u>	

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 21. RETIREMENT PLANS

### Plan Description

The Santa Barbara County Employees' Retirement System (Retirement System) was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for its employees and contracting districts. It is governed by the California Constitution; California State Government Code §31450 (County Employees' Retirement Law of 1937 (CERL)); and the bylaws, policies and procedures adopted by the Retirement System's Board of Retirement. The Santa Barbara County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of the Retirement System members.

The Retirement System operates a cost sharing multiple-employer defined benefit plan. Members include all permanent employees working full time, or at least 50% part time for the County, and the following independent special districts: Carpinteria-Summerland Fire Protection District, Mosquito and Vector Management District of Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

The Retirement System has six County retirement plans of which one plan (consisting of two rate tiers) is currently available for new employees. All new safety and general members will be enrolled in Plan 8, pursuant to the Public Employees Pension Reform Act ("PEPRA"). PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base and requires member contributions of 50% of normal cost.

All plans provide benefits as defined by CERL upon retirement, death or disability of members. Benefits are based on age, years of service, final average salary, and the benefit options selected. Cost-of-living adjustments after retirement are provided in all plans except General Plan 2.

### Fiduciary Responsibility

The Retirement System, governed by the Board of Retirement, is a fiduciary for the accounting and control of member and employer contributions, investment income and member benefits. The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan and managing the investment of the Retirement System's assets under authority granted by Article XVI of the Constitution of the State of California. Article XVI, Section 17(a) provides that the Retirement Board has the "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17(b) further provides that "members of the Retirement Board of a public retirement system shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

The Board of Retirement consists of nine members and two alternates. These positions are filled as follows: the County Board of Supervisors appoints four, members of the Retirement System elect six (including the two alternates), and the County Treasurer-Tax Collector is an ex-officio member. The Retirement System is a legally separate entity and is not a component unit of the County. It publishes its own Comprehensive Annual Financial Report and receives its own independent audit.

Additional detailed information and separately issued financial statements can be obtained from the Retirement System located at 3916 State St., Suite 210, Santa Barbara, CA 93105.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 21. RETIREMENT PLANS - CONTINUED

### Employer/Employee Contribution Rate Tiers

Employer and employee contribution rates are as follows:

	<u>Participants</u>	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>
<u>Open for New Enrollment:</u>			
General Plan 8	General members hired on or after January 1, 2013	25.84%	7.70%
Safety Plan 8	Safety members hired on or after January 1, 2013	42.64%	14.27%
<u>Closed to New Enrollment:</u>			
General Plan 2	Non-contributory; employees hired before January 1999 may continue in plan.	20.84%	N/A
Safety Plan 4A	Firefighters hired before October 10, 1994 may continue in plan.	53.14%	5.13 – 9.04%
Safety Plan 4B	(a) Probation safety managers, and (b) Fire Chief hired on or after October 10, 1994	52.25%	10.26 – 18.09%
Safety Plan 4C	(a) Non-management Probation safety employees, and (b) Firefighters hired on or after October 10, 1994 (except Fire Chief)	52.96%	4.93 – 8.92%
General Plan 5A	General members hired before October 10, 1994 may continue in plan.	31.98%	2.77 – 5.72%
General Plan 5B	General members hired on or after October 10, 1994 & in Bargaining Units 10, 11, 14, 15, 17, 35, 36, 40-43	32.40%	5.54 – 11.44%
General Plan 5C	General members hired on or after October 10, 1994 & in Bargaining Units 21-29, 32	33.46%	2.67 – 5.69%
General Plan 7	General members hired on or after June 25, 2012	31.41%	2.22 – 4.74%
Safety Plan 6A	Sheriff/DA safety members hired before October 10, 1994 may continue in plan.	59.47%	5.13 – 9.04%
Safety Plan 6B	Sheriff/DA safety members hired on or after October 10, 1994 enrolled in plan	59.37%	4.93 – 8.92%

The annual required contribution for the current year was determined as part of an actuarial valuation performed as of June 30, 2012. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 7.75%; (2) inflation element in wage increases of 3.25%; and (3) projected general salary increases of 3.75% based on service (duration) for merit and longevity. Under an open/rolling amortization method, the entire unfunded actuarial accrued liability is amortized over a constant period, in this case, 17 years, with one exception. The exception is that the additional Unfunded Actuarial Accrued Liability (UAAL) attributable to the creation of Safety Plan 6 is now being amortized over a closed period and that period stands at 16 years. The amortization factor does not change from year to year unless the discount rate or salary assumption is changed.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 21. RETIREMENT PLANS - CONTINUED

### Three-Year Trend Information

The County's actual contributions, annual pension cost, and the percentage of annual pension cost contributed, for the current year and two preceding years, are as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>County Contributions</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contribution</u>
6/30/2012	6/30/2010	\$ 100,111	\$ 100,111	100%
6/30/2013	6/30/2011	102,151	102,151	100%
6/30/2014	6/30/2012	110,756	110,756	100%

### Funding Policy

Contributions are made by participating employers based on rates recommended by an independent actuary, approved by the Board of Retirement, and adopted by the County Board of Supervisors. For certain bargaining units, a portion of the members' contribution is paid by the County. Employee contributions are based upon each individual member's age of entry into the system. Employee contributions cannot be withdrawn until separation from employment.

### Santa Barbara County Replacement Benefit Plan

Internal Revenue Code (IRC) Section 415(b) limits the maximum annual amount that a defined benefit plan such as the Retirement System can pay to any individual. The Santa Barbara County Replacement Benefit Plan, a qualified IRC 415(m) plan, provides annual retirement benefits otherwise earned by and payable to Retirement System members, but limited by Section 415(b).

Participation is limited solely to retired members whose benefits payable by the Retirement System are limited by Section 415(b). No assets directly or indirectly relating to this plan are held in trust or otherwise held or set aside for the exclusive benefit of participants and their beneficiaries. As of June 30, 2014, five retired members were participating in the plan.

The County's actual contribution for the current year and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Contribution</u>
6/30/2012	\$57
6/30/2013	40
6/30/2014	50

## 22. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### Plan Description

The County's agent multiple-employer defined benefit postemployment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (Retirement System). The OPEB Plan provides medical benefits to eligible retired County and other employer plan sponsors' employees, as well as to their eligible dependents, pursuant to California Government Code Section 31694 et. seq. Other employer plan sponsors include the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 22. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

In September 2008, the County and the Retirement System adopted an Internal Revenue Code (IRC) Section 401(h) account that provides for these benefits. Under GASB Statement No. 43 (GASB 43), "Reporting for Postemployment Benefit Plans Other Than Pension Plans," and GASB Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," the liability related to the plan is required to be determined for both retirement systems and employers. GASB 43 and GASB 45 are not limited to the reporting of vested benefits.

The Retirement System issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the OPEB Plan. This may be obtained online at [www.sbcers.org](http://www.sbcers.org) or by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210, Santa Barbara, CA 93105.

### Plan Benefits

The County negotiates health care contracts with providers for both its active employees and the participating retired members of the Retirement System. Retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such, the County does not have a retiree premium implicit rate subsidy.

Pursuant to the OPEB Plan, the Board of Supervisors has determined to provide a monthly insurance premium subsidy of \$15 (whole dollars) per year of credited service from the 401(h) account for Eligible Retired Participants participating in a County-sponsored health insurance plan. The monthly insurance premium subsidy is applied directly by the Retirement System to pay the premium and is not paid to the retiree or other party. The maximum amount paid in any month does not exceed the premium; any amount in excess of the premium is forfeited. If an Eligible Retired Participant does not participate in the County-sponsored health insurance plan, then the Retirement System reimburses the Eligible Retired Participant for other medical care expenses. The maximum monthly amount paid is \$4 (whole dollars) per year of credited service.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 (whole dollars) per month or a subsidy of \$15 (whole dollars) per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Survivors of Eligible Retired Participants (i.e., spouses and dependents) continue to receive a subsidy proportionate to their percentage of the retiree's pension benefit (if any).

### Funding Policy

The County and other participating employer plan sponsors individually determine their separate contributions to the Retirement System to fund the OPEB Plan. The County has adopted an employer contribution rate of 3.25% of covered retiree payroll.

### Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize, over fifteen years, any unfunded actuarial accrued liabilities (UAAL) which consist of current retirees, current vested terminated and current active employees.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 22. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

For the year ended June 30, 2014, the OPEB ARC was \$24,265 or 9.74% of the County's estimated annual covered payroll. This includes the normal cost of \$5,030 for the year for current active employees, and \$19,236 for UAAL amortization. The County's contribution to the OPEB Plan for the year ended June 30, 2014 was \$8,502.

The following are the components of the County's annual OPEB cost for the year ended June 30, 2014:

Annual required contribution (ARC)	\$ 24,265
Interest on net OPEB obligation	2,525
Adjustment to ARC	(6,712)
Annual OPEB cost (expense)	<u>20,078</u>
Contributions made	(8,502)
Prior year correction	103
Increase in net OPEB obligation	11,679
Net OPEB obligation - beginning of year	63,013
Net OPEB obligation - end of year	<u>\$ 74,692</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for the current year and the two preceding years, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 18,900	43%	\$ 50,266
6/30/2013	20,827	44%	63,013
6/30/2014	20,078	42%	74,692

The quantification of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the County's reporting obligations under GASB 45, as the County understands these obligations.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 22. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

### Funded Status and Funding Progress

Using the most recent actuarial valuation dated June 30, 2012, the following is the funded status of the OPEB Plan:

Actuarial accrued liability (AAL)	\$ 176,405
Actuarial value of plan assets	<u>(2,478)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 173,927</u>
Funded ratio (actuarial value of plan assets/AAL)	1.4%
Covered payroll (active plan members)	\$ 276,879
UAAL as percentage of covered payroll	62.8%

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the County's OPEB is presented as required supplementary information following the Notes to the Financial Statements. This schedule presents multiyear trend information that shows whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the AAL for benefits.

### Actuarial Methods and Assumptions

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

In the County's June 30, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of investment expenses), and an inflation assumption of 3.25%. The actuarial value of assets was determined using the market value of the assets as of the valuation date.

The OPEB Plan's unfunded AAL is being amortized as a level percentage of projected payroll on a closed basis. A closed amortization period of 15 years was established as of January 1, 2007. The remaining amortization period at June 30, 2014 was 7.5 years.

### Request for Internal Revenue Service Determination on the Continued Qualified Status of Plan and Submission to the Voluntary Correction Program

In July 2008 the County requested a determination from the Internal Revenue Service (IRS) on the continued qualified status of the Santa Barbara County Employees' Retirement System Plan (Plan) in its entirety under Section 401(a) of the Internal Revenue Code of 1986. In conjunction with this determination, the Plan was submitted for a correction through the IRS's Voluntary Compliance Program (VCP). The purpose of the submission was to correct both Plan document and operational compliance issues stemming from practices related to the funding of retiree health benefits. The submission identified the problem area, the cause of the problem, and proposed solution(s) for IRS approval; the County's proposed solution included a 401(h) plan. In September 2008 the County and Retirement System adopted a 401(h) plan to provide retiree health benefits.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 22. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

In May 2010 the County submitted a supplement to the July 2008 VCP filing to the IRS. This filing was primarily based on a report produced by the actuarial firm Mercer entitled "Contributions in Excess of the Annual Required Contribution." In this report, Mercer reviewed the historical contributions the County made to the Plan and compared them to what the Annual Required Contribution (ARC) would have been if the reserve earmarked for retiree health benefits had not been established, and those assets were included as pension valuation assets. In each fiscal year, the County's pension contribution in excess of the otherwise required ARC also exceeded the amount paid out by the Plan in retiree healthcare benefits for that year. Cumulatively, the County contributed approximately \$122,000 in excess of the otherwise required ARC for pension benefits compared to approximately \$66,000 in retiree healthcare premium payments. In response to questions from the IRS, in June 2012 the County filed a substitution for a portion of its July 2008 VCP filing, along with additional information. On October 28, 2013, the IRS made a favorable determination on the plan.

## 23. DEFERRED COMPENSATION PLANS

### Santa Barbara County Supplemental Retirement Plan

The Santa Barbara County Supplemental Retirement Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employer-only annual contributions are calculated based upon a percentage of employee compensation under annual agreements with employee bargaining groups and unions.

This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

The County's actual contributions for the current year and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Contributions</u>
6/30/2012	\$ 161
6/30/2013	161
6/30/2014	169

### County of Santa Barbara Employee Contribution Deferred Compensation Plan

The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$17,500 (in whole dollars) per calendar year, so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

# Notes to the Financial Statements

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014 ~ in thousands

## 23. DEFERRED COMPENSATION PLANS - CONTINUED

### County of Santa Barbara Social Security Compliance Deferred Compensation Plan

The Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular Retirement System are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.0% and the County's contribution equals 1.5% for a combined total of 7.5%.

This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

The County's actual contributions for the current year and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Contributions</u>
6/30/2012	\$ 93
6/30/2013	111
6/30/2014	109

## 24. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$36,741 was made to increase the governmental activities' beginning net position. The adjustment was made due to the recognition of outstanding long-term non-forgivable affordable housing loans that should have been recorded as loans receivable and related revenue in prior years.

A prior period adjustment of \$756 was made to decrease the governmental activities' beginning net position. The adjustment was made due to prior period costs related to capital outlay projects that were incorrectly classified.

A prior period adjustment of \$432 was made to increase the governmental activities' beginning net position. The adjustment was made due to a prior period maintenance expenditure item related to the replacement of an HVAC system that should have been capitalized as Land and Buildings.

The restatement of beginning net position of the governmental activities is summarized as follows:

Net position at July 1, 2013, as previously stated	\$ 712,003
Affordable Housing Loans prior period adjustments	36,741
Construction in Progress prior period adjustments	(756)
Land and Buildings prior period adjustment	432
Net position at July 1, 2013, as restated	<u>\$ 748,420</u>



# Required Supplementary Information

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# Required Supplementary Information

County of Santa Barbara ~ June 30, 2014 ~ unaudited and in thousands

## SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) ÷ (5)
6/30/2006	\$ 1,552,776	\$ 1,809,656	85.8%	\$ 256,880	\$ 287,382	89.4%
6/30/2007	1,735,489	1,987,854	87.3%	252,365	294,163	85.8%
6/30/2008	1,893,984	2,135,955	88.7%	241,971	307,264	78.8%
6/30/2009	1,705,733	2,263,862	75.3%	558,129	306,524	182.1%
6/30/2010	1,927,229	2,616,147	73.7%	688,918	306,963	224.4%
6/30/2011	2,007,859	2,749,813	73.0%	741,954	305,758	242.7%
6/30/2012	2,046,641	2,874,383	71.2%	827,742	302,114	274.0%
6/30/2013	2,150,006	2,968,134	72.4%	818,128	316,177	258.8%

\* Source: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2013.

See accompanying independent auditor's report.

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. This information is intended to help users assess the Retirement System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
2. The information presented relates to the entire Santa Barbara County Employees' Retirement System, of which the County is one participating employer, and should provide data helpful for understanding the scale of the information presented relative to the employer.

# Required Supplementary Information

County of Santa Barbara ~ June 30, 2014 ~ unaudited and in thousands

## OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2006	\$ -	\$ 132,082	\$ 132,082	0.0%	\$ 235,810	56.0%
6/30/2009	1,041	161,999	160,958	0.6%	279,494	57.6%
6/30/2010	1,875	173,944	172,069	1.1%	280,040	61.4%
6/30/2012 *	2,478	176,405	173,927	1.4%	276,879	62.8%

\*Source: Milliman, Inc. "Santa Barbara County Employees' Retirement System Actuarial Valuation of Postemployment Benefits Other than Pensions as of June 30, 2012"

See accompanying independent auditor's report.

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. This information is intended to help users assess the County's OPEB plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
2. The information presented relates solely to the County and not Santa Barbara County Employees' Retirement System as a whole.

# Nonmajor Governmental Funds

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# Nonmajor Governmental Funds

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are established to finance particular governmental activities and are financed by specific taxes or other revenues. Such funds are authorized by statutory provisions to pay for certain activities of a continuing nature. Included in the Special Revenue classification are the following funds:

### **First 5 Children and Families Commission**

As required by Proposition 10, the First 5 Children and Families Commission Fund accounts for the revenues generated by a tax on cigarettes and tobacco products. Proposition 10 revenues are deposited into the First 5 Children and Families Commission Fund, and are used to promote, support and improve the early development of children from the prenatal stage to five years of age. The funds are to be used only for projects or expenditures within the scope of Proposition 10 objectives. This fund was established during FY 98-99.

### **Fish and Game**

The Fish and Game Fund is used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Board of Supervisors authorizes expenditures on advice of the Fish and Game Commission.

### **Petroleum**

The Petroleum Fund, established pursuant to Chapter 25 of the County Code, is used to account for the revenues and expenditures associated with administering the Petroleum Ordinance. The Petroleum Ordinance regulates the issuing of oil well drilling permits. It also regulates drilling, operating and abandoning petroleum wells, pipelines, tanks and associated petroleum equipment for prevention of erosion, pollution and fire hazards and for safety controls.

### **Public and Educational Access**

The fund for Public and Educational Access was established in December 2001 by the Board of Supervisors to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are the support of education and public information through programs aimed at expanding public access and educational access to telecommunication services.

### **Special Aviation**

The Special Aviation Fund is used to account for activity related to the Santa Ynez Airport. It is funded primarily by state and federal grants for airport improvements.

### **In-Home Supportive Services (IHSS) Public Authority**

The In-Home Supportive Services Public Authority Fund was established by the Board to act as the employer of record for IHSS individual providers. As an administrative unit, it carries out functions prescribed in Welfare & Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. IHSS also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers.

### **Child Support Services**

AB 196, AB 150, and SB 542 established the Child Support Services Fund during FY 00-01 to provide separate fund accountability as required. These legislative bills mandated that all Family Support Divisions located in the District Attorney's Offices become separate and independent departments. Child Support Services establishes paternity, obtains and enforces court orders for child support, collects and distributes payments, and provides community outreach about those services for the benefit of minor children.

# Nonmajor Governmental Funds (cont'd)

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Fishermen Assistance

### Fisheries Enhancement

The Fisheries Enhancement Fund (FEF) was established to mitigate impacts to the commercial fishing industry from offshore oil and gas development. Impact fees paid by offshore energy producers, pursuant to permit conditions, supports the FEF. In early 1993, the Planning Commission approved a supplemental needs assessment that, pursuant to Board-adopted FEF Guidelines, recommends specific projects to be pursued for FEF awards.

### Local Fishermen's Contingency

The Local Fishermen's Contingency Fund is financed by County permit conditions placed upon energy projects to mitigate impacts to the commercial fishing industry. The intent of the fund is to provide an interest-free loan program to fishermen awaiting payment of claims from the Federal Fishermen's Contingency Fund. The claims are for damage or loss resulting from outer continental shelf development or production, and to reimburse fishermen for damage or loss of gear, not covered under the federal fund, which occurs in state waters because of federal or state oil and gas development, or because of oil production activities such as transport.

### Coastal Resources Enhancement

The Coastal Resources Enhancement Fund was established on May 10, 1988 to account for revenues received from offshore oil and gas projects pursuant to permit conditions, and expanded by the Board of Supervisors to projects that mitigate impacts to coastal recreation, aesthetics, tourism, and/or sensitive environmental resources.

### Court Activities

AB 2544 in FY 94-95 established the Court Activities Fund to account for the state's portion of Trial Court Funding. AB 233, adopted in FY 97-98, transferred state funding out of the County entity. This fund represents the portion of Trial Court Operations under the County's control.

### Criminal Justice Construction

The Criminal Justice Construction Fund was established to account for state authorized surcharges on criminal fines, which are statutorily designated for the establishment of adequate criminal justice facilities in the County.

### Courthouse Construction

The Courthouse Construction Fund was established to account for state authorized surcharges on fines for non-parking and other criminal cases, which are statutorily designated for renovation and/or construction of courtroom facilities.

### Inmate Welfare

The Inmate Welfare Fund was established pursuant to Penal Code Section 4025 to account for profits from the County jail store and any money attributable to the use of pay telephones. The funds are expended primarily for the benefit, education, and welfare of the inmates confined within the jail.

## SPECIAL DISTRICTS UNDER THE BOARD OF SUPERVISORS

Separate special districts have been established for the purpose of providing specific services to distinct geographical areas within the County. Those special districts that are under the jurisdiction of the Board of Supervisors are included within the Special Revenue Fund classification. These are financed principally from property taxes and benefit assessments, and are comprised of the following:

# Nonmajor Governmental Funds (cont'd)

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## County Service Areas (CSAs)

### County Service Area #3

This service area serves part of the Goleta Valley, providing extended park and open space acquisition and maintenance, enhanced library services and street lighting. It provides 1,430 streetlights and maintains approximately 535 acres of open space and 148 acres of parks. This fund also made payments for the Goleta Valley Community Center and the Santa Barbara Shores property prior to the transfer of these assets to the City of Goleta.

### County Service Area #4

This service area is located north of the City of Lompoc and serves the communities of Mission Hills and Vandenberg Village. It maintains approximately 52 acres of open space.

### County Service Area #5

This service area serves the Orcutt area south of Santa Maria, providing extended park and open space activities. Extending from Waller Park, to just south of Rice Ranch Road, CSA #5 encompasses approximately 68 acres of parkland (Waller Park) and 11 acres of open space.

### County Service Area #11

This service area embraces the unincorporated urbanized area of Carpinteria Valley and Summerland. The service area provides the community with parks and 77 streetlights.

### County Service Area #12 – Mission Canyon Sewer Service Charge

This service area was established for the purpose of assessing property owners for the ongoing maintenance of the sewer system and septic tank inspection services for those properties in the prohibition area, but not on public sewers. A separate assessment is charged to properties remaining on septic systems in order to provide septic performance tracking.

### County Service Area #31

This service area embraces the unincorporated community of Isla Vista, located west of the University of California at Santa Barbara, and provides 277 streetlights; installation, maintenance and repair of sidewalks, curbs and gutters and planting, along with maintenance and care of street trees.

### County Service Area #41

This service area was established to assess property owners of the Rancho Santa Rita Subdivision, located outside the City of Lompoc, for road repairs, maintenance and improvements.

## Community Facilities Districts (CFDs)

### Orcutt Community Facilities District

In October 2002, qualified landowners approved the formation of a CFD within the Orcutt Planning Area, located south of the City of Santa Maria. The CFD levied a special tax that may be used to finance infrastructure construction, fire and sheriff protection services, maintenance of parks, parkways and open space, and flood and storm protection services.

### Providence Landing Community Facilities District

This Mello-Roos district encompasses the Providence Landing subdivision in South Vandenberg Village and provides funding for the maintenance of a public park.

# Nonmajor Governmental Funds (cont'd)

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

## Lighting Districts

### **Mission Lighting District**

This district provides 19 streetlights in the unincorporated area of Mission Canyon, located east of the City of Santa Barbara, and is financed by property taxes and benefit assessments.

### **North County Lighting District**

Casmalia, Los Alamos, and Orcutt Lighting Districts and the lighting function of CSA #4 and #5 were consolidated in FY 94-95 to form the North County Lighting District which provides 2,764 streetlights in the North County. This district is financed by property taxes and benefit assessments.

## **Sandyland Seawall Maintenance**

This district provides for the maintenance of a seawall constructed in the Sandyland Cove area, and is financed through benefit assessments levied against those properties adjacent to that beachfront area.

## **Water Agency**

This agency prepares investigations and reports on the County's water requirements, project development, and efficient use of water. The agency provides technical assistance to other County departments, water districts, and the public concerning water availability and water well locations and design. The agency also administers the Cachuma Project and Twitchell Dam Project contracts with the U.S. Bureau of Reclamation. It is funded primarily by state grants and property tax revenue.

## **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt.

### **Santa Barbara County Finance Corporation**

The Santa Barbara County Finance Corporation Debt Service Fund accounts for the accumulation of resources for, and payment of, principal and interest incurred from the sale of Certificates of Participation and other municipal debt that is issued to finance various County capital projects.



COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2014 (in thousands)

	Special Revenue						
	First 5 Children and Families Commission	Fish and Game	Petroleum	Public & Educational Access	Special Aviation	IHSS Public Authority	Child Support Services
<b>Assets</b>							
Assets:							
Cash and investments	\$ 4,436	\$ 34	\$ 516	\$ 1,029	\$ 354	\$ 1,186	\$ 596
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	--	--	--	--	--	--
Use of money and property	5	--	1	1	--	1	1
Intergovernmental	832	--	--	--	--	1,785	334
Charges for services	--	--	--	--	--	--	--
Other	150	--	--	--	--	--	--
Other receivables	6	--	--	--	--	--	--
Restricted cash and investments	--	--	--	--	--	--	--
Total assets	<u>\$ 5,429</u>	<u>\$ 34</u>	<u>\$ 517</u>	<u>\$ 1,030</u>	<u>\$ 354</u>	<u>\$ 2,972</u>	<u>\$ 931</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable	\$ 492	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Salaries and benefits payable	106	--	22	--	--	44	473
Other payables	--	--	--	--	--	--	--
Advances from grantors and third parties	--	--	--	--	--	--	226
Due to other funds	--	--	--	--	--	--	5
Customer deposits payable	--	--	--	--	--	--	--
	<u>598</u>	<u>--</u>	<u>22</u>	<u>--</u>	<u>--</u>	<u>44</u>	<u>704</u>
Fund balances:							
Nonspendable	6	--	--	--	--	--	--
Restricted	4,825	34	495	1,030	354	368	227
Committed	--	--	--	--	--	2,560	--
	<u>4,831</u>	<u>34</u>	<u>495</u>	<u>1,030</u>	<u>354</u>	<u>2,928</u>	<u>227</u>
Total liabilities and fund balances	<u>\$ 5,429</u>	<u>\$ 34</u>	<u>\$ 517</u>	<u>\$ 1,030</u>	<u>\$ 354</u>	<u>\$ 2,972</u>	<u>\$ 931</u>

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

Special Revenue							
Fishermen Assistance	Coastal Resources Enhancement	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	County Service Areas	
\$ 410	\$ 1,121	\$ 1,362	\$ --	\$ 924	\$ 1,182	\$ 3,119	<b>Assets</b>
--	--	483	72	72	--	--	Assets:
--	1	123	--	1	1	3	Cash and investments
--	--	--	--	--	--	--	Accounts receivable, net:
--	--	255	--	--	--	--	Fines, forfeitures, and penalties
--	--	--	--	--	--	--	Use of money and property
--	--	--	--	--	--	1	Intergovernmental
--	--	--	--	--	--	--	Charges for services
--	--	--	--	--	--	--	Other
--	--	--	--	--	--	--	Other receivables
--	--	--	--	--	--	--	Restricted cash and investments
<u>\$ 410</u>	<u>\$ 1,122</u>	<u>\$ 2,223</u>	<u>\$ 72</u>	<u>\$ 997</u>	<u>\$ 1,183</u>	<u>\$ 3,123</u>	Total assets
							<b>Liabilities and fund balances</b>
\$ --	\$ --	\$ 1,054	\$ --	\$ --	\$ --	\$ --	Liabilities:
--	--	--	--	--	31	--	Accounts payable
--	--	--	2	1	--	--	Salaries and benefits payable
--	--	--	--	--	--	--	Other payables
--	--	--	43	--	--	--	Advances from grantors and third parties
--	--	--	--	--	--	--	Due to other funds
--	--	--	--	--	--	--	Customer deposits payable
--	--	<u>1,054</u>	<u>45</u>	<u>1</u>	<u>31</u>	<u>--</u>	Total liabilities
--	--	--	--	--	--	1	Fund balances:
410	1,122	227	26	986	1,152	3,122	Nonspendable
--	--	942	1	10	--	--	Restricted
410	1,122	<u>1,169</u>	<u>27</u>	<u>996</u>	<u>1,152</u>	<u>3,123</u>	Committed
<u>\$ 410</u>	<u>\$ 1,122</u>	<u>\$ 2,223</u>	<u>\$ 72</u>	<u>\$ 997</u>	<u>\$ 1,183</u>	<u>\$ 3,123</u>	Total fund balances
							Total liabilities and fund balances

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING BALANCE SHEET (Continued)  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2014 (in thousands)

	Special Revenue				Special Revenue Total	Debt Service	Total Nonmajor Governmental Funds
	Community Facilities Districts	Lighting Districts	Sandyland Seawall Maintenance	Water Agency		Santa Barbara County Finance Corporation	
<b>Assets</b>							
Assets:							
Cash and investments	\$ 570	\$ 511	\$ 31	\$ 6,732	\$ 24,113	\$ 218	\$ 24,331
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	--	--	--	627	--	627
Use of money and property	1	1	--	7	147	--	147
Intergovernmental	--	--	--	--	2,951	--	2,951
Charges for services	--	--	--	--	255	--	255
Other	--	--	--	--	150	--	150
Other receivables	--	--	--	22	29	--	29
Restricted cash and investments	--	--	--	15	15	2,668	2,683
<b>Total assets</b>	<b>\$ 571</b>	<b>\$ 512</b>	<b>\$ 31</b>	<b>\$ 6,776</b>	<b>\$ 28,287</b>	<b>\$ 2,886</b>	<b>\$ 31,173</b>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable	\$ --	\$ --	\$ --	\$ 77	\$ 1,623	\$ --	\$ 1,623
Salaries and benefits payable	--	--	--	60	736	--	736
Other payables	--	--	--	--	3	--	3
Advances from grantors and third parties	--	--	--	--	226	--	226
Due to other funds	--	--	--	--	48	--	48
Customer deposits payable	--	--	--	15	15	--	15
<b>Total liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>152</b>	<b>2,651</b>	<b>--</b>	<b>2,651</b>
Fund balances:							
Nonspendable	--	--	--	22	29	--	29
Restricted	571	512	31	5,978	21,470	2,886	24,356
Committed	--	--	--	624	4,137	--	4,137
<b>Total fund balances</b>	<b>571</b>	<b>512</b>	<b>31</b>	<b>6,624</b>	<b>25,636</b>	<b>2,886</b>	<b>28,522</b>
<b>Total liabilities and fund balances</b>	<b>\$ 571</b>	<b>\$ 512</b>	<b>\$ 31</b>	<b>\$ 6,776</b>	<b>\$ 28,287</b>	<b>\$ 2,886</b>	<b>\$ 31,173</b>

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



COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Special Revenue						
	First 5 Children and Families Commission	Fish and Game	Petroleum	Public & Educational Access	Special Aviation	IHSS Public Authority	Child Support Services
<b>Revenues</b>							
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits, and franchises	--	--	45	--	--	--	--
Fines, forfeitures, and penalties	--	10	--	--	--	--	--
Use of money and property	36	--	3	8	1	3	6
Intergovernmental	4,224	--	--	--	233	7,310	9,436
Charges for services	--	--	389	--	--	--	--
Other	776	--	--	--	--	167	--
Total revenues	<u>5,036</u>	<u>10</u>	<u>437</u>	<u>8</u>	<u>234</u>	<u>7,480</u>	<u>9,442</u>
<b>Expenditures</b>							
Current:							
Public safety	--	--	--	--	--	--	--
Health & public assistance	4,997	--	--	--	--	8,042	9,453
Community resources & public facilities	--	4	424	--	--	--	--
General government & support services	--	--	--	--	208	--	--
General county programs	--	--	--	57	--	--	--
Debt service:							
Principal	1	--	--	--	--	--	--
Interest	1	--	--	--	--	--	--
Total expenditures	<u>4,999</u>	<u>4</u>	<u>424</u>	<u>57</u>	<u>208</u>	<u>8,042</u>	<u>9,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37</u>	<u>6</u>	<u>13</u>	<u>(49)</u>	<u>26</u>	<u>(562)</u>	<u>(11)</u>
<b>Other financing sources (uses)</b>							
Transfers in	--	--	25	--	--	2,202	16
Transfers out	(32)	--	--	--	--	--	--
Total other financing sources (uses)	<u>(32)</u>	<u>--</u>	<u>25</u>	<u>--</u>	<u>--</u>	<u>2,202</u>	<u>16</u>
Net change in fund balances	5	6	38	(49)	26	1,640	5
Fund balances - beginning	4,826	28	457	1,079	328	1,288	222
Fund balances - ending	<u>\$ 4,831</u>	<u>\$ 34</u>	<u>\$ 495</u>	<u>\$ 1,030</u>	<u>\$ 354</u>	<u>\$ 2,928</u>	<u>\$ 227</u>

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

Special Revenue							
Fishermen Assistance	Coastal Resources Enhancement	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	County Service Areas	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,176	<b>Revenues</b>
--	--	--	--	--	--	--	Taxes
--	--	2,557	861	862	--	--	Licenses, permits, and franchises
3	7	246	(1)	7	652	20	Fines, forfeitures, and penalties
--	--	--	--	--	--	270	Use of money and property
--	--	3,613	--	--	--	901	Intergovernmental
10	676	1,313	--	--	574	--	Charges for services
13	683	7,729	860	869	1,226	2,367	Other
							Total revenues
							<b>Expenditures</b>
							Current:
--	--	15,267	--	--	892	--	Public safety
--	--	--	--	--	--	--	Health & public assistance
13	486	--	--	--	--	1,050	Community resources & public facilities
--	--	--	--	--	--	--	General government & support services
--	--	--	--	--	--	--	General county programs
							Debt service:
--	--	--	--	--	--	--	Principal
--	--	--	--	--	--	--	Interest
13	486	15,267	--	--	892	1,050	Total expenditures
							Excess (deficiency) of revenues over (under) expenditures
--	197	(7,538)	860	869	334	1,317	
							<b>Other financing sources (uses)</b>
--	--	8,537	191	--	--	--	Transfers in
--	--	--	(1,025)	(968)	--	(843)	Transfers out
--	--	8,537	(834)	(968)	--	(843)	Total other financing sources (uses)
							Net change in fund balances
--	197	999	26	(99)	334	474	
410	925	170	1	1,095	818	2,649	Fund balances - beginning
\$ 410	\$ 1,122	\$ 1,169	\$ 27	\$ 996	\$ 1,152	\$ 3,123	Fund balances - ending

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Special Revenue				Special Revenue Total	Debt Service	Total Nonmajor Governmental Funds
	Community Facilities Districts	Lighting Districts	Sandyland Seawall Maintenance	Water Agency		Santa Barbara County Finance Corporation	
<b>Revenues</b>							
Taxes	\$ 434	\$ 409	\$ --	\$ 2,411	\$ 4,430	\$ --	\$ 4,430
Licenses, permits, and franchises	--	--	--	--	45	--	45
Fines, forfeitures, and penalties	--	--	--	--	4,290	--	4,290
Use of money and property	5	3	--	45	1,044	52	1,096
Intergovernmental	--	3	--	2,431	23,907	1,382	25,289
Charges for services	--	--	--	115	5,018	--	5,018
Other	--	--	1	--	3,517	2	3,519
Total revenues	439	415	1	5,002	42,251	1,436	43,687
<b>Expenditures</b>							
Current:							
Public safety	--	--	--	--	16,159	--	16,159
Health & public assistance	--	--	--	--	22,492	--	22,492
Community resources & public facilities	17	318	5	4,676	6,993	--	6,993
General government & support services	--	--	--	--	208	--	208
General county programs	--	--	--	--	57	13	70
Debt service:							
Principal	--	--	--	--	1	4,411	4,412
Interest	--	--	--	--	1	2,600	2,601
Total expenditures	17	318	5	4,676	45,911	7,024	52,935
Excess (deficiency) of revenues over (under) expenditures	422	97	(4)	326	(3,660)	(5,588)	(9,248)
<b>Other financing sources (uses)</b>							
Transfers in	19	--	--	605	11,595	5,620	17,215
Transfers out	(210)	--	--	(279)	(3,357)	--	(3,357)
Total other financing sources (uses)	(191)	--	--	326	8,238	5,620	13,858
Net change in fund balances	231	97	(4)	652	4,578	32	4,610
Fund balances - beginning	340	415	35	5,972	21,058	2,854	23,912
Fund balances - ending	\$ 571	\$ 512	\$ 31	\$ 6,624	\$ 25,636	\$ 2,886	\$ 28,522

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



COUNTY OF SANTA BARBARA, CALIFORNIA  
 FIRST 5 CHILDREN AND FAMILIES COMMISSION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 30	\$ 30	\$ 36	\$ 6
Intergovernmental	3,929	3,929	4,224	295
Other	401	535	776	241
Total revenues	<u>4,360</u>	<u>4,494</u>	<u>5,036</u>	<u>542</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	5,086	5,388	4,997	391
Debt service:				
Principal	--	--	1	(1)
Interest	--	--	1	(1)
Total expenditures	<u>5,086</u>	<u>5,388</u>	<u>4,999</u>	<u>389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(726)</u>	<u>(894)</u>	<u>37</u>	<u>931</u>
<b>Other financing uses</b>				
Transfers out	<u>(2)</u>	<u>(32)</u>	<u>(32)</u>	<u>--</u>
Total other financing uses	<u>(2)</u>	<u>(32)</u>	<u>(32)</u>	<u>--</u>
Net change in fund balances	(728)	(926)	5	931
Fund balances - beginning	4,826	4,826	4,826	--
Fund balances - ending	<u>\$ 4,098</u>	<u>\$ 3,900</u>	<u>\$ 4,831</u>	<u>\$ 931</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FISH AND GAME SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 6	\$ 6	\$ 10	\$ 4
Total revenues	6	6	10	4
<b>Expenditures</b>				
Current:				
Community resources & public facilities	12	12	4	8
Total expenditures	12	12	4	8
Excess (deficiency) of revenues over (under) expenditures	(6)	(6)	6	12
Net change in fund balances	(6)	(6)	6	12
Fund balances - beginning	28	28	28	--
Fund balances - ending	\$ 22	\$ 22	\$ 34	\$ 12

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 PETROLEUM SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses, permits, and franchises	\$ 41	\$ 41	\$ 45	\$ 4
Use of money and property	3	3	3	--
Charges for services	358	358	389	31
Total revenues	<u>402</u>	<u>402</u>	<u>437</u>	<u>35</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	531	531	424	107
Total expenditures	<u>531</u>	<u>531</u>	<u>424</u>	<u>107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(129)</u>	<u>(129)</u>	<u>13</u>	<u>142</u>
<b>Other financing sources</b>				
Transfers in	25	25	25	--
Total other financing sources	<u>25</u>	<u>25</u>	<u>25</u>	<u>--</u>
Net change in fund balances	(104)	(104)	38	142
Fund balances - beginning	457	457	457	--
Fund balances - ending	<u>\$ 353</u>	<u>\$ 353</u>	<u>\$ 495</u>	<u>\$ 142</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
PUBLIC AND EDUCATIONAL ACCESS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ --	\$ 7	\$ 8	\$ 1
Total revenues	<u>--</u>	<u>7</u>	<u>8</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
General county programs	57	57	57	--
Total expenditures	<u>57</u>	<u>57</u>	<u>57</u>	<u>--</u>
Deficiency of revenues under expenditures	(57)	(50)	(49)	1
Net change in fund balances	(57)	(50)	(49)	1
Fund balances - beginning	1,079	1,079	1,079	--
Fund balances - ending	<u>\$ 1,022</u>	<u>\$ 1,029</u>	<u>\$ 1,030</u>	<u>\$ 1</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
SPECIAL AVIATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 1	\$ 1	\$ 1	\$ --
Intergovernmental	826	982	233	(749)
Total revenues	<u>827</u>	<u>983</u>	<u>234</u>	<u>(749)</u>
<b>Expenditures</b>				
Current:				
General government & support services	819	956	208	748
Total expenditures	<u>819</u>	<u>956</u>	<u>208</u>	<u>748</u>
Excess of revenues over expenditures	<u>8</u>	<u>27</u>	<u>26</u>	<u>(1)</u>
Net change in fund balances	8	27	26	(1)
Fund balances - beginning	328	328	328	--
Fund balances - ending	<u>\$ 336</u>	<u>\$ 355</u>	<u>\$ 354</u>	<u>\$ (1)</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 IN-HOME SUPPORTIVE SERVICES (IHSS) PUBLIC AUTHORITY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ --	\$ --	\$ 3	\$ 3
Intergovernmental	5,717	6,480	7,310	830
Other	208	208	167	(41)
Total revenues	<u>5,925</u>	<u>6,688</u>	<u>7,480</u>	<u>792</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	7,797	8,987	8,042	945
Total expenditures	<u>7,797</u>	<u>8,987</u>	<u>8,042</u>	<u>945</u>
Deficiency of revenues under expenditures	<u>(1,872)</u>	<u>(2,299)</u>	<u>(562)</u>	<u>1,737</u>
<b>Other financing sources</b>				
Transfers in	1,813	2,239	2,202	(37)
Total other financing sources	<u>1,813</u>	<u>2,239</u>	<u>2,202</u>	<u>(37)</u>
Net change in fund balances	(59)	(60)	1,640	1,700
Fund balances - beginning	1,288	1,288	1,288	--
Fund balances - ending	<u>\$ 1,229</u>	<u>\$ 1,228</u>	<u>\$ 2,928</u>	<u>\$ 1,700</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
CHILD SUPPORT SERVICES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 4	\$ 4	\$ 6	\$ 2
Intergovernmental	9,426	9,471	9,436	(35)
Total revenues	9,430	9,475	9,442	(33)
<b>Expenditures</b>				
Current:				
Health & public assistance	9,430	9,526	9,453	73
Total expenditures	9,430	9,526	9,453	73
Deficiency of revenues under expenditures	--	(51)	(11)	40
<b>Other financing sources</b>				
Transfers in	--	16	16	--
Total other financing sources	--	16	16	--
Net change in fund balances	--	(35)	5	40
Fund balances - beginning	222	222	222	--
Fund balances - ending	\$ 222	\$ 187	\$ 227	\$ 40

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FISHERMEN ASSISTANCE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 2	\$ 2	\$ 3	\$ 1
Other	10	10	10	--
Total revenues	<u>12</u>	<u>12</u>	<u>13</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	29	34	13	21
Total expenditures	<u>29</u>	<u>34</u>	<u>13</u>	<u>21</u>
Deficiency of revenues under expenditures	<u>(17)</u>	<u>(22)</u>	<u>--</u>	<u>22</u>
Net change in fund balances	(17)	(22)	--	22
Fund balances - beginning	410	410	410	--
Fund balances - ending	<u>\$ 393</u>	<u>\$ 388</u>	<u>\$ 410</u>	<u>\$ 22</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COASTAL RESOURCES ENHANCEMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 5	\$ 5	\$ 7	\$ 2
Other	675	675	676	1
Total revenues	<u>680</u>	<u>680</u>	<u>683</u>	<u>3</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	607	607	486	121
Total expenditures	<u>607</u>	<u>607</u>	<u>486</u>	<u>121</u>
Excess of revenues over expenditures	<u>73</u>	<u>73</u>	<u>197</u>	<u>124</u>
Net change in fund balances	73	73	197	124
Fund balances - beginning	925	925	925	--
Fund balances - ending	<u>\$ 998</u>	<u>\$ 998</u>	<u>\$ 1,122</u>	<u>\$ 124</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COURT ACTIVITIES SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 1,872	\$ 2,097	\$ 2,557	\$ 460
Use of money and property	7	148	246	98
Charges for services	3,557	3,557	3,613	56
Other	1,248	1,248	1,313	65
Total revenues	<u>6,684</u>	<u>7,050</u>	<u>7,729</u>	<u>679</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>15,228</u>	<u>15,368</u>	<u>15,267</u>	<u>101</u>
Total expenditures	<u>15,228</u>	<u>15,368</u>	<u>15,267</u>	<u>101</u>
Deficiency of revenues under expenditures	<u>(8,544)</u>	<u>(8,318)</u>	<u>(7,538)</u>	<u>780</u>
<b>Other financing sources</b>				
Transfers in	<u>8,537</u>	<u>8,537</u>	<u>8,537</u>	<u>--</u>
Total other financing sources	<u>8,537</u>	<u>8,537</u>	<u>8,537</u>	<u>--</u>
Net change in fund balances	(7)	219	999	780
Fund balances - beginning	170	170	170	--
Fund balances - ending	<u>\$ 163</u>	<u>\$ 389</u>	<u>\$ 1,169</u>	<u>\$ 780</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CRIMINAL JUSTICE CONSTRUCTION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 950	\$ 860	\$ 861	\$ 1
Use of money and property	--	--	(1)	(1)
Total revenues	<u>950</u>	<u>860</u>	<u>860</u>	<u>--</u>
<b>Expenditures</b>				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues over expenditures	<u>950</u>	<u>860</u>	<u>860</u>	<u>--</u>
<b>Other financing sources (uses)</b>				
Transfers in	75	191	191	--
Transfers out	(1,025)	(1,025)	(1,025)	--
Total other financing uses	<u>(950)</u>	<u>(834)</u>	<u>(834)</u>	<u>--</u>
Net change in fund balances	--	26	26	--
Fund balances - beginning	<u>1</u>	<u>1</u>	<u>1</u>	<u>--</u>
Fund balances - ending	<u>\$ 1</u>	<u>\$ 27</u>	<u>\$ 27</u>	<u>\$ --</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COURTHOUSE CONSTRUCTION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 950	\$ 950	\$ 862	\$ (88)
Use of money and property	4	4	7	3
Total revenues	<u>954</u>	<u>954</u>	<u>869</u>	<u>(85)</u>
<b>Expenditures</b>				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues over expenditures	<u>954</u>	<u>954</u>	<u>869</u>	<u>(85)</u>
<b>Other financing uses</b>				
Transfers out	<u>(968)</u>	<u>(968)</u>	<u>(968)</u>	<u>--</u>
Total other financing uses	<u>(968)</u>	<u>(968)</u>	<u>(968)</u>	<u>--</u>
Net change in fund balances	(14)	(14)	(99)	(85)
Fund balances - beginning	1,095	1,095	1,095	--
Fund balances - ending	<u>\$ 1,081</u>	<u>\$ 1,081</u>	<u>\$ 996</u>	<u>\$ (85)</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 INMATE WELFARE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 575	\$ 577	\$ 652	\$ 75
Other	496	496	574	78
Total revenues	<u>1,071</u>	<u>1,073</u>	<u>1,226</u>	<u>153</u>
<b>Expenditures</b>				
Current:				
Public safety	1,175	1,176	892	284
Total expenditures	<u>1,175</u>	<u>1,176</u>	<u>892</u>	<u>284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(104)</u>	<u>(103)</u>	<u>334</u>	<u>437</u>
Net change in fund balances	(104)	(103)	334	437
Fund balances - beginning	818	818	818	--
Fund balances - ending	<u>\$ 714</u>	<u>\$ 715</u>	<u>\$ 1,152</u>	<u>\$ 437</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
COUNTY SERVICE AREAS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,161	\$ 1,166	\$ 1,176	\$ 10
Use of money and property	11	11	20	9
Intergovernmental	6	281	270	(11)
Charges for services	874	874	901	27
Total revenues	<u>2,052</u>	<u>2,332</u>	<u>2,367</u>	<u>35</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>1,106</u>	<u>1,153</u>	<u>1,050</u>	<u>103</u>
Total expenditures	<u>1,106</u>	<u>1,153</u>	<u>1,050</u>	<u>103</u>
Excess of revenues over expenditures	<u>946</u>	<u>1,179</u>	<u>1,317</u>	<u>138</u>
<b>Other financing uses</b>				
Transfers out	<u>(913)</u>	<u>(955)</u>	<u>(843)</u>	<u>112</u>
Total other financing uses	<u>(913)</u>	<u>(955)</u>	<u>(843)</u>	<u>112</u>
Net change in fund balances	33	224	474	250
Fund balances - beginning	2,649	2,649	2,649	--
Fund balances - ending	<u>\$ 2,682</u>	<u>\$ 2,873</u>	<u>\$ 3,123</u>	<u>\$ 250</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
COMMUNITY FACILITIES DISTRICTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 349	\$ 349	\$ 434	\$ 85
Use of money and property	4	4	5	1
Total revenues	<u>353</u>	<u>353</u>	<u>439</u>	<u>86</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	14	30	17	13
Total expenditures	<u>14</u>	<u>30</u>	<u>17</u>	<u>13</u>
Excess of revenues over expenditures	<u>339</u>	<u>323</u>	<u>422</u>	<u>99</u>
<b>Other financing sources (uses)</b>				
Transfers in	--	20	19	(1)
Transfers out	(348)	(348)	(210)	138
Total other financing uses	<u>(348)</u>	<u>(328)</u>	<u>(191)</u>	<u>137</u>
Net change in fund balances	(9)	(5)	231	236
Fund balances - beginning	340	340	340	--
Fund balances - ending	<u>\$ 331</u>	<u>\$ 335</u>	<u>\$ 571</u>	<u>\$ 236</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 LIGHTING DISTRICTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 401	\$ 401	\$ 409	\$ 8
Use of money and property	1	1	3	2
Intergovernmental	3	3	3	--
Total revenues	<u>405</u>	<u>405</u>	<u>415</u>	<u>10</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	410	410	318	92
Total expenditures	<u>410</u>	<u>410</u>	<u>318</u>	<u>92</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5)</u>	<u>(5)</u>	<u>97</u>	<u>102</u>
Net change in fund balances	(5)	(5)	97	102
Fund balances - beginning	415	415	415	--
Fund balances - ending	<u>\$ 410</u>	<u>\$ 410</u>	<u>\$ 512</u>	<u>\$ 102</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
SANDYLAND SEAWALL MAINTENANCE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Other	\$ --	\$ --	\$ 1	\$ 1
Total revenues	<u>--</u>	<u>--</u>	<u>1</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	5	5	5	--
Total expenditures	<u>5</u>	<u>5</u>	<u>5</u>	<u>--</u>
Deficiency of revenues under expenditures	<u>(5)</u>	<u>(5)</u>	<u>(4)</u>	<u>1</u>
Net change in fund balances	(5)	(5)	(4)	1
Fund balances - beginning	35	35	35	--
Fund balances - ending	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 31</u>	<u>\$ 1</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
WATER AGENCY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,220	\$ 2,223	\$ 2,411	\$ 188
Use of money and property	20	20	45	25
Intergovernmental	1,043	3,743	2,431	(1,312)
Charges for services	119	101	115	14
Total revenues	<u>3,402</u>	<u>6,087</u>	<u>5,002</u>	<u>(1,085)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>4,098</u>	<u>6,929</u>	<u>4,676</u>	<u>2,253</u>
Total expenditures	<u>4,098</u>	<u>6,929</u>	<u>4,676</u>	<u>2,253</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(696)</u>	<u>(842)</u>	<u>326</u>	<u>1,168</u>
<b>Other financing sources (uses)</b>				
Transfers in	605	605	605	--
Transfers out	<u>(279)</u>	<u>(279)</u>	<u>(279)</u>	<u>--</u>
Total other financing sources	<u>326</u>	<u>326</u>	<u>326</u>	<u>--</u>
Net change in fund balances	(370)	(516)	652	1,168
Fund balances - beginning	<u>5,972</u>	<u>5,972</u>	<u>5,972</u>	<u>--</u>
Fund balances - ending	<u>\$ 5,602</u>	<u>\$ 5,456</u>	<u>\$ 6,624</u>	<u>\$ 1,168</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
SANTA BARBARA COUNTY FINANCE CORPORATION DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 50	\$ 50	\$ 52	\$ 2
Intergovernmental	1,385	1,383	1,382	(1)
Other	--	--	2	2
Total revenues	<u>1,435</u>	<u>1,433</u>	<u>1,436</u>	<u>3</u>
<b>Expenditures</b>				
Current:				
General county programs	17	15	13	2
Debt service:				
Principal	4,411	4,411	4,411	--
Interest	2,600	2,600	2,600	--
Total expenditures	<u>7,028</u>	<u>7,026</u>	<u>7,024</u>	<u>2</u>
Deficiency of revenues under expenditures	<u>(5,593)</u>	<u>(5,593)</u>	<u>(5,588)</u>	<u>5</u>
<b>Other financing sources</b>				
Transfers in	<u>5,642</u>	<u>5,642</u>	<u>5,620</u>	<u>(22)</u>
Total other financing sources	<u>5,642</u>	<u>5,642</u>	<u>5,620</u>	<u>(22)</u>
Net change in fund balances	49	49	32	(17)
Fund balances - beginning	<u>2,854</u>	<u>2,854</u>	<u>2,854</u>	<u>--</u>
Fund balances - ending	<u>\$ 2,903</u>	<u>\$ 2,903</u>	<u>\$ 2,886</u>	<u>\$ (17)</u>

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

# Internal Service Funds

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# Internal Service Funds

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

The following funds are established to account for services furnished to the County and various other governmental agencies. They are exempt from legal compliance for budgetary control and follow commercial accounting principles for a determination of operating, rather than budgetary, results. Their major source of revenue consists of charges to user departments for services rendered. These charges are based upon standard rates calculated on an estimated cost recovery basis. A more detailed description of the funds established and used by the County follows:

## **INFORMATION TECHNOLOGY SERVICES**

This fund provides enterprise information technology services to County departments and various other governmental agencies. Four lines of service are supported: Network and Security, Infrastructure, Desktop Support, and Enterprise Applications. Costs are allocated to all users based upon utilization factors for each service and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

## **VEHICLE OPERATIONS AND MAINTENANCE**

This fund provides for the maintenance, servicing and repair of County vehicles. Rental rates, which include the cost of gas, oil, maintenance, replacement of equipment and personnel costs, are charged to the user department to support the vehicle program. Vehicles are replaced based on mileage and age criteria which varies per class of vehicle; new additions to the vehicle fleet are provided through the Garage Equipment and Motor Pool budgets of the General Fund and through contributions from other funds.

## **RISK MANAGEMENT AND INSURANCE**

This column combines the County's five self-insurance funds: Dental, Unemployment, Workers' Compensation, General Liability, and Medical Malpractice.

### **Dental Self-Insurance**

This fund provides for the payment of dental expenses incurred by County employees, eligible dependents and retirees who are part of the self-funded plan. This fund does not account for employees or retirees on the Dental Net, Prudential or Firefighter health plans. Professional administrators process all claims and make payments to claimants based on a payment schedule of medical and dental benefits. The fund reimburses the claims administrator for the payment of claims plus a fee for administration and participation in a prescription drug program. Additionally, the County contracts with a preferred provider organization for reduced fees from member dental service providers, physicians, and other specialists. The County contributes towards the cost of employee coverage through departmental budgets; the employee pays any remaining employee or dependent coverage.

### **Unemployment Self-Insurance**

State law requires the County to maintain unemployment insurance. The County has elected to be self-insured and has established this fund for the payment of unemployment insurance claims by County employees, which have been processed and approved by the State Employment Development Department. Each department has been charged a percentage of its gross payroll for the establishment of a general reserve for this program and to provide for claim payments.

### **Workers' Compensation Self-Insurance**

This fund provides for investigation services, temporary disability and medical payments, excess insurance, permanent disability awards, administrative services, litigation costs, and safety services. Premiums based on employee worker classifications are charged to each department to maintain actuarially recommended reserves for claims proportionate to current industry rates applicable to job functions.

## Internal Service Funds (cont'd)

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

### **General Liability Self-Insurance**

This fund provides for payment of self-insured general liability and automobile liability claims, excess insurance, claims adjusting services, litigation costs, and administrative services. Contributions are made by participating County departments and funds based on past claims experience and appropriate risk factors.

### **Medical Malpractice Self-Insurance**

This fund provides for the payment of self-insured medical malpractice and general liability claims, excess insurance, claim investigation services, and litigation costs. Contributions are made by covered participating County departments and are based on allocation of expenses by past claims experience and appropriate risk factor.

### **COMMUNICATIONS SERVICES**

This fund provides communication services to County departments and various other governmental agencies. Telephone, Radio and Audio-Visual Systems are maintained. Costs are billed from a standard price schedule which is periodically adjusted to reflect cost changes and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

### **UTILITIES**

This fund provides for payment of County-wide utility costs. Utility costs are allocated to various County departments based on their energy consumption. Charging County departments for their energy usage fosters awareness and accountability related to energy costs and savings.

COUNTY OF SANTA BARBARA, CALIFORNIA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
June 30, 2014 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations Services	Utilities	Total
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 4,653	\$ 16,108	\$ 32,532	\$ 7,111	\$ 865	\$ 61,269
Accounts receivable, net:						
Use of money and property	6	16	32	8	1	63
Charges for services	--	--	332	--	14	346
Other	--	--	--	--	36	36
Inventories	--	186	--	110	--	296
Prepaid items	--	--	25	--	--	25
Total current assets	<u>4,659</u>	<u>16,310</u>	<u>32,921</u>	<u>7,229</u>	<u>916</u>	<u>62,035</u>
Noncurrent assets:						
Other receivables	--	--	222	--	948	1,170
Restricted cash and investments (Note 5)	--	10	--	--	28	38
Capital assets, net of						
accumulated depreciation/amortization (Note 7)	3,300	15,705	5	2,847	3,496	25,353
Total noncurrent assets	<u>3,300</u>	<u>15,715</u>	<u>227</u>	<u>2,847</u>	<u>4,472</u>	<u>26,561</u>
Total assets	<u>7,959</u>	<u>32,025</u>	<u>33,148</u>	<u>10,076</u>	<u>5,388</u>	<u>88,596</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	11	216	467	9	120	823
Salaries and benefits payable	241	120	49	62	16	488
Other payables	--	--	--	--	31	31
Compensated absences (Note 10)	243	106	39	65	15	468
Notes payable (Note 13)	--	--	--	--	330	330
Liability for self-insurance claims	--	--	7,975	--	--	7,975
Total current liabilities	<u>495</u>	<u>442</u>	<u>8,530</u>	<u>136</u>	<u>512</u>	<u>10,115</u>
Noncurrent liabilities:						
Compensated absences (Note 10)	141	57	37	23	11	269
Notes payable (Note 13)	--	--	--	--	4,260	4,260
Liability for self-insurance claims	--	--	20,442	--	--	20,442
OPEB obligation (Note 10)	608	325	198	189	21	1,341
Total noncurrent liabilities	<u>749</u>	<u>382</u>	<u>20,677</u>	<u>212</u>	<u>4,292</u>	<u>26,312</u>
Total liabilities	<u>1,244</u>	<u>824</u>	<u>29,207</u>	<u>348</u>	<u>4,804</u>	<u>36,427</u>
<b>Net position</b>						
Net investment in capital assets	3,300	15,705	5	2,847	(1,066)	20,791
Unrestricted	3,415	15,496	3,936	6,881	1,650	31,378
Total net position	<u>\$ 6,715</u>	<u>\$ 31,201</u>	<u>\$ 3,941</u>	<u>\$ 9,728</u>	<u>\$ 584</u>	<u>\$ 52,169</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations Services	Utilities	Total
<b>Operating revenues</b>						
Charges for sales and services	\$ 6,664	\$ 10,589	\$ 24,846	\$ 3,427	\$ 5,112	\$ 50,638
Self-insurance recovery	--	--	4,142	--	--	4,142
Other operating revenues	6	29	51	44	--	130
Total operating revenues	<u>6,670</u>	<u>10,618</u>	<u>29,039</u>	<u>3,471</u>	<u>5,112</u>	<u>54,910</u>
<b>Operating expenses</b>						
Salaries and benefits	3,740	2,009	928	1,119	249	8,045
Services and supplies	1,510	5,730	14,154	1,623	4,918	27,935
Self-insurance claims	--	--	10,662	--	--	10,662
Contractual services	14	28	137	224	115	518
Depreciation and amortization	749	2,585	2	270	250	3,856
County overhead allocation	117	87	(23)	12	18	211
Total operating expenses	<u>6,130</u>	<u>10,439</u>	<u>25,860</u>	<u>3,248</u>	<u>5,550</u>	<u>51,227</u>
Operating income (loss)	<u>540</u>	<u>179</u>	<u>3,179</u>	<u>223</u>	<u>(438)</u>	<u>3,683</u>
<b>Non-operating revenues (expenses)</b>						
Use of money and property	37	116	210	204	3	570
Interest expense	--	--	--	--	(194)	(194)
Gain on sale of capital assets	15	191	--	--	--	206
Other non-operating revenues	24	2	8	5	669	708
Total non-operating revenues (expenses)	<u>76</u>	<u>309</u>	<u>218</u>	<u>209</u>	<u>478</u>	<u>1,290</u>
Income before transfers	<u>616</u>	<u>488</u>	<u>3,397</u>	<u>432</u>	<u>40</u>	<u>4,973</u>
Transfers in	40	353	--	--	--	393
Transfers out	--	(149)	--	(30)	--	(179)
Transfers in (out), net	<u>40</u>	<u>204</u>	<u>--</u>	<u>(30)</u>	<u>--</u>	<u>214</u>
Change in net position	656	692	3,397	402	40	5,187
Total net position - beginning	6,059	30,509	544	9,326	544	46,982
Total net position - ending	<u>\$ 6,715</u>	<u>\$ 31,201</u>	<u>\$ 3,941</u>	<u>\$ 9,728</u>	<u>\$ 584</u>	<u>\$ 52,169</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations Services	Utilities	Total
<b>Cash flows from operating activities</b>						
Receipts from interfund services provided	\$ 6,670	\$ 10,618	\$ 25,664	\$ 3,471	\$ 5,484	\$ 51,907
Receipts from self-insurance recovery	--	--	4,142	--	--	4,142
Payments to employees	(3,575)	(1,920)	(877)	(1,083)	(226)	(7,681)
Payments to suppliers	(1,752)	(5,530)	(15,567)	(1,841)	(4,943)	(29,633)
Payments for self-insurance claims	--	--	(13,244)	--	--	(13,244)
County overhead allocation						
payments to the General Fund	(117)	(87)	23	(12)	(18)	(211)
Other receipts	24	--	8	5	514	551
Net cash provided by operating activities	<u>1,250</u>	<u>3,081</u>	<u>149</u>	<u>540</u>	<u>811</u>	<u>5,831</u>
<b>Cash flows from noncapital financing activities</b>						
Transfers from other funds	40	353	--	--	--	393
Transfers to other funds	--	(149)	--	(30)	--	(179)
Net cash provided (used) by noncapital financing activities	<u>40</u>	<u>204</u>	<u>--</u>	<u>(30)</u>	<u>--</u>	<u>214</u>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(1,627)	(3,635)	--	(1,528)	--	(6,790)
Proceeds from sales of capital assets	15	340	--	--	--	355
Principal paid on bonds and notes payable	--	--	--	--	(330)	(330)
Interest paid on bonds and notes payable	--	--	--	--	(194)	(194)
Federal interest subsidy on bonds payable	--	--	--	--	155	155
Net cash used by capital and related financing activities	<u>(1,612)</u>	<u>(3,295)</u>	<u>--</u>	<u>(1,528)</u>	<u>(369)</u>	<u>(6,804)</u>
<b>Cash flows from investing activities</b>						
Use of money and property received	34	114	202	202	2	554
Net cash provided by investing activities	<u>34</u>	<u>114</u>	<u>202</u>	<u>202</u>	<u>2</u>	<u>554</u>
Net change in cash and cash equivalents	(288)	104	351	(816)	444	(205)
Cash and cash equivalents - beginning	4,941	16,014	32,181	7,927	449	61,512
Cash and cash equivalents - ending	<u>\$ 4,653</u>	<u>\$ 16,118</u>	<u>\$ 32,532</u>	<u>\$ 7,111</u>	<u>\$ 893</u>	<u>\$ 61,307</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>						
Cash and investments per Statement of Net Position	\$ 4,653	\$ 16,108	\$ 32,532	\$ 7,111	\$ 865	61,269
Restricted cash and investments per Statement of Net Position	--	10	--	--	28	38
Total cash and cash equivalents per Statement of Net Position	<u>\$ 4,653</u>	<u>\$ 16,118</u>	<u>\$ 32,532</u>	<u>\$ 7,111</u>	<u>\$ 893</u>	<u>\$ 61,307</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 540	\$ 179	\$ 3,179	\$ 223	\$ (438)	\$ 3,683
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	749	2,585	2	270	250	3,856
Other non-operating revenue	24	--	8	5	514	551
Changes in assets and liabilities						
Accounts and other receivables	--	--	767	--	372	1,139
Inventories	--	23	--	--	--	23
Accounts payable	(228)	205	(1,276)	6	90	(1,203)
Salaries and benefits payable	165	89	51	36	23	364
Liability for self-insurance claims	--	--	(2,582)	--	--	(2,582)
Net cash provided by operating activities	<u>\$ 1,250</u>	<u>\$ 3,081</u>	<u>\$ 149</u>	<u>\$ 540</u>	<u>\$ 811</u>	<u>\$ 5,831</u>
<b>Noncash investing, capital, and financing activities</b>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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



# Agency Funds

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# Agency Funds

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

Agency funds are custodial in nature and do not involve the measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals and entities at some future time.

**CLEARING AND REVOLVING FUNDS** provide clearing facilities for items such as payroll withholdings and warrant redemption. These funds are used to temporarily accumulate and hold resources for distribution to third parties.

**DEPOSITS FUNDS** account for deposits under the control of the County departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

**OTHER AGENCY FUNDS** account for assets held by the County in a fiduciary capacity for other entities.

**STATE AND CITY REVENUE FUNDS** temporarily hold various fees, fines, and penalties collected by the County departments for the State of California or various cities in Santa Barbara County, which are passed through to these entities.

**TAX COLLECTION FUNDS** account for monies received for current and delinquent taxes, which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. These funds also account for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are dispersed as directed by the courts or by parties to the dispute.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	July 1, 2013	Additions	Deductions	June 30, 2014
<b>Clearing and revolving funds</b>				
Assets				
Cash and investments	\$ 9,724	\$ 1,029,280	\$ 1,030,150	\$ 8,854
Interest receivable	--	--	--	--
Total assets	<u>\$ 9,724</u>	<u>\$ 1,029,280</u>	<u>\$ 1,030,150</u>	<u>\$ 8,854</u>
Liabilities				
Accounts payable	\$ 6,152	\$ 225,483	\$ 227,830	\$ 3,805
Funds held for others	3,572	1,257,110	1,255,633	5,049
Total liabilities	<u>\$ 9,724</u>	<u>\$ 1,482,593</u>	<u>\$ 1,483,463</u>	<u>\$ 8,854</u>
<b>Deposits funds</b>				
Assets				
Cash and investments	\$ 2,406	\$ 17,054	\$ 17,317	\$ 2,143
Interest receivable	--	--	--	--
Total assets	<u>\$ 2,406</u>	<u>\$ 17,054</u>	<u>\$ 17,317</u>	<u>\$ 2,143</u>
Liabilities				
Accounts payable	\$ -	\$ 477	\$ 477	\$ -
Funds held for others	2,406	17,531	17,794	2,143
Total liabilities	<u>\$ 2,406</u>	<u>\$ 18,008</u>	<u>\$ 18,271</u>	<u>\$ 2,143</u>
<b>Other agency funds</b>				
Assets				
Cash and investments	\$ 4,582	\$ 145,197	\$ 143,941	\$ 5,838
Interest receivable	2	11	9	4
Total assets	<u>\$ 4,584</u>	<u>\$ 145,208</u>	<u>\$ 143,950</u>	<u>\$ 5,842</u>
Liabilities				
Accounts payable	\$ -	\$ 2,451	\$ 2,385	\$ 66
Funds held for others	4,584	147,593	146,401	5,776
Total liabilities	<u>\$ 4,584</u>	<u>\$ 150,044</u>	<u>\$ 148,786</u>	<u>\$ 5,842</u>
<b>State and city revenue funds</b>				
Assets				
Cash and investments	\$ 11,887	\$ 148,087	\$ 144,836	\$ 15,138
Interest receivable	19	67	60	26
Total assets	<u>\$ 11,906</u>	<u>\$ 148,154</u>	<u>\$ 144,896</u>	<u>\$ 15,164</u>
Liabilities				
Accounts payable	\$ 160	\$ 99,921	\$ 100,025	\$ 56
Funds held for others	11,746	248,179	244,817	15,108
Total liabilities	<u>\$ 11,906</u>	<u>\$ 348,100</u>	<u>\$ 344,842</u>	<u>\$ 15,164</u>
<b>Tax collection funds</b>				
Assets				
Cash and investments	\$ 15,044	\$ 1,656,271	\$ 1,655,404	\$ 15,911
Interest receivable	42	213	185	70
Total assets	<u>\$ 15,086</u>	<u>\$ 1,656,484</u>	<u>\$ 1,655,589</u>	<u>\$ 15,981</u>
Liabilities				
Accounts payable	\$ 758	\$ 24,111	\$ 24,860	\$ 9
Funds held for others	14,328	1,681,344	1,679,700	15,972
Total liabilities	<u>\$ 15,086</u>	<u>\$ 1,705,455</u>	<u>\$ 1,704,560</u>	<u>\$ 15,981</u>
<b>Total - all agency funds</b>				
Assets				
Cash and investments	\$ 43,643	\$ 2,995,889	\$ 2,991,648	\$ 47,884
Interest receivable	63	291	254	100
Total assets	<u>\$ 43,706</u>	<u>\$ 2,996,180</u>	<u>\$ 2,991,902</u>	<u>\$ 47,984</u>
Liabilities				
Accounts payable	\$ 7,070	\$ 352,443	\$ 355,577	\$ 3,936
Funds held for others	36,636	3,351,757	3,344,345	44,048
Total liabilities	<u>\$ 43,706</u>	<u>\$ 3,704,200</u>	<u>\$ 3,699,922</u>	<u>\$ 47,984</u>

See accompanying independent auditor's report.

# Statistical Section

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# Statistical Section

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the County's economic condition.

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<b>FINANCIAL TRENDS</b> These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	<b>156</b>
<b>REVENUE CAPACITY</b> These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	<b>161</b>
<b>DEBT CAPACITY</b> These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	<b>165</b>
<b>ECONOMIC AND DEMOGRAPHIC INFORMATION</b> These schedules offer economic and demographic indicators to help the reader understand the socioeconomic environment within which the County's financial activities take place.	<b>168</b>
<b>OPERATING INFORMATION</b> These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	<b>170</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

COUNTY OF SANTA BARBARA, CALIFORNIA  
NET POSITION BY CATEGORY (UNAUDITED)  
LAST TEN FISCAL YEARS (in thousands)  
(accrual basis of accounting)

	2004-05	2005-06	2006-07	2007-08 as restated	2008-09 as restated	2009-10 as restated	2010-11	2011-12	2012-13	2013-14
<b>Governmental activities</b>										
Net investment in capital assets	\$ 366,246	\$ 381,435	\$ 399,800	\$ 408,831	\$ 451,648	\$ 466,916	\$ 480,240	\$ 493,753	\$ 511,144	\$ 578,314
Restricted for:										
Public safety	10,017	10,152	12,990	13,695	9,137	12,189	9,717	14,438	19,594	24,107
Health & public assistance	18,188	15,992	19,237	12,987	25,118	32,943	42,328	33,627	33,734	31,005
Community resources & public facilities	51,453	59,649	60,486	87,145	95,946	101,591	106,691	95,892	97,710	103,497
General government & support services	10,854	8,589	9,913	8,082	7,594	5,483	4,523	5,240	3,886	4,951
General county programs	14,009	13,485	12,469	17,496	9,150	15,009	15,271	15,957	14,959	15,596
Debt service	8,630	8,652	8,484	10,088	-	--	--	--	--	--
Unrestricted	64,827	81,386	93,424	65,462	54,439	32,215	16,708	37,170	30,976	62,497
Total governmental activities net position	<u>\$ 544,224</u>	<u>\$ 579,340</u>	<u>\$ 616,803</u>	<u>\$ 623,786</u>	<u>\$ 653,032</u>	<u>\$ 666,346</u>	<u>\$ 675,478</u>	<u>\$ 696,077</u>	<u>\$ 712,003</u>	<u>\$ 819,967</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 40,539	\$ 45,006	\$ 47,611	\$ 47,604	\$ 57,338	\$ 59,750	\$ 60,029	\$ 64,943	\$ 65,806	\$ 70,562
Restricted for:										
Debt service	1,043	1,023	717	1,307	--	--	--	--	--	--
Unrestricted	7,345	8,750	10,922	15,321	9,560	10,851	12,353	16,606	21,648	25,191
Total business-type activities net position	<u>\$ 48,927</u>	<u>\$ 54,779</u>	<u>\$ 59,250</u>	<u>\$ 64,232</u>	<u>\$ 66,898</u>	<u>\$ 70,601</u>	<u>\$ 72,382</u>	<u>\$ 81,549</u>	<u>\$ 87,454</u>	<u>\$ 95,753</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 406,785	\$ 426,441	\$ 447,411	\$ 456,435	\$ 508,986	\$ 526,666	\$ 540,269	\$ 558,696	\$ 576,950	\$ 648,876
Restricted for:										
Public safety	10,017	10,152	12,990	13,695	9,137	12,189	9,717	14,438	19,594	24,107
Health & public assistance	18,188	15,992	19,237	12,987	25,118	32,943	42,328	33,627	33,734	31,005
Community resources & public facilities	51,453	59,649	60,486	87,145	95,946	101,591	106,691	95,892	97,710	103,497
General government & support services	10,854	8,589	9,913	8,082	7,594	5,483	4,523	5,240	3,886	4,951
General county programs	14,009	13,485	12,469	17,496	9,150	15,009	15,271	15,957	14,959	15,596
Debt service	9,673	9,675	9,201	11,395	--	--	--	--	--	--
Unrestricted	72,172	90,136	104,346	80,783	63,999	43,066	29,061	53,776	52,624	87,688
Total primary government net position	<u>\$ 593,151</u>	<u>\$ 634,119</u>	<u>\$ 676,053</u>	<u>\$ 688,018</u>	<u>\$ 719,930</u>	<u>\$ 736,947</u>	<u>\$ 747,860</u>	<u>\$ 777,626</u>	<u>\$ 799,457</u>	<u>\$ 915,720</u>

**Notes:**

- (1) FY 2007-08 net position 'restricted for general county programs' was restated from \$21,878 to \$17,496 in FY 2008-09. As a result, 'unrestricted' governmental activities net position was restated from \$61,080 to \$65,462.
- (2) FY 2008-09 net position 'invested in capital assets, net of related debt' was restated in FY 2009-10 from \$486,969 to \$508,986, and 'restricted' net position was restated from \$163,264 to \$146,945. As a result, 'unrestricted' net position was restated from \$69,697 to \$63,999.
- (3) FY 2009-10 'restricted' governmental activities net position was restated from \$157,052 to \$167,215 in FY 2010-11. As a result, 'unrestricted' governmental activities net position decreased from \$53,229 to \$43,066.
- (4) Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CHANGES IN NET POSITION (UNAUDITED)  
 LAST TEN FISCAL YEARS (in thousands)  
 (accrual basis of accounting)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Expenses</b>										
Governmental activities:										
Policy & executive	\$ 5,204	\$ 7,353	\$ 8,569	\$ 9,069	\$ 8,596	\$ 7,356	\$ 11,074	\$ 11,635	\$ 14,455	\$ 14,057
Public safety	197,618	209,089	222,752	246,097	251,027	247,228	263,133	270,541	271,326	282,251
Health & public assistance	237,144	258,369	271,806	292,094	287,178	297,590	308,149	304,747	307,239	319,565
Community resources & public facilities	88,165	71,200	84,785	83,293	84,585	85,914	83,770	88,871	89,382	92,377
General government & support services	25,224	30,818	36,771	35,743	32,115	31,750	31,123	28,965	29,585	33,931
General county programs	9,673	15,530	14,734	14,461	23,167	19,494	20,694	15,077	5,664	3,980
Interest on long-term debt	4,151	4,880	2,889	2,626	3,321	4,645	4,926	4,146	3,712	3,505
Subtotal governmental activities expenses	567,179	597,239	642,306	683,383	689,989	693,977	722,869	723,982	721,363	749,666
Business-type activities:										
Resource Recovery	17,790	19,356	21,857	22,042	23,226	21,659	21,258	20,601	20,529	20,300
Laguna Sanitation	4,495	4,870	5,066	5,113	5,609	5,633	5,946	5,793	6,181	6,176
Other	59	57	62	384	682	10	--	--	--	--
Subtotal business-type activities expenses	22,344	24,283	26,985	27,539	29,517	27,302	27,204	26,394	26,710	26,476
Total primary government expenses	\$ 589,523	\$ 621,522	\$ 669,291	\$ 710,922	\$ 719,506	\$ 721,279	\$ 750,073	\$ 750,376	\$ 748,073	\$ 776,142
<b>Program revenues</b>										
Governmental activities:										
Charges for services	\$ 154,879	\$ 158,764	\$ 174,263	\$ 182,574	\$ 180,183	\$ 175,003	\$ 176,149	\$ 162,702	\$ 155,451	\$ 173,875
Operating grants & contributions	255,317	260,905	274,169	281,421	291,171	293,672	306,564	308,610	325,138	332,533
Capital grants & contributions	1,256	754	476	229	259	85	209	57	50	52,352
Subtotal governmental activities revenues	411,452	420,423	448,908	464,224	471,613	468,760	482,922	471,369	480,639	558,760
Business-type activities:										
Charges for services										
Resource Recovery	20,971	21,743	21,511	22,454	20,854	20,157	21,151	21,370	22,381	23,439
Laguna Sanitation	5,050	5,513	5,950	6,276	6,464	6,827	7,304	7,688	8,662	9,907
Other	9	9	9	52	34	--	--	--	--	--
Operating grants & contributions	1,232	1,410	854	1,745	2,678	2,778	1,245	6,202	1,732	1,038
Capital grants & contributions	--	--	--	--	1,169	--	--	--	--	--
Subtotal business-type activities revenues	27,262	28,675	28,324	30,527	31,199	29,762	29,700	35,260	32,775	34,384
Total primary government program revenues	\$ 438,714	\$ 449,098	\$ 477,232	\$ 494,751	\$ 502,812	\$ 498,522	\$ 512,622	\$ 506,629	\$ 513,414	\$ 593,144
<b>Net (expense) / revenue</b>										
Governmental activities	\$ (155,727)	\$ (176,816)	\$ (193,398)	\$ (219,159)	\$ (218,376)	\$ (225,217)	\$ (239,947)	\$ (252,613)	\$ (240,724)	\$ (190,906)
Business-type activities	4,918	4,392	1,339	2,988	1,682	2,460	2,496	8,866	6,065	7,908
Total primary government net expense	\$ (150,809)	\$ (172,424)	\$ (192,059)	\$ (216,171)	\$ (216,694)	\$ (222,757)	\$ (237,451)	\$ (243,747)	\$ (234,659)	\$ (182,998)

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CHANGES IN NET POSITION - CONTINUED (UNAUDITED)  
 LAST TEN FISCAL YEARS (in thousands)  
 (accrual basis of accounting)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 155,057	\$ 176,748	\$ 195,001	\$ 205,822	\$ 205,583	\$ 207,169	\$ 208,595	\$ 186,047	\$ 227,452	\$ 231,247
Motor vehicle in-lieu tax	3,818	3,745	271	--	--	--	--	931	187	155
Sales taxes	14,935	15,743	17,286	16,362	15,643	13,444	12,756	14,700	13,527	14,039
Transient occupancy tax	4,815	5,631	6,591	7,174	6,431	5,950	6,977	7,570	6,993	7,539
Unrestricted investment earnings	3,373	4,308	2,867	2,926	1,610	2,404	1,372	1,048	453	1,407
Extraordinary item and special item	--	--	--	--	--	--	--	--	--	--
Transfers	174	55	3	(5)	661	(995)	1,002	6	2	(34)
Other	3,359	5,702	8,842	8,066	12,212	10,559	11,877	39,268	8,419	8,100
Subtotal governmental activities	185,531	211,932	230,861	240,345	242,140	238,531	242,579	249,570	257,033	262,453
Business-type activities:										
Unrestricted investment earnings	828	942	2,089	1,796	1,248	374	286	290	(95)	344
Transfers	(174)	(55)	(3)	5	(661)	995	(1,002)	(6)	(2)	13
Other	67	573	1,046	193	397	(126)	1	17	38	34
Subtotal business-type activities	721	1,460	3,132	1,994	984	1,243	(715)	301	(59)	391
Total primary government	\$ 186,252	\$ 213,392	\$ 233,993	\$ 242,339	\$ 243,124	\$ 239,774	\$ 241,864	\$ 249,871	\$ 256,974	\$ 262,844
<b>Extraordinary Items</b>										
RDA dissolution transactions	--	--	--	--	--	--	--	16,345	--	--
<b>Changes in net position</b>										
Governmental activities	\$ 29,804	\$ 35,116	\$ 37,463	\$ 21,186	\$ 23,764	\$ 13,314	\$ 2,632	\$ 13,302	\$ 16,309	\$ 71,547
Business-type activities	5,639	5,852	4,471	4,982	2,666	3,703	1,781	9,167	6,006	8,299
Total primary government	\$ 35,443	\$ 40,968	\$ 41,934	\$ 26,168	\$ 26,430	\$ 17,017	\$ 4,413	\$ 22,469	\$ 22,315	\$ 79,846

COUNTY OF SANTA BARBARA, CALIFORNIA  
**FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)**  
**LAST TEN FISCAL YEARS (in thousands)**  
*(modified accrual basis of accounting)*

	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09
<b>General Fund</b>						
Reserved for:						
Receivables and prepaids	\$ 4,663	\$ 4,094	\$ 3,309	\$ 20,309	\$ 20,309	\$ 20,309
Imprest cash	18	15	15	15	15	15
Lease maintenance requirement	--	--	--	--	--	--
Property tax loss reserve	4,515	5,044	5,632	6,057	6,373	6,373
Unreserved:						
Designated	33,538	43,481	58,488	56,447	55,741	55,741
Undesignated	8,564	16,206	11,484	5,311	2,150	2,150
Subtotal General Fund	51,298	68,840	78,928	88,139	84,588	84,588

**All Other Governmental Funds**

Reserved for:						
Receivables and prepaids	226	2,378	390	503	482	482
Imprest cash	23	24	22	23	25	25
Debt service	7,701	7,592	7,601	9,333	9,062	9,062
MHSA prudent reserve	--	--	--	--	1,900	1,900
Inventories: property held for resale	--	--	--	2,600	6,039	6,039
Unreserved:						
Designated, reported in:						
Special revenue funds	50,792	52,041	54,569	51,745	52,557	52,557
Capital projects fund	26,992	24,370	22,854	15,985	13,038	13,038
Debt service funds	--	--	315	230	422	422
Undesignated, reported in:						
Special revenue funds	59,261	66,358	70,799	80,838	85,181	85,181
Capital projects fund	4,043	3,868	6,411	4,988	5,339	5,339
Debt service funds	--	--	--	(15,134)	(15,724)	(15,724)
Subtotal all other governmental funds	149,038	156,631	162,961	151,111	158,321	158,321
Total governmental fund balance	\$ 200,336	\$ 225,471	\$ 241,889	\$ 239,250	\$ 242,909	\$ 242,909

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>General Fund (1)</b>					
Nonspendable	\$ 26,704	\$ 25,570	\$ 8,780	\$ 9,618	\$ 10,138
Restricted	8,271	7,844	17,536	19,800	21,245
Committed	53,444	46,096	52,002	50,298	58,018
Assigned	--	--	--	--	--
Unassigned	736	4,330	7,591	8,092	3,405
Subtotal General Fund	89,155	83,840	85,909	87,808	92,806
<b>All Other Governmental Funds (2)</b>					
Nonspendable	507	681	586	1,084	791
Restricted	180,115	182,036	149,010	145,842	151,021
Committed	16,590	13,623	9,604	18,930	18,630
Assigned	932	883	1,817	1,287	--
Unassigned	(22,860)	(26,600)	(2,822)	(2,850)	--
Subtotal all other governmental funds	175,284	170,623	158,195	164,293	170,442
Total governmental fund balance	\$ 264,439	\$ 254,463	\$ 244,104	\$ 252,101	\$ 263,248

**Notes:**

- (1) In FY 2010-11 the County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB 54 in order to facilitate year-to-year comparisons.
- (2) Substantial increases or decreases in fund balance components are explained in the Management's Discussion and Analysis (MD&A).

COUNTY OF SANTA BARBARA, CALIFORNIA  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)**  
**LAST TEN FISCAL YEARS (in thousands)**  
*(modified accrual basis of accounting)*

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (restated)	2012-13	2013-14
<b>Revenues (by source)</b>										
Taxes	\$ 176,747	\$ 202,078	\$ 220,583	\$ 231,955	\$ 232,781	\$ 231,648	\$ 234,354	\$ 241,142	\$ 249,414	\$ 254,177
Licenses, permits, and franchises	13,712	14,094	14,336	14,294	13,643	13,223	12,639	12,966	14,011	14,030
Fines, forfeitures, and penalties	9,675	12,020	11,020	12,333	13,218	13,527	13,299	10,990	9,582	10,883
Use of money and property	9,489	10,783	13,025	12,173	8,739	6,121	4,582	4,307	2,321	4,995
Intergovernmental	253,104	263,025	266,953	271,211	286,846	290,440	304,347	306,609	321,765	380,785
Charges for service	134,276	134,664	148,311	156,648	163,332	162,525	164,630	139,685	135,625	141,839
Other	15,751	15,255	13,414	13,637	16,614	17,046	22,872	25,920	19,582	20,804
Total revenues	<u>612,754</u>	<u>651,919</u>	<u>687,642</u>	<u>712,251</u>	<u>735,173</u>	<u>734,530</u>	<u>756,723</u>	<u>741,619</u>	<u>752,300</u>	<u>827,513</u>
<b>Expenditures (by function)</b>										
Policy & executive	10,229	10,824	11,846	13,290	13,971	13,266	15,661	15,172	15,349	15,408
Public safety	186,339	198,332	214,747	231,239	237,160	233,156	248,359	250,145	259,968	270,605
Health & public assistance	241,023	260,562	273,314	287,957	287,110	298,239	307,900	300,536	304,982	317,322
Community resources & public facilities	85,219	78,085	90,994	89,859	106,471	100,047	97,672	97,130	100,838	145,572
General government & support services	40,007	46,686	47,380	48,356	50,736	48,818	47,073	42,643	43,691	44,194
General county programs	9,731	12,574	14,552	18,452	22,822	18,449	18,957	12,287	5,091	8,199
Debt service										
Principal	6,030	6,582	7,876	6,595	6,230	7,506	5,621	23,749	4,133	4,502
Interest	3,986	4,741	2,930	2,642	3,324	4,637	4,918	4,183	3,518	3,308
Capital outlay	36,155	11,029	10,620	20,055	7,017	8,639	18,094	15,795	7,290	7,079
Total expenditures	<u>618,719</u>	<u>629,415</u>	<u>674,259</u>	<u>718,445</u>	<u>734,841</u>	<u>732,757</u>	<u>764,255</u>	<u>761,640</u>	<u>744,860</u>	<u>816,189</u>
Excess (deficiency) of revenues over (under) expenditures	(5,965)	22,504	13,383	(6,194)	332	1,773	(7,532)	(20,021)	7,440	11,324
<b>Other financing sources (uses)</b>										
Transfers in	108,564	118,235	128,567	149,323	139,021	146,179	88,586	96,986	86,395	49,715
Transfers out	(108,188)	(118,419)	(129,201)	(148,765)	(138,722)	(146,991)	(91,204)	(96,912)	(86,338)	(49,965)
Proceeds from sale of capital assets	46	862	1,269	288	147	52	174	220	500	73
Long-term debt issued	20,138	1,953	2,400	17,000	--	20,387	--	16,957	--	--
Long-term receivable collected	--	--	--	--	--	--	--	356	--	--
Issuance discount on long-term debt	(175)	--	--	(88)	--	(148)	--	--	--	--
Issuance premium on long-term debt	--	--	--	--	--	278	--	--	--	--
Total other financing sources (uses)	<u>20,385</u>	<u>2,631</u>	<u>3,035</u>	<u>17,758</u>	<u>446</u>	<u>19,757</u>	<u>(2,444)</u>	<u>17,607</u>	<u>557</u>	<u>(177)</u>
<b>Extraordinary Items</b>										
RDA dissolution transactions	--	--	--	--	--	--	--	(13,092)	--	--
Net change in fund balances	<u>\$ 14,420</u>	<u>\$ 25,135</u>	<u>\$ 16,418</u>	<u>\$ 11,564</u>	<u>\$ 778</u>	<u>\$ 21,530</u>	<u>\$ (9,976)</u>	<u>\$ (15,506)</u>	<u>\$ 7,997</u>	<u>\$ 11,147</u>
Debt service as a percentage of noncapital expenditures:	1.72%	1.86%	1.66%	1.36%	1.35%	1.72%	1.46%	3.85%	1.07%	1.06%
<b>Expenditures (1)</b>										
General government	\$ 55,274	\$ 53,409	\$ 65,106	\$ 65,271	\$ 64,020	\$ 62,761	\$ 64,450	\$ 48,395	\$ 64,886	\$ 65,289
Public protection	234,963	242,782	259,208	281,771	299,802	288,599	296,982	303,442	302,982	316,926
Public ways and facilities	32,560	31,890	30,926	23,117	32,301	32,111	32,489	35,540	29,814	28,226
Health and sanitation	130,160	139,106	149,855	160,095	155,148	157,155	157,961	157,298	155,560	157,460
Public assistance	107,408	116,916	120,572	125,547	130,962	138,166	145,085	138,397	139,800	148,702
Education	2,763	2,773	2,894	3,269	3,223	3,289	3,410	2,734	3,199	3,128
Recreational and cultural services	9,420	9,615	10,462	11,941	11,232	12,899	11,089	10,866	10,504	11,422
Debt service	10,016	11,323	10,807	9,237	9,555	12,144	10,539	27,933	7,651	7,809
Capital outlay	36,155	21,601	24,429	38,197	28,598	25,633	42,250	37,035	30,464	77,227
Total expenditures	<u>\$ 618,719</u>	<u>\$ 629,415</u>	<u>\$ 674,259</u>	<u>\$ 718,445</u>	<u>\$ 734,841</u>	<u>\$ 732,757</u>	<u>\$ 764,255</u>	<u>\$ 761,640</u>	<u>\$ 744,860</u>	<u>\$ 816,189</u>

**Notes:**

(1) By State Controller function.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 ASSESSED VALUE OF TAXABLE PROPERTY AND ACTUAL VALUE OF PROPERTY (UNAUDITED)  
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Secured	(2) Unsecured	(3) Unitary	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate (%)
2004 - 2005	\$ 43,022,881	\$ 2,426,901	\$ 743,530	\$ (1,372,516)	\$ 44,820,796	1.00000
2005 - 2006	47,838,453	2,458,096	737,982	(1,544,353)	49,490,178	1.00000
2006 - 2007	52,791,691	2,546,922	769,814	(1,587,094)	54,521,333	1.00000
2007 - 2008	56,836,827	2,571,180	833,438	(1,772,777)	58,468,668	1.00000
2008 - 2009	59,457,127	2,795,296	806,086	(1,928,671)	61,129,838	1.00000
2009 - 2010	60,136,238	2,874,141	718,678	(2,128,966)	61,600,091	1.00000
2010 - 2011	60,558,017	2,901,856	746,117	(2,322,086)	61,883,904	1.00000
2011 - 2012	61,739,881	2,923,496	807,247	(2,713,216)	62,757,408	1.00000
2012 - 2013	62,696,346	2,896,396	883,587	(3,074,291)	63,402,038	1.00000
2013 - 2014	65,478,241	2,897,317	897,504	(3,308,629)	65,964,433	1.00000

**Notes:**

- (1) Local assessed secured property is generally real property, defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (2) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (3) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization. Most of the amount reported is unitary but other state-assessed property.
- (4) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (5) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop 13), the County does not track the estimated actual value of all County properties. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the consumer price index (CPI) on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-

**Source:**

Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)  
(\$1 PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS

Fiscal Year	County Direct Rates	Overlapping Rates		
	Santa Barbara County General	Cities (1)	Schools (2)	Total
2004 - 2005	1.00000%	0.00015%	0.00841%	1.00856%
2005 - 2006	1.00000%	0.00014%	0.01053%	1.01067%
2006 - 2007	1.00000%	0.00013%	0.01237%	1.01250%
2007 - 2008	1.00000%	0.00012%	0.01375%	1.01387%
2008 - 2009	1.00000%	0.00010%	0.01307%	1.01317%
2009 - 2010	1.00000%	0.00012%	0.01265%	1.01277%
2010 - 2011	1.00000%	0.00012%	0.01284%	1.01296%
2011 - 2012	1.00000%	0.00014%	0.01310%	1.01324%
2012 - 2013	1.00000%	0.00012%	0.01352%	1.01364%
2013 - 2014	1.00000%	0.00013%	0.01462%	1.01475%

**Notes:**

- (1) Rates shown represent a weighted average of the eight incorporated cities within the County.
- (2) Rates shown represent a weighted average of the various school district tax rate areas within the County.

**Source:**

Auditor-Controller, County of Santa Barbara

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)**  
**June 30, 2014 AND June 30, 2005 (in thousands)**

In accordance with GASB Statement No. 44, the following tables present information for the County's principal property taxpayers as of June 30, 2014 and June 30, 2005

**June 30, 2014:**

<b>Taxpayers</b>	<b>Type of Business</b>	<b>(1) Net Assessed Secured Property Value</b>	<b>Percentage of Total Net Assessed Value</b>	<b>(2) Total Secured Tax Levy Fiscal Year 2013-14</b>	<b>Percentage of Total Secured Tax Levy Fiscal Year 2013-14</b>
Venoco, Inc.	Petroleum & Gas	\$ 428,595	0.68%	\$ 4,538	0.72%
Southern California Edison Co.	Utility	292,984	0.46%	3,455	0.55%
Breitbart Energy Holdings, LLC	Petroleum & Gas	278,024	0.44%	3,156	0.50%
Exxon Corporation	Petroleum & Gas	278,592	0.44%	2,861	0.46%
Southern California Gas Co.	Utility	180,086	0.28%	2,126	0.34%
1260 BB Property, LLC (Biltmore)	Hotel	175,000	0.28%	2,113	0.34%
ERG Resources	Petroleum & Gas	162,437	0.26%	1,744	0.28%
Fairway BB Property, LLC	Residential Estate	156,591	0.25%	1,615	0.26%
Pacific Gas & Electric Co.	Utility	132,162	0.21%	1,559	0.25%
Celite Corporation	Mining	116,020	0.18%	1,420	0.23%
Ten largest taxpayers		2,200,491	3.48%	24,587	3.93%
All other taxpayers		61,030,714	96.52%	601,671	96.07%
Total		\$ 63,231,205	100.00%	\$ 626,258	100.00%

**June 30, 2005:**

<b>Taxpayers</b>	<b>Type of Business</b>	<b>(1) Net Assessed Secured Property Value</b>	<b>Percentage of Total Net Assessed Value</b>	<b>(2) Total Secured Tax Levy Fiscal Year 2004-05</b>	<b>Percentage of Total Secured Tax Levy Fiscal Year 2004-05</b>
Exxon Corporation	Petroleum & Gas	\$ 391,955	0.92%	\$ 3,920	0.09%
Verizon California Inc.	Utility	189,286	0.45%	2,023	0.05%
Southern California Gas Co	Hotel	152,407	0.36%	1,610	0.04%
HT-Santa Barbara Inc	Hotel	125,000	0.29%	1,344	0.03%
Pacific Offshore Pipeline Co	Petroleum & Gas	113,848	0.27%	1,138	0.03%
1260 BB Property LLC (Biltmore)	Hotel	108,000	0.25%	1,259	0.03%
Southern California Edison Co.	Utility	82,641	0.19%	880	0.02%
Redevelopment Agency/Santa Barbara	Various	80,886	0.19%	837	0.02%
Parker Fess Doubletree Hotel	Hotel	73,671	0.17%	754	0.02%
Pacific Gas & Electric Co.	Utility	72,941	0.17%	777	0.02%
Ten largest taxpayers		1,390,635	3.26%	14,542	0.35%
All other taxpayers		41,103,050	96.74%	4,176,825	99.65%
Total		\$ 42,493,685	100.00%	\$ 4,191,367	100.00%

**Notes:**

- (1) Net Assessed Secured amounts include Secured & Unitary less exemptions.  
See "Assessed Value of Taxable Property and Actual Value of Property" schedule for total assessed value.
- (2) Includes 1%, bonds, fixed charges, late penalties and costs (Only Secured & Unitary Tax Levy amounts)

**Source:**

County of Santa Barbara Treasurer / Tax Collector

COUNTY OF SANTA BARBARA, CALIFORNIA  
PROPERTY TAX LEVIES and COLLECTIONS (UNAUDITED)  
LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Taxes Levied	(2) Collections within the fiscal year of the levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2004 - 2005	\$ 419,137	\$ 414,646	98.93%	\$ 4,490	\$ 419,136	100.00%
2005 - 2006	466,142	460,163	98.72%	5,858	466,021	99.97%
2006 - 2007	515,896	505,135	97.91%	10,619	515,754	99.97%
2007 - 2008	554,778	541,456	97.60%	13,099	554,555	99.96%
2008 - 2009	577,849	561,907	97.24%	15,121	577,028	99.86%
2009 - 2010	580,532	566,808	97.64%	12,370	579,178	99.77%
2010 - 2011	579,901	573,537	98.90%	4,918	578,455	99.75%
2011 - 2012	590,345	583,214	98.79%	5,559	588,773	99.73%
2012 - 2013	599,416	593,841	99.07%	3,581	597,422	99.67%
2013 - 2014	626,258	621,794	99.29%	-	621,794	99.29%

Notes:

- (1) Secured and Unitary tax levy for the County itself, school districts, cities, and special districts under the supervision of their own governing boards.
- (2) Included are amounts collected by the County on behalf of itself, school districts, cities, and special districts under the supervision of their own governing boards.

Source:

Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA  
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)  
LAST TEN FISCAL YEARS (in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
	Certificates of Participation (1)	Capital Leases	Long-Term Loans	Long-Term Settlement	Bonds and Notes Payable	Certificates of Participation (1)	Capital Leases	Long-Term Settlement	Bonds and Notes Payable				
2004 - 2005	\$ 72,307	\$1,272	\$ 1,117	\$ 475	\$55,000	\$ 6,928	\$ 130	\$ 220	\$ 8,620	\$ 146,069	0.87%	\$346	
2005 - 2006	66,172	3,301	1,030	200	47,000	5,689	83	165	8,231	131,871	0.71%	310	
2006 - 2007	60,018	5,015	11	--	--	4,351	30	110	7,833	77,368	0.40%	180	
2007 - 2008	70,877	4,301	--	--	--	9,902	23	55	7,426	92,584	0.47%	214	
2008 - 2009	65,069	3,707	--	--	--	8,846	15	--	7,009	84,646	0.44%	195	
2009 - 2010	76,824	4,782	--	--	--	6,933	8	--	6,581	95,128	0.49%	218	
2010 - 2011	68,759	4,017	--	--	--	9,532	--	--	10,314	92,622	0.49%	216	
2011 - 2012	44,840	3,735	--	--	22,195	8,144	--	--	9,637	88,551	0.47%	207	
2012 - 2013	43,161	3,418	--	--	19,740	7,473	--	--	8,928	82,720	0.43%	193	
2013 - 2014	41,414	3,013	--	--	17,070	6,781	--	--	8,203	76,481	0.40%	178	

Notes:

- (1) Beginning in fiscal year 2013-14, the Certificates of Participation totals in this schedule were updated to include unamortized premiums and discounts.
- (2) See the "Demographics and Economic Statistics" schedule for personal income and population data. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.
- (3) See the "Demographics and Economics Statistics" schedule for population figures. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.

Source:

Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)  
 LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Assessed Value	(2) Legal Debt Limit	Total Net Applicable Debt	(3) Legal Debt Margin	Legal Debt Margin / Debt Limit
2004 - 2005	\$ 44,820,796	\$ 560,260	\$ --	\$ 560,260	100%
2005 - 2006	49,490,178	618,627	--	618,627	100%
2006 - 2007	54,521,333	681,517	--	681,517	100%
2007 - 2008	58,468,668	730,858	--	730,858	100%
2008 - 2009	61,129,838	764,123	--	764,123	100%
2009 - 2010	61,600,091	770,001	--	770,001	100%
2010 - 2011	61,883,904	773,549	--	773,549	100%
2011 - 2012	62,757,408	784,468	--	784,468	100%
2012 - 2013	63,402,039	792,525	--	792,525	100%
2013 - 2014	65,964,432	824,555	--	824,555	100%

**Notes:**

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of Property" schedule.
- (2) California Government Code Section 29909 read in conjunction with Revenue and Taxation Code Section 135 imposes a legal debt limitation for General Obligation Bond indebtedness to 1.25% of the total full cash
- (3) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

**Source:**

Auditor-Controller, County of Santa Barbara

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)**  
**AS OF June 30, 2014**

2013-2014 Assessed Valuation: \$ 65,964,433

	<b>Percent Applicable (1)</b>	<b>Debt (3)</b>
<b>Overlapping Tax and Assessment Debt:</b>		
Allan Hancock Joint Community College District	99.660%	\$ 137,277
Santa Barbara Community College District	100%	59,340
High School Districts	99.997-100%	217,253
Unified School Districts	100%	41,016
Goleta Union School District	100%	17,650
Orcutt School District	100%	11,605
Santa Barbara School District	100%	56,471
Other School District	100%	49,086
Lompoc Healthcare District	100%	73,305
Special District 1915 Act Bonds	62.113-100%	6,061
Total Overlapping Tax and Assessment Debt		<u>669,064</u>
<b>Overlapping General Fund Obligation Debt:</b>		
Santa Maria-Bonita School District Certificates of Participation	99.995%	43,441
Santa Ynez Valley Union High School District Certificates of Participation	100%	2,985
Buellton School District Certificates of Participation	100%	505
College School District Certificates of Participation	100%	2,682
City of Carpinteria Certificates of Participation	100%	630
City of Santa Barbara Certificates of Participation	100%	47,430
City of Santa Maria General Fund Obligations	100%	2,230
Carpinteria Sanitary District General Fund Obligations	98.004%	10,903
Santa Maria Cemetery District Certificates of Participation	100%	820
Total Gross Overlapping General Fund Obligation Debt		<u>111,626</u>
Less: City of Santa Barbara revenue bonds supported by airport revenues		(45,505)
Less: Carpinteria Sanitary District revenue bonds supported by wastewater system revenues		<u>(10,903)</u>
Total Net Overlapping General Fund Obligation Debt		<u>55,218</u>
Total Net Overlapping Tax and Assessment and General Fund Obligation Debt		<u>724,282</u>
		<u>70,495</u>
<b>Overlapping Tax Increment Debt:</b>		
<b>Direct General Fund Obligation Debt:</b>		
Santa Barbara County Certificates of Participation	100%	65,355
Total Direct General Fund Obligation Debt		<u>65,355</u>
Total Net Combined Overlapping and Direct Debt		<u>\$ 860,132</u>
Total Gross Combined Overlapping and Direct Debt		<u>\$ 916,540 (2)</u>
<b>Ratio to 2013-14 Assessed Valuation:</b>		
Total Overlapping Tax and Assessment Debt	1.01%	
<b>Ratios to Adjusted Assessed Valuation:</b>		
Combined Direct Debt	0.10%	
Gross Combined Total Debt	1.39%	
Net Combined Total Debt	1.30%	

**Notes:**

- (1) Percentage of overlapping agency's assessed valuation located within the boundaries of the County.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and state contractual obligations within the Department of Water Resources.
- (3) Debt as of August 1, 2014

**Source:**

California Municipal Statistics, Incorporated

**COUNTY OF SANTA BARBARA, CALIFORNIA  
 DEMOGRAPHICS AND ECONOMIC STATISTICS (UNAUDITED)  
 LAST FISCAL TEN YEARS (in thousands)**

(1) Year	(2) Population	(3),(4) Personal Income	Per Capita Personal Income	(5) School Enrollment	(6) Unemployment Rate
2005	419	\$ 16,700,000	\$ 39.9	68	4.0%
2006	422	18,300,000	43.4	67	3.5%
2007	424	18,900,000	44.6	67	3.8%
2008	429	19,100,000	44.5	66	5.2%
2009	431	18,100,000	42.0	66	8.2%
2010	434	18,600,000	42.9	66	8.8%
2011	426	19,000,000	44.6	66	8.9%
2012	427	19,000,000	44.5	66	7.9%
2013	429	19,300,000	45.0	66	6.3%
2014	433	20,600,000	47.6	67	5.4%

**Detail of estimated population, as of January 1, 2014 (whole numbers):**

<b>(2) Incorporated Cities</b>	
Buellton	4,893
Carpinteria	13,442
Goleta	30,202
Guadalupe	7,144
Lompoc	43,314
Santa Barbara	90,385
Santa Maria	101,103
Svang	5,363
Total of Incorporated	<u>295,846</u>
Total of Unincorporated Areas	<u>137,552</u>
Total Population	<u><u>433,398</u></u>

**Notes:**

- (1) Calendar year
- (2) Population as of January 1
- (3) Estimated amounts

**Sources:**

- (2) California Department of Finance
- (4) Bureau of Economic Analysis
- (5) California Department of Education
- (6) Employment Development Department Research Center

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**PRINCIPAL EMPLOYERS (UNAUDITED)**  
**June 30, 2014 AND June 30, 2005**

<u>June 30, 2014</u>			<u>June 30, 2005</u>		
<u>Company or Organization</u>	<u>Jobs (1)</u>	<u>Percent of Total County Employment</u>	<u>Company or Organization</u>	<u>Jobs (2)</u>	<u>Percent of Total County Employment</u>
University of California, Santa Barbara	10,403	4.90%	University of California, Santa Barbara	9,626	4.59%
Vandenberg Air Force Base	6,889	3.25%	Vandenberg Air Force Base	4,782	2.28%
County of Santa Barbara	4,652	2.19%	County of Santa Barbara	4,088	1.95%
Santa Barbara Cottage Hospital	2,605	1.23%	Santa Barbara Cottage Hospital	2,529	1.21%
Santa Barbara City College	2,066	0.97%	Santa Barbara City College	2,211	1.05%
Santa Barbara Unified School District	1,988	0.94%	Raytheon Electronic Systems	1,950	0.93%
City of Santa Barbara	1,716	0.81%	Santa Barbara School District Admin.	1,810	0.86%
Chumash Casino Resort	1,650	0.78%	Santa Maria-Bonita School District	1,615	0.77%
Marian Medical Center	1,500	0.71%	Chumash Casino	1,530	0.73%
Santa Maria-Bonita School District	1,402	0.66%	City of Santa Maria	1,520	0.72%
Total ten largest	34,871	16.44%	Total ten largest	31,661	15.09%
Total all other	177,329	83.56%	Total all other	178,139	84.91%
Total companies or organizations	<u>212,200</u>	<u>100.00%</u>	Total companies or organizations	<u>209,800</u>	<u>100.00%</u>

**Sources:**

- (1) California Economic Forecast Project
- (2) County of Santa Barbara CAFR FY 2003-04

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)  
 LAST TEN FISCAL YEARS

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Paid employees (1)</b>										
Policy & executive	95	88	98	99	91	85	93	92	94	96
Public safety	1,565	1,632	1,646	1,666	1,617	1,556	1,524	1,455	1,467	1,478
Health & public assistance	1,660	1,706	1,688	1,704	1,654	1,765	1,779	1,634	1,732	1,799
Community resources & public facilities	519	524	502	506	476	451	432	416	419	424
General government & support services	425	436	432	438	437	410	385	343	334	334
General county programs	14	34	40	34	31	30	15	17	6	5
Resource Recovery	91	91	90	90	91	85	83	81	79	83
Laguna Sanitation	13	15	15	15	16	16	16	16	16	16
<b>Total County employees</b>	<b>4,382</b>	<b>4,526</b>	<b>4,511</b>	<b>4,552</b>	<b>4,413</b>	<b>4,398</b>	<b>4,327</b>	<b>4,054</b>	<b>4,147</b>	<b>4,235</b>
<b>Actual full-time equivalent employees (2)</b>										
Policy & executive	88	87	91	90	83	79	86	85	88	88
Public safety	1,492	1,537	1,579	1,610	1,561	1,500	1,455	1,390	1,386	1,394
Health & public assistance	1,563	1,596	1,598	1,615	1,573	1,633	1,636	1,548	1,608	1,679
Community resources & public facilities	498	473	476	473	445	421	404	391	389	392
General government & support services	405	410	408	414	414	392	369	328	315	313
General county programs	14	28	38	34	30	29	14	13	-	-
Resource Recovery	87	86	85	86	86	80	78	76	74	78
Laguna Sanitation	13	16	15	15	16	16	16	16	16	16
<b>Total County employees</b>	<b>4,160</b>	<b>4,233</b>	<b>4,290</b>	<b>4,337</b>	<b>4,208</b>	<b>4,150</b>	<b>4,059</b>	<b>3,847</b>	<b>3,876</b>	<b>3,960</b>

**Note:**

- (1) Paid employees: Count of employees paid, including terminated employees. Employees with more than one job will be counted once for each job for which the employee was paid.
- (2) Actual full-time equivalent employees: Count of number of full-time equivalents paid. For full-time and part-time, the full-time equivalent (FTE) used is from the employee's assigned work schedule. For extra help and contractors, the FTE is calculated as the number of hours worked this pay period divided by 80.

**Summary of County Employees  
 Last Ten Fiscal Years (3):**

<u>Fiscal Year</u>	<u>Full-Time Equivalents</u>
2004-2005	4,160
2005-2006	4,233
2006-2007	4,290
2007-2008	4,337
2008-2009	4,208
2009-2010	4,150
2010-2011	4,059
2011-2012	3,847
2012-2013	3,876
2013-2014	3,960

**Source:**

- (3) Santa Barbara County payroll records as of June 30.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)  
 LAST TEN FISCAL YEARS

Function/Program	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Public safety</b>										
Filed felonies-District Attorney	2,799	3,062	3,077	2,669	2,610	2,482	2,462	2,741	2,979	3,176
Filed misdemeanors-District Attorney	13,691	13,096	14,901	14,791	14,608	14,633	13,264	10,983	10,022	9,838
Public Defender's total new caseload	26,700	22,900	25,302	24,939	21,859	23,056	23,563	21,642	18,963	20,973
Fire emergency responses	9,500	9,700	10,163	11,090	11,392	11,278	11,512	12,714	13,989	13,842
Total miles patrolled by Sheriffs	1,518,166	1,504,057	1,546,905	1,572,795	1,563,910	1,530,054	1,519,651	1,447,978	1,230,191	1,477,038
Processed and booked adult offenders-Sheriff	19,582	17,747	18,403	17,915	17,992	18,319	17,552	15,763	16,677	16,780
Juvenile referrals processed-Probation	6,400	6,589	6,822	6,287	5,880	5,431	4,978	4,122	3,449	3,070
Adult and Juvenile cases supervised-Probation	10,579	10,191	11,678	11,986	10,509	10,808	9,480	8,364	8,321	8,331
Institutional care for minors-Probation (days)	52,280	62,375	67,154	68,730	68,286	67,861	65,313	58,923	52,268	38,763
Submit written reports to courts on Adults-Probation	7,892	7,831	8,153	7,190	5,832	4,941	5,544	5,146	6,582	6,628
<b>Health &amp; public assistance</b>										
ADMHS clients served	14,807	13,059	13,629	14,565	13,637	14,785	12,063	11,825	12,313	12,647
Established orders for child support	14,985	15,469	16,965	14,635	14,630	14,800	13,648	12,963	12,565	11,922
Assistance claims paid to eligible recipients	64,500	64,200	65,405	65,686	71,249	77,966	80,025	76,762	72,678	70,924
Patient encounters at Public Health clinics	116,100	118,400	123,000	126,200	134,450	136,867	131,489	120,540	120,700	114,000
<b>Community resources &amp; public facilities</b>										
Building inspections	34,900	34,000	40,034	33,800	21,523	19,159	19,450	19,736	20,689	23,752
Enhanced or maintained road lanes (miles)	117	117	246	102	100	195	96	81	67	82
Flood control work requests (1)	200	185	112	110	180	195	90	95	-	-
<b>General government &amp; support services</b>										
Clerk-Recorder-Assessor										
Recorded documents & vital copies issued	131,000	123,700	135,000	108,000	107,073	108,178	117,932	119,522	135,053	103,060
<b>Resource Recovery</b>										
Waste recycled (tons per month)	8,857	8,177	8,270	7,692	7,074	6,576	7,312	7,824	7,043	7,244
Landfill waste disposal (tons per month)	20,510	19,679	18,483	17,964	17,099	15,626	14,614	13,891	14,607	14,894

**Note:**

(1) Beginning in FY 2012-13 Public Works no longer tracks flood control work requests.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)  
 LAST TEN FISCAL YEARS

Function/Program	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Policy & executive											
Buildings	Occupied with general government and support services										
Public safety											
Court buildings	9	9	9	9	7	7	7	7	7	7	7
Other buildings	4	5	5	5	5	5	5	5	5	5	5
Fire stations	15	15	15	16	16	16	16	16	16	16	16
Fire trucks	39	41	41	42	41	43	42	42	42	42	42
Ambulances	4	4	4	4	4	4	4	4	6	6	6
Sheriff sub stations	2	2	2	2	2	3	3	4	4	4	4
Patrol units	49	49	49	49	49	49	49	49	49	49	49
Aircrafts	5	5	5	5	5	5	6	6	6	6	6
Jail and detention facilities	6	6	6	6	6	6	6	6	6	6	6
Administration buildings	8	8	8	8	9	9	9	9	9	9	9
Health & public assistance											
Clinics	5	5	6	7	7	7	7	7	7	7	7
Administration buildings	5	5	5	5	5	5	5	5	5	5	5
Community resources & public facilities											
Public parks & open space acreage	2,617	2,617	2,243	2,243	2,455	2,469	2,469	1,798	2,027	2,122	2,122
Day use & camping parks	24	24	21	21	22	22	23	25	26	26	26
Open space areas (County developed)	29	29	17	17	17	17	18	42	43	45	45
Outdoor events center	1	1	1	1	1	1	1	1	1	1	1
Veterans buildings	3	3	3	3	3	3	3	3	7	7	7
Seawalls	2	2	2	2	2	2	2	2	2	2	2
Road lane miles	1,668	1,668	1,668	1,668	1,668	1,685	1,685	1,685	1,670	1,671	1,671
Bridges	44	44	112	112	112	112	112	113	113	115	115
Traffic signals	25	25	25	25	25	26	26	26	43	44	44
Roads heavy equipment	43	43	43	48	51	49	51	51	51	43	43
Sanitary sewers (miles of collection)	160	160	160	160	111	121	121	121	121	129	129
Treatment capacity (million gallons per day)	4	4	4	4	4	4	4	4	4	4	4
Resource Recovery heavy equipment	60	65	65	69	69	82	84	73	78	72	69
General government & support services											
Buildings	4	5	5	5	5	5	5	5	7	7	7

**Notes:**

Buildings include those that are capitalized but exclude real property that is leased.

# Glossary

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# Glossary

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

**ACCOUNTS PAYABLE** - A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

**ACCOUNTS RECEIVABLE** - An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

**ACCRUAL BASIS** - The recording of the financial effects of a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

**ACCUMULATED DEPRECIATION** - A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

**ADVANCE FROM OTHER FUNDS** - A liability account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE TO OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

**ADVANCE TO OTHER FUNDS** - An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE FROM OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

**AGENCY FUND** - A fund normally used to account for assets held by a government as an agent for individuals, private organizations, or other governments and/or other funds.

**AGENT MULTIPLE-EMPLOYER PLAN** - Group of single-employer plans with pooled administrative and investment functions but separate actuarial valuations and contribution rates.

**AMORTIZATION** - (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

**ANNUAL OPEB COST** - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

**ANNUAL REQUIRED CONTRIBUTIONS (ARC)** - Term used in connection with defined benefit pension and other postemployment benefit plans to describe the amount an employer must contribute in a given year.

**APPROPRIATION** - A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

**ASSESSED VALUATION** - A valuation set upon real estate or other property by a government as a basis for levying taxes.

**ASSIGNED FUND BALANCE** - Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

**AUDITOR'S REPORT** - In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

**BALANCE SHEET** - The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

**BASIC FINANCIAL STATEMENTS (BFS)** - The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

**BASIS OF ACCOUNTING** - A term used to refer to *when* revenues, expenditures, expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

**BUDGET** - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

**BUDGETARY CONTROL** - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**BUSINESS-TYPE ACTIVITIES** - One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds.

**CAPITAL ASSETS** - Long-lived assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include equipment, buildings, and improvements other than buildings; land; infrastructure; and intangible assets. In the private sector, these assets are referred to most often as property, plant and equipment, and intangible assets.

**CAPITAL EXPENDITURES** - Expenditures resulting in the acquisition of or addition to the government's general capital assets.

**CAPITALIZATION POLICY** - The criteria used by a government to determine which outlays should be reported as capital assets.

**CAPITAL LEASE** - An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS**.

**CAPITAL PROJECTS FUND** - A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CASH BASIS** - A basis of accounting under which transactions are recognized only when cash is received or disbursed.

**CASH WITH FISCAL AGENT** - An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM** - A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs/CUFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

**CHANGE IN THE FAIR VALUE OF INVESTMENTS** - The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

# Glossary

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

**CLOSED AMORTIZATION PERIOD** - Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

**COMMITTED FUND BALANCE** - Amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**COMPENSATED ABSENCES** - Absences, such as vacation, illness, and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)** - A CAFR is a financial report that encompasses all funds and component units of the government. It contains (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

**CONTINGENT LIABILITY** - Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**CONTRIBUTION DEFICIENCIES** - The difference between the annual required contributions (ARC) of the employer(s), and the employer's actual contributions in relation to the ARC.

**COST-SHARING MULTIPLE-EMPLOYER PLAN** - A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

**COVERED PAYROLL** - Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

**CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS** - Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

**DEBT** - An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

**DEBT SERVICE FUND** - A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**DEFERRED CHARGES** - Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

**DEFERRED REVENUE** - Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

**DEFICIT** - (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**DEFINED BENEFIT OPEB PLAN** - Plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

**DEFINED BENEFIT PENSION PLAN** - A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

**DEPRECIATION** - (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**DUE FROM OTHER FUNDS** - An asset account reflecting amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**DUE TO OTHER FUNDS** - A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**ECONOMIC RESOURCES MEASUREMENT FOCUS** - Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

**EMPLOYER'S CONTRIBUTIONS** - Term used in the context of pension and other postemployment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer. (Only amounts paid to trustees and outside parties qualify.)

**ENCUMBRANCES** - Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

**ENTERPRISE FUND** - Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

# Glossary

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

**EXCHANGE-LIKE TRANSACTION** - Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

**EXPENDITURES** - Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

**EXPENDITURE-DRIVEN GRANTS** - Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

**EXPENSES** - Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

**EXTERNAL AUDITORS** - Independent auditors typically engaged to conduct an audit of a government's financial statements.

**EXTERNAL INVESTMENT POOL** - An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

**FAIR VALUE** - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FIDUCIARY FUNDS** - The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

**FINANCIAL RESOURCES** - Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables or investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

**FISCAL AGENT** - A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**FUND** - A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

**FUND BALANCE** - The difference between fund assets and fund liabilities of governmental and similar trust funds.

**FUND FINANCIAL STATEMENTS** - Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

**FUND TYPE** - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

**GENERAL FUND** - The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL REVENUES** - All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** - The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by Statement of Accounting Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*.

**GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)** - An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

**GOVERNMENTAL ACCOUNTING** - The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** - The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

**GOVERNMENTAL ACTIVITIES** - Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

**GOVERNMENTAL FUNDS** - Funds generally used to account for tax-supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

**GOVERNMENTWIDE FINANCIAL STATEMENTS** - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**IMPROVEMENT** - An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

**INDIRECT EXPENSES** - Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

**INFRASTRUCTURE** - Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

# Glossary

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

**NET INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT** - One of three components of net position that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

**INTERFUND RECEIVABLE/PAYABLE** - Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

**INTERFUND TRANSFERS** - Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

**INTERNAL SERVICE FUND** - A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

**JOINT VENTURE** - A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

**LAPSE** - As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**LEASE-PURCHASE AGREEMENTS** - Contractual agreements that are termed leases, but that in substance are purchase contracts.

**LEGAL LEVEL OF BUDGETARY CONTROL** - The level at which spending in excess of budgeted amounts would be a violation of law.

**LEVEL OF BUDGETARY CONTROL** - The level at which a government's management may not reallocate resources without special approval from the legislative body.

**LEVEL PERCENTAGE OF PROJECTED PAYROLL AMORTIZATION METHOD** - Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

**LIABILITIES** - Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**LOANS RECEIVABLE** - An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

**MAJOR FUND** - A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)** - A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

**MEASUREMENT FOCUS** - A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**MODIFIED ACCRUAL BASIS** - The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

**NET OPEB OBLIGATION** - In the context of defined benefit pension and other postemployment benefit plans, the cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension/OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related/OPEB-related debt.

**NONSPENDABLE FUND BALANCE** - Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**OTHER FINANCING SOURCES** - An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

**OTHER FINANCING USES** - A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)** - Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries.

**OVERLAPPING DEBT** - The proportionate share that property within a government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

**PAY-AS-YOU-GO** - a method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

# Glossary

County of Santa Barbara ~ Comprehensive Annual Financial Report for Year Ended June 30, 2014

**PAYROLL GROWTH RATE** - an actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

**PENSION BENEFITS** - "Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan."

**POSTEMPLOYMENT** - Period following termination of employment, including the time between termination and retirement postemployment healthcare benefits.

**PROGRAM REVENUES** - Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**PROPRIETARY FUNDS** - Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**REBATABLE ARBITRAGE** - A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

**REPORTING ENTITY** - The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

**REQUIRED SUPPLEMENTARY INFORMATION** - Consists of statements, schedules, statistical data, or other information that according to the GASB is necessary to supplement, although not required to be a part of, the basic financial statements.

**RESTRICTED ASSETS** - Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**RESTRICTED FUND BALANCE** - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**RESTRICTED NET POSITION** - A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**RETAINED EARNINGS** - An equity account reflecting the accumulated earnings of an enterprise or internal service fund.

**REVENUE BONDS** - Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

**RISK MANAGEMENT** - All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**SELF-INSURANCE** - A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**SINGLE AUDIT** - An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

**SPECIAL DISTRICT** - An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, cemetery districts, transit authorities, port authorities, and electric power authorities.

**SPECIAL REVENUE FUND** - A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**SUBSTANTIVE PLAN** - Terms of an OPEB plan as understood by the employer(s) and plan members.

**TAX AND REVENUE ANTICIPATION NOTES (TRAN)** - Notes issued in anticipation of the collection of taxes and revenues, usually retrievable only from tax collections, and frequently only from the proceeds of the tax and revenue levy whose collection they anticipate.

**TRUST FUNDS** - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

**UNASSIGNED FUND BALANCE** - The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

**UNMODIFIED OPINION** - An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**UNRESTRICTED NET POSITION** - That portion of net position that is neither restricted nor invested in capital assets (net of related debt).

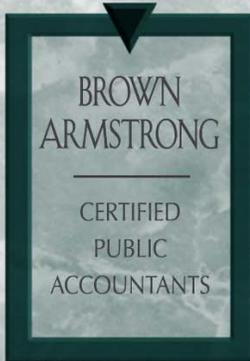
**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**SINGLE AUDIT REPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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## REPORTS



# BROWN ARMSTRONG

*Certified Public Accountants*

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

The Honorable Board of Supervisors  
of the County of Santa Barbara, California

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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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 25, 2014.

### **Internal Control Over Financial Reporting**

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

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

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

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-001 through 2014-004.

## **The County's Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

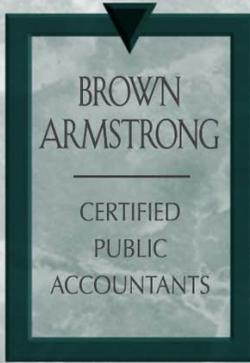
## **Purpose of this Report**

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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
August 25, 2014



# BROWN ARMSTRONG

*Certified Public Accountants*

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

The Honorable Board of Supervisors  
of the County of Santa Barbara, California

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Santa Barbara, California's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Basis for Qualified Opinion on Major Federal Programs (Identified on the Schedule of Findings and Questioned Costs)**

As described in item 2014-001 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply, in all instances, with requirements regarding eligibility that are applicable to its Foster Care (CFDA No. 93.658). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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As described in item 2014-002 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply, in all instances, with requirements regarding eligibility that are applicable to its Medical Assistance Program (CFDA No. 93.778). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

### **Qualified Opinion on Major Federal Programs (Identified on the Schedule of Findings and Questioned Cost)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraphs, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major programs (identified on the Schedule of Findings and Questioned Cost) for the year ended June 30, 2014.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-003 through 2014-004. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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

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

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

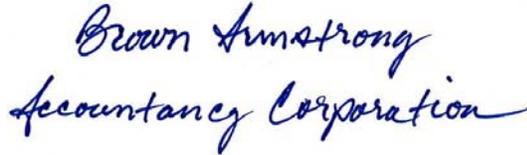
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-001 through 2014-004 to be significant deficiencies.

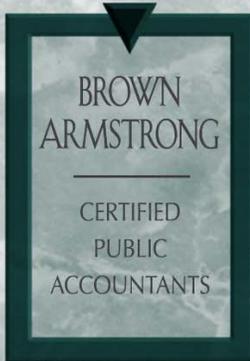
The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
November 13, 2014



BROWN ARMSTRONG  
*Certified Public Accountants*

**INDEPENDENT AUDITOR’S REPORT ON SUPPLEMENTARY INFORMATION –  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Board of Supervisors  
of the County of Santa Barbara, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California, (the County) as of and for the year ended June 30, 2014, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated August 25, 2014, which contained unmodified opinions on those financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the County Board of Supervisors and management of the County as well as the County’s federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

Bakersfield, California  
November 13, 2014

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## **FINANCIAL STATEMENTS**

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal grantor/pass-through grantor/program title	Catalog of federal domestic assistance number	Supplemental number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs			
Cooperative Forestry Assistance	10.664	11-LE-11051360-224 A	\$ 33,365
Cooperative Forestry Assistance	10.664	11-LE-11051360-224 B	<u>16,644</u>
Subtotal			<u>50,009</u>
Passed through California Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-0095-SF	156,169
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-0302-SF	<u>7,719</u>
Subtotal			<u>163,888</u>
Passed through California Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10494	<u>3,451,943</u>
Passed through California Department of Social Services:			
State Administrative Matching Grants for Food Stamp Program	10.561	Santa Barbara	<u>6,869,507</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>10,535,347</u>
U.S. DEPARTMENT OF ENERGY			
Direct Programs			
ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0003796	192,510
TOTAL U.S. DEPARTMENT OF ENERGY			<u>192,510</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs			
Consolidated Health Centers (Health Care For The Homeless)	93.224	H80CS00046	<u>483,143</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00193	<u>346,702</u>
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	H80CS00046	<u>438,743</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Supplemental number</u>	<u>Expenditures</u>
Passed through California Department of Alcohol & Drug Programs:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79TI022513-01	94,624
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SPF SIG 12-04	147,049
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79TI023287-01	361,931
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79TI023165-01	<u>309,925</u>
Passed through Substance Abuse Mental Health Services Administration Drug Court			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79T1025033-01	<u>201,310</u>
Subtotal			<u>1,114,839</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	12NNA42	<u>2,496,555</u>
Passed through California Department of Health Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	Santa Barbara	<u>84,995</u>
National Bioterrorism Hospital Preparedness Program	93.889	Santa Barbara	<u>196,376</u>
Passed through California Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM060005-10	<u>56,483</u>
Block Grants for Community Mental Health Services	93.958	3B09SM010005-10S1	<u>206,335</u>
Passed through California Department of Public Health:			
Preventative Health and Health Services Block Grant	93.991	13-20509	<u>582,566</u>
Maternal and Child Health Services Block Grant to the States	93.994	201042	<u>977,120</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	13-20389	<u>100</u>
Immunization Grants	93.268	13-20345	<u>152,838</u>
Passed through California Department of Health Services:			
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	11-10686	5,000
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	Santa Barbara	<u>319,324</u>
Subtotal			<u>324,324</u>
Passed through California Department of Public Health - Office of AIDS:			
HIV Care Formula Grants	93.917	13-20073	149,591
HIV Care Formula Grants	93.917	13-20073 A01	26,532
HIV Care Formula Grants	93.917	13-20252	49,575
HIV Care Formula Grants	93.917	13-20252 A01	<u>37,133</u>
Subtotal			262,831

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Supplemental number</u>	<u>Expenditures</u>
Passed through California Department of Social Services: Promoting Safe and Stable Families	93.556	Santa Barbara	<u>277,202</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	Santa Barbara	<u>424</u>
Child Welfare Services - State Grants	93.645	Santa Barbara	<u>302,167</u>
Foster Care - Title IV-E	93.658	Santa Barbara	<u>8,652,872</u>
Adoption Assistance	93.659	Santa Barbara	<u>3,464,998</u>
Social Services Block Grant	93.667	Santa Barbara	<u>1,220,669</u>
Chafee Foster Care Independent Living	93.674	Santa Barbara	<u>114,540</u>
Temporary Assistance for Needy Families	93.558	Santa Barbara	<u>21,370,432</u>
State Children's Insurance Program	93.767	Santa Barbara	<u>2,876</u>
State Planning and Establishment Grants for the ACA's Exchanges	93.525	Santa Barbara	<u>362,852</u>
Passed through California Department of Child Support Services: Child Support Enforcement	93.563	Santa Barbara (County 42)	<u>6,193,435</u>
Passed through California Secretary of State: Voting Access for Individuals with Disabilities Grants to States and Local Governments	93.617	13G26127	<u>12,698</u>
Passed through California Department of Health Care Services: Medical Assistance Program	93.778	13-90025	538,595
Passed through California Department of Mental Health: Medical Assistance Program	93.778	42	3,587,306
Passed through California Department of Social Services: Medical Assistance Program	93.778	Santa Barbara	<u>18,915,765</u>
Subtotal - Medicaid Cluster			<u>23,041,666</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>72,740,781</u>
U.S. DEPARTMENT OF HOMELAND SECURITY Direct Programs Assistance to Firefighters Grant	97.044	EMW-2012-FO-06687	<u>77,723</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal grantor/pass-through grantor/program title	Catalog of federal domestic assistance number	Supplemental number	Expenditures
Passed through Governor's Office of Emergency Services: Emergency Management Performance Grants	97.042	EP-00047	228,360
Homeland Security Grant Program	97.067	2013-00110, OES #083- 00000	110,685
Law Enforcement Terrorism Prevention Programs (LETPP)	97.074	2011-SS-0077, OES #083-00000	502,442
Law Enforcement Terrorism Prevention Programs (LETPP)	97.074	2012-SS-00123, OES #083-00000	216,210
Subtotal			718,652
Passed through San Diego Sheriff's Department: Homeland Security Grant Program	97.067	2014-2015	318,194
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			1,453,614
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Direct Programs</b>			
Community Development Block Grants/Entitlement Grants	14.218	B11UC060509	462,847
Community Development Block Grants/Entitlement Grants	14.218	B12UC060509	1,432,554
Community Development Block Grants/Entitlement Grants	14.218	B13UC060509	498,853
Subtotal - CDBG- Entitlement Grants Cluster			2,394,254
Emergency Shelter Grants Program	14.231	E11-UC060509	25,553
Emergency Shelter Grants Program	14.231	E12-UC060509	36,926
Emergency Shelter Grants Program	14.231	E13-UC060509	52,748
Subtotal			115,227
Supportive Housing Program	14.235	CA1006B9D031000 HMIS Expansion	58,857
Supportive Housing Program	14.235	CA0596B9D031205	114,358
Supportive Housing Program	14.235	CA0598B9D031205 HMIS	192,450
Supportive Housing Program	14.235	CA0600L9D031205	19,210
Supportive Housing Program	14.235	CA0595B9D031003	115,315
Subtotal			500,190
HOME Investment Partnerships Program	14.239	M13-DC060554	630,115
HOME Investment Partnerships Program	14.239	M12-DC060554	666,517
HOME Investment Partnerships Program	14.239	M11-DC060554	94,063
HOME Investment Partnerships Program	14.239	M09-DC060554	938,598
HOME Investment Partnerships Program	14.239	M08-DC060554	360,605
HOME Investment Partnerships Program	14.239	M07-DC060554	712,473
HOME Investment Partnerships Program	14.239	M06-DC060554	82,151
Subtotal			3,484,522
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			6,494,193

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Supplemental number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through Board of State and Community Corrections: Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 640-12	9,472
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 640-13	<u>131,016</u>
Passed through Office of Justice Program: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0762	<u>127,891</u>
Passed through California Board of State & Community Corrections Edward Byrne Memorial Justice Assistance Grant Program	16.738	BSCC 665-12	<u>214,579</u>
Subtotal - JAG Program Cluster			<u>482,958</u>
Passed through Board of State and Community Corrections: Juvenile Accountability Incentive Block Grants	16.523	BSCC 126-13	<u>31,974</u>
Passed through Office of Justice Program: Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0038	69,031
Drug Court Discretionary Grant Program	16.585	2012-DC-BX-0018	<u>120,144</u>
Subtotal			<u>189,175</u>
Violence Against Women Formula Grants	16.588	PU12 03 0420	<u>15,125</u>
Passed through Governor's Office of Emergency Services, California Emergency Management Agency: Crime Victim Assistance	16.575	VW11 30 0420	<u>100,625</u>
Passed through State Office of Criminal Justice & Planning (OCJP) Byrne Formula Grant Program	16.579	SF-08-A-410843	<u>74,337</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>894,194</u>
<b>U.S. DEPARTMENT OF LABOR - WIA CLUSTER</b>			
Passed through California Employment Development Department: WIA Adult Program	17.258	K386319	341,697
WIA Adult Program	17.258	K491040	957,658
WIA Youth Activities	17.259	K386319	345,486
WIA Youth Activities	17.259	K491040	792,142
WIA Dislocated Worker Formula Grants	17.278	K282506	70,378
WIA Dislocated Worker Formula Grants	17.278	K386319	317,627
WIA Dislocated Worker Formula Grants	17.278	K491040	<u>822,563</u>
Subtotal - WIA Cluster			<u>3,647,551</u>
Passed through Department of Social Services: Homeless Veterans Reintegration Project	17.805	Santa Barbara	<u>6,972</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u>3,654,523</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal grantor/pass-through grantor/program title	Catalog of federal domestic assistance number	Supplemental number	Expenditures
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Passed through Bureau of Reclamation: Fish And Wildlife Coordination Act	15.517	R10AC20610	<u>179,020</u>
Passed through U.S. Fish and Wildlife Services Coastal Impact Assistance Program	15.668	F12AF00478	3,365
Coastal Impact Assistance Program	15.668	F12AF700307	<u>219,401</u>
Subtotal			222,766
Passed through U.S. Bureau of Reclamation: Water Reclamation and Reuse Program	15.504	R10AC20627	<u>285,199</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>686,985</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Direct Programs			
State and Community Highway Safety	20.600	AL1313	21,313
State and Community Highway Safety	20.600	AL1463	<u>99,084</u>
Subtotal - Highway Safety Cluster			<u>120,397</u>
Airport Improvement Program	20.106	100297745	18,136
Airport Improvement Program	20.106	WPG060243012	<u>215,411</u>
Subtotal			233,547
Passed through State of California Office of Traffic Safety: Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1346	64,538
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1464	<u>37,046</u>
Subtotal			<u>101,584</u>
Passed through Caltrans:			
Highway Planning and Construction	20.205	05-0591/M040-M	5,530
Highway Planning and Construction	20.205	05-5951(137)	4,703
Highway Planning and Construction	20.205	05-5951(072)	281,162
Highway Planning and Construction	20.205	05-5951(082)	826,952
Highway Planning and Construction	20.205	05-5951(024)	749,417
Highway Planning and Construction	20.205	05-5951(093)	77,398
Highway Planning and Construction	20.205	05-5951(150)	10,279
Highway Planning and Construction	20.205	05-5951(151)	104,923
Highway Planning and Construction	20.205	05-5951(152)	15,394
Highway Planning and Construction	20.205	05-5951R	188,937
Highway Planning and Construction	20.205	05-5951/M015	126,042
Highway Planning and Construction	20.205	05-5951/M039	85,503
Highway Planning and Construction	20.205	05-5951/M053	22,160
Highway Planning and Construction	20.205	05-5951/M067	2,333,380
Highway Planning and Construction	20.205	05-5951/N054	59,619
Highway Planning and Construction	20.205	05-930143	1,540,036
Highway Planning and Construction	20.205	SRTSL-5951(144)	54,019
Highway Planning and Construction	20.205	STPLZ5951(039)	<u>30,929</u>
Subtotal - Highway Planning and Construction			<u>6,516,383</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>6,971,911</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Supplemental number</u>	<u>Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through State Water Resources Control Board			
Beach Monitoring and Notification Program Implementation Grants	66.472		<u>25,000</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>25,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS EXCLUDING LOANS			<u>\$ 103,649,058</u>
<u>Beginning Federal Loan Balances With a Continuing Compliance Requirement</u>			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/Entitlement Grants	14.218		\$ 1,702,239
HOME Investment Partnerships Program	14.239		<u>21,961,799</u>
FEDERAL LOAN BALANCES WITH A CONTINUING COMPLIANCE REQUIREMENT			<u>23,664,038</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS INCLUDING LOANS			<u>\$ 127,313,096</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.

**COUNTY OF SANTA BARBARA, CALIFORNIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal financial assistance programs of the County of Santa Barbara, California (the County). The County’s reporting entity is defined in Note 1 of the notes to the County’s basic financial statements. All financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies to the County are included in the accompanying schedule.

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying SEFA is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, which is described in Note 1 of the notes to the County’s basic financial statements.

**NOTE 3 – RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the County’s Comprehensive Annual Financial Report.

**NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying SEFA agree, in all material respects, with the amounts reported in related federal financial reports.

**NOTE 5 – DISCLOSURES FOR STATE GRANT**

Grant revenues and expenditures by category for the fiscal year ended June 30, 2014, are as follows:

***State of California Department of Insurance – Workers’ Compensation Insurance Fraud Program***

Revenues:	
State	\$ 276,716
Total revenues	\$ 276,716
Expenditures:	
Personnel services	\$ 242,486
Total expenditures	\$ 242,486

**NOTE 6 – LOANS OUTSTANDING**

The following programs had federally-funded loans outstanding at June 30, 2014:

<u>Federal CFDA #</u>	<u>Program Title</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 1,702,239	\$ 1,702,239
14.239	HOME Investment Partnerships Program	<u>21,961,799</u>	<u>20,204,817</u>
	Totals	<u>\$ 23,664,038</u>	<u>\$ 21,907,056</u>

## **FINDINGS AND QUESTIONED COSTS**

**COUNTY OF SANTA BARBARA, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. Summary of Auditor's Results**

***Financial Statements***

- (a) The type of report issued on the financial statements: **Unmodified opinion.**
- (b) Significant deficiencies in internal control that were disclosed by the audit of the financial statements: **None reported.**

Material weaknesses: **None.**

- (c) Noncompliance, which is material to the financial statements: **None.**

***Federal Awards***

- (d) Significant deficiencies in internal control over major programs: **Yes. See items 2014-001 through 2014-004.**

Material weaknesses: **None.**

- (e) The type of report issued on compliance for major programs:

1. State Administrative Matching Grants for Supplemental Nutrition Assistance Program – **Unmodified opinion**
2. Medicaid Cluster – **Qualified opinion**
3. Temporary Assistance for Needy Families Cluster – **Unmodified opinion**
4. Foster Care Program – **Qualified opinion**
5. Adoption Assistance – **Unmodified opinion**
6. Workforce Investment Act (WIA) Cluster – **Unmodified opinion**
7. Community Development Block Grants/Entitlement Grants (CDBG) – **Unmodified Opinion**
8. Home Investment Partnerships Program (HOME) – **Unmodified Opinion**
9. Special Supplemental Nutrition Program for Women, Infants, and Children – **Unmodified opinion**
10. Highway Planning and Construction – **Unmodified opinion**

- (f) Any audit findings, which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes. See items 2014-001 through 2014-004.**

- (g) Major programs:

- U.S. Department of Agriculture
  - State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA 10.561)

- U.S. Department of Health and Human Services
  - Medical Assistance Program (CFDA No. 93.778)
  - Temporary Assistance for Needy Families (CFDA No. 93.558)
  - Foster Care Program – Title IV-E (CFDA No. 93.658)
  - Adoption Assistance (CFDA No. 93.659)
- U.S. Department of Labor
  - Workforce Investment Act (WIA) Cluster (CFDA Nos. 17.258, 17.259, 17.278)
- U.S. Department of Housing and Urban Development
  - Community Development Block Grants/Entitlement Grants Cluster (CDFA No. 14.218)
  - HOME Investment Partnerships Program (CFDA No. 14.239)
- U.S. Department of Agriculture
  - Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)
- U.S. Department of Transportation
  - Highway Planning and Construction (CFDA No. 20.205)

Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**

(h) Low-risk auditee determination under Section 530 of OMB Circular A-133: **No. The County is considered a high-risk auditee.**

**2. Findings Relating to Financial Statements Reported in Accordance with Government Auditing Standards**

None.

**3. Findings and Recommendations Relating to Federal Awards**

**2014-001**

**Program:** Foster Care

**CFDA No.:** 93.658

**Federal Agencies:** U.S. Department of Health and Human Services

**Passed-Through:** California Department of Social Services

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2013/14

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$18,941

**Criteria:**

The March 2014 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program cases were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible cases.

**Condition Found:**

Out of the 40 cases selected for eligibility test work, we noted the following:

- 4 case files whereby the benefit amounts were calculated incorrectly.
- 1 case file whereby benefits were issued when the participant was ineligible.

**Effect:**

The County of Santa Barbara (the County) is not in compliance with all eligibility requirements for the Foster Care Program. Participants may be receiving inaccurate benefit amounts.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to ongoing Foster Care eligibility determination requirements in order to ensure that Foster Care eligibility determinations are being performed within the specified timeframe. This will help ensure the accuracy of the case data and that Foster Care eligibility determinations are supported by the proper documentation in the case file. We also recommend that the County follow its policy that requires the case files be reviewed for accurate calculation of benefits so that the participants are paid properly.

**Views of Responsible Officials:**

The Department of Social Services (the Department) concurs with the four findings whereby the benefit amounts were calculated incorrectly. It should be noted that on these four cases the incorrect calculations resulted in underpayments. This was rectified immediately and benefits have been issued. The Department continues to work diligently in adopting and implementing new business practices to ensure that the staff is making the necessary computer data entries to ensure accuracy in benefit issuances. The Department hired a supervisor in Fiscal Year 13-14 to support the program; however, this supervisor is new to the program and continues to receive ongoing training. This training will assist the supervisors in the ability to conduct a thorough review of 5% of cases to ensure accurate issuance and discontinuance of benefits. Although we continue to experience staffing issues, we are pursuing filling all vacancies. Additionally, we reassigned one clerical support staff to this unit in an effort to support the eligibility staff.

The Department concurs with the single finding of whereby benefits were issued when the individual was no longer eligible. The Department has already completed the process to collect the overpayment. As stated above, the Department continues to work diligently in adopting and implementing new business practices to ensure cases are terminated when they no longer meet the eligibility criteria. As stated, an additional supervisor has been hired to support program. Once trained, the supervisor will conduct a thorough review of 5% of cases to ensure accurate issuance and discontinuance of benefits. As stated, we are pursuing filling all vacancies and have reassigned one clerical support staff to this unit to support the eligibility staff.

**Contact Information of Responsible Official:**

Devin Drake

Telephone: (805) 346-8351

**2014-002**

**Program:** Medical Assistance Program (Medicaid Cluster)

**CFDA No.:** 93.778

**Federal Agencies:** U.S. Department of Health and Human Services

**Passed-Through:** California Departments of Health Care Services, Mental Health, and Social Services

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2013/14

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$0

**Criteria:**

The March 2014 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program participants were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible participants.

**Condition Found:**

Specific requirements must be followed to ensure that the individual meets the financial and categorical requirements, which includes the following:

- Obtaining a written application, Statement of Facts, signed under penalty of perjury by the applicant.
- Verification of an applicant's information reported on the MC 210 "Statement of Facts," including identity, social security number (SSN), residency, monthly expenses, as well as pregnancy, if necessary.
- Reconfirming of an applicant's income eligibility using the Income and Eligibility Verification System (IEVS), a secondary income verification tool. Verification of the applicant's income by obtaining a pay stub if the applicant is employed.
- Verification of an applicant's supplemental social security income (SSI) eligibility by obtaining a Medi-Cal Eligibility Data System (MEDS) report, if the applicant is applying for the Qualified Medicare Beneficiary (QMB) program.
- Verification of an applicant and recipient's SSN to ensure that each SSN furnished was issued to that individual.
- Verification of an applicant's qualified alien status by obtaining the Statement of Citizenship, Alienage, and Immigration Status form if the applicant is not a U.S. citizen.
- Verification of the eligibility of Medicaid recipients with respect to circumstances that may change, at least every 12 months.

Out of the 40 case files selected for eligibility testwork, we noted the following:

- 1 case file whereby the income data in CalWIN did not match data provided by the client and/or IEVS.
- 2 case files whereby IEVS verification was not performed for one or more members of the assistance unit.
- 1 case file whereby the SAVE report was not processed at the time of application.
- 6 cases whereby redetermination was processed late.

Out of the 40 case files selected for In-Home Supportive Services (IHSS) eligibility testwork, we noted the following

- 4 case files whereby date of the signed application (SOC 295) did not agree with the IHSS Application date in the system.
- 7 case files whereby the County failed to perform a client reassessment of needs within the 12 month renewal period.
- 1 case file whereby the application (SOC 295) was not signed under penalty of perjury.
- 2 case files whereby the County was unable to verify an application (SOC 295) was completed at the time of benefit issuance.

**Effect:**

Participant data may not be accurate in the participant file or the system, which could lead to initial and continual eligibility errors and inaccurate benefit calculations.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial and ongoing eligibility determination, required documentation, and maintenance of participant file and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

## **Views of Responsible Officials:**

### **Medi-Cal**

The Department acknowledges the one case whereby the income information provided by the client and/or IEVS did not match the information entered into the system. The cause of the error has been investigated and the findings and Corrective Action Plan will be reviewed with the Medi-Cal (MC) supervisors at the November 2014 Team meeting. Supervisors will then review the findings and plan with their staff by December 31, 2014 so that all staff is made aware of this finding.

Additionally, The Department has implemented procedures to ensure consistency between the information provided by the client and the information entered into the system. On November 14, 2013, the CalWIN data system "Case Comment" section was modified to require an income determination, including a section in which the Eligibility Worker (EW) must enter all paystub amounts, dates received, and multiplier used. Gross income is now automatically tallied so that there is no error in the calculation of the gross income. This modification will reduce future calculation errors. The Department issued instructions for this change in Administrative Directive 06-04 "Case Comments." Review of these instructions will be a mandatory training to be completed by staff by December 31, 2014. The information will also be reviewed at the November 2014 Medi-Cal Team meeting. We are already seeing positive results from this system change.

The Department continues to rely on case reviews to ensure the integrity of the eligibility determinations and to ensure the correct information is entered into the CalWIN system. The Quality Assurance unit continues to collect and conduct an analysis of all Supervisor reviews. Results and trends are compiled into a quarterly report which is shared with program managers, Department Business Specialists, line supervisors and line staff. The quarterly report will be reviewed at the Branch meeting with Managers to strategize if additional training or enhanced monitoring measures need to be implemented. As a follow-up and reinforcement measure, Quality Assurance will conduct a focused review by March 31, 2015 to validate that staff are correctly entering income into the CalWIN system. As an additional reinforcement measure, Quality Assurance (QA) will develop and conduct a series of "IEVS Processing Overview" presentations for all Medi-Cal staff by June 30, 2015.

The Department acknowledges that the IEVS report as a secondary verification of income and property was not run timely on two case files. IEVS was subsequently processed for these cases, resulting in no change in eligibility. A Medi-Cal program bulletin article will be published in November 2014 to remind all eligibility staff of the IEVS secondary verification requirement during the application and renewal process. Online IEVS training is available via the Department's Site Providing Online Training (SPOT) and staff will be required to review annually. Various awareness campaigns will be done highlighting IEVS policies and procedures. The Department has longstanding policies and procedures with regards to IEVS processing and the instructions in Administrative Directive 06-22 "IEVS/SAVE" clearly outlines the requirements. The information will also be reviewed at the November 2014 Medi-Cal Team meeting. Supervisors will review the findings with their staff by December 31, 2014. As mentioned, QA will conduct a focused review by March 31, 2015 as a reinforcement measure and to validate that IEVS reports are run timely, and will conduct an "IEVS Processing Overview" presentation for Medi-Cal staff by June 30, 2015.

The Department acknowledges that the SAVE report as a verification of alien status was not run timely on one case file. SAVE was subsequently processed, resulting in no change in eligibility. The SAVE process is quite similar to the IEVS process and all corrective remedies will be applied as mentioned above.

The Department recognizes the importance of processing redeterminations in a timely manner and acknowledges that six redeterminations were not completed within the mandated time frames. The Department has longstanding policy and procedures with regards to ongoing eligibility determinations which will be reinforced. However, the Department of Health Care Services has released new redetermination guidelines as a consequence of the Medicaid expansion through the Affordable Care Act. New instructions in the form of an Administrative Directive will be written and reviewed with staff to provide clear written direction and policy on the recent changes. Staff at the Benefit Service Center (BSC) call center is currently evaluating and testing new procedures to improve on processing redeterminations. The resulting information will be reviewed before the January 2015 Medi-Cal Team meeting.

Finally, increased caseloads and recurrent audit findings continue to be the driving factors in the increase in positions to the Department. The addition of line staff and Supervisors will be a major factor in the Department's ability to contain and reduce the number of audit findings in the Medi-Cal program. The first wave of new hires from this staffing augmentation was released to the line in January 2014 and the second wave of new hires released to the line in August 2014. Training will continue to occur twice per year to account for new hires related to normal attrition.

## **IHSS**

The Department agrees with the four findings where the date on the application form (SOC 295) did not match with the IHSS application date on the CMIPS Case Home Screen. A change in procedures was immediately implemented to eliminate this exception:

- All IHSS Social workers (SWs) have been assigned iPads to use during their home visits. Initial referrals (W-238) are completed and saved in the SWs intake folder. That information is then pre-populated onto forms that are linked to the iPads, including the Application for Services (SOC 295). The SWs are still responsible for verifying that the date on the initial referral form (W-238) is the same date that appears on the SOC 295 and matches the date that is entered into CMIPS. This corrective action plan should reduce, if not eliminate, this exception in future audits.

The Department agrees with the seven findings where reassessment of needs was not performed within the 12 month renewal period and is taking the following steps to eliminate this exception:

- In fiscal year 2013/14, IHSS experienced a number of significant program changes and implemented a new computer system (CMIPS II) November 2013. SWs had to learn a whole new system, including completing their own data entries, and how to navigate around the system. As with any new system, there was a steep learning curve which delayed the SWs' ability to process reassessments as quickly as they had previously done.
- To compensate, IHSS made a concerted effort to reduce the number of overdue reassessments. Extra help staff was hired and trained in IHSS procedures so they could assist with this effort, as well as QA staff being temporarily reassigned to assist with the backlog on a part time basis. The number of full time IHSS staff was also increased from twelve to fifteen SWs positions.
- IHSS continues to be short staffed but interviews have been held and positions have been offered. The new staff will complete a training period which includes timely completion of reassessments.
- Although this audit identified seven cases with overdue reassessments, we continue to exceed the State standard of 90% compliance for processing timely reassessments using the State's methodology for determining compliance. We expect the new Fair Labor Standards Act provider overtime legislation to have a major impact to the program in the coming months. IHSS will be hiring additional staff to assist with these new responsibilities. The Department is committed to improving the compliance rate on overdue reassessments.

The Department also agrees with the single instance of an unsigned Application for Services but believes this is an anomaly and is unique to this case. However:

- Now that IHSS SWs are using an iPad during their initial home visits and reassessments, we believe this exception may be eliminated since all forms are now available on the iPad and the applicant/recipient signs the form directly onto the iPad.

Finally, the Department agrees that in two instances we could not verify an SOC 295 was signed at the time of application. We are confident that the form was signed at the original home visit. However, due to the age of these cases, the Department is unable to access the hard case history file. The form was inadvertently not scanned into the DocSTAR system when we converted to document imaging several years ago. In order to reduce or eliminate this exception in future audits, Santa Barbara County is taking the following steps:

- Prior to conducting annual reassessments, SWs have been instructed to review imaged documents in the DocSTAR to ensure there is a completed SOC 295 on file. If not, they are required to obtain a duplicate form during the visit.

- Supervisors have been instructed to specifically look for this form whenever they are completing a case review.
- One of the clerical staff personnel has been given a special project to review all cases that have been active prior to April 2010 to ensure that mandatory forms have been completed and scanned into document imaging. This is an ongoing project that is expected to be completed within a few months.

Additionally, IHSS Quality Assurance thoroughly reviews a significant number of cases annually. In fiscal year 2014/15, QA will conduct 300 desk reviews and a subset of 60 home visits. Additionally, QA will select two areas on which to perform Targeted Reviews. QA conducts an analysis of the reviews and results are compiled into a quarterly report which is shared with program managers, Department Business Specialists, line supervisors and line staff. The quarterly report will be reviewed at the Branch meeting with Managers to strategize if additional training or enhanced monitoring measures need to be implemented.

Although the Department acknowledges the audit exceptions, the majority of exceptions is procedural and has had no impact eligibility. Regardless, the Department continuously strives to improve in all procedures and takes all audit exceptions seriously.

**Contact Information of Responsible Officials:**

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 Devin Drake (IHSS)  
 Telephone: (805) 346-8351

**2014-003**

**Program:** State Administrative Matching Grants for Supplemental Nutrition Assistance Program

**CFDA Nos.:** 10.561

**Federal Agency:** U.S. Department of Agriculture

**Passed-Through:** California Department of Social Services

**Award Number:** Santa Barbara

**Award Year:** Fiscal year 2013/14

**Compliance Requirement:** Special Tests and Provisions – ADP System for Food Stamps

**Questioned Costs:** \$456

**Criteria:**

The March 2014 OMB Circular A-133 Compliance Supplement requirements for special tests and provisions require that the County (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and (3) provide data necessary to meet federal issuance and reconciliation reporting requirements. In addition, the March 2014 OMB Circular A-133 Compliance Supplement requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program participants were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible participants.

**Condition Found:**

Out of the 40 case files tested, we noted the following:

- 2 cases whereby the County inaccurately entered the participant's income and/or housing costs into the CalWIN system.
- 1 case whereby the required quarterly Eligibility/Status Report for re-determining the participant's eligibility was not processed timely.

**Effect:**

- The participants may receive incorrect benefit amounts.
- Ineligible participants may receive benefit amounts.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. We recommend that the County require the determination, re-determination and calculation be reviewed, on a sample basis, by other County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:**

The Department acknowledges two cases where the County inaccurately entered the participant's income and/or housing into the CalWIN system creating overissuances for both cases. The two cases have been corrected and we are pursuing collection of the overissuances.

The causes of the errors and methods to avoid these errors will be reviewed with CalFresh (CF) supervisors at the October 8, 2014 CF "Team" meeting. In turn, supervisors will review the findings with their staff by October 31, 2014. The Corrective Action Plan will be reviewed with the Supervisors before the January 2015 CalFresh Team meeting. In turn, supervisors will review the findings with their staff by December 31, 2014.

The Department has implemented procedures to ensure consistency between the information provided by the client and the information entered into the system. On November 14, 2013, the CalWIN data system "Case Comment" section was modified to require an income determination, including a section in which the EW must enter all paystub amounts, dates received, and multiplier used. Gross income is now automatically tallied so that there is no error in the calculation of the gross income. This modification will reduce future calculation errors. The Department issued instructions in Administrative Directive 06-04 "Case Comments." Review of these instructions will be a mandatory training to be completed by staff by December 31, 2014. We are already seeing positive results from this system change. In addition, the state implemented Semi-Annual Reporting (SAR) in place of the previous quarterly reporting in August 2013. With the implementation of SAR, the methodology of determining income has changed. Workers will no longer average income to determine CF benefits over the SAR period, which will eliminate budgeting errors.

The Department continues to rely on mandated case reviews to ensure the integrity of the eligibility determinations and to ensure the correct information is entered into the CalWIN system. The QA unit continues to collect and conduct an analysis of all Supervisor reviews. Results and trends are compiled into a quarterly report which is shared with program managers, Department Business Specialists, line supervisors and line staff. The quarterly report will be reviewed at the Branch meeting with Managers to strategize if additional training or enhanced monitoring measures need to be implemented. As a follow-up and reinforcement measure to all of these efforts, QA will conduct a focused review by March 31, 2015 to validate that staff are correctly entering income and/or housing into the CalWIN system.

The Department acknowledges one case in which the quarterly QR7 was processed untimely. As mentioned, SAR implementation was effective August 2013. All CF cases on a quarterly cycle were converted to semi-annual by the end of October 2013. As a result, CF participants now submit a Periodic Report every six months as opposed to every three months. In response to increased caseloads, the Department hired additional staff. As a result, we are experiencing timely processing of the SAR7. We expect to see positive results from the implementation of the SAR7 process.

Finally, increased caseloads and recurrent audit findings continue to be the driving factors in adding positions to the Department of Social Services. The addition of line staff and Supervisors will be a major factor in the Department's ability to contain and reduce the number of audit findings in the CalFresh program. The first wave of new hires from this staffing augmentation was released to the line in January 2014 and the second wave of new hires released to the line in August 2014. Training will continue to occur twice per year to account for new hires related to normal attrition.

**Contact Information of Responsible Official:**

Maria Gardner (Medi-cal)  
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**2014-004**

**Program:** Adoption Assistance Program

**CFDA No.:** 93.659

**Federal Agencies:** U.S. Department of Health and Human Services

**Passed-Through:** California Department of Social Services

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2013/14

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$710

**Criteria:**

The March 2014 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that cases were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made for eligible cases.

**Condition Found:**

Out of 40 participants selected for eligibility testing, we noted the following:

- 1 case file whereby the benefit amount was calculated incorrectly, causing an underpayment of benefits paid.

**Effect:**

The County is not in compliance with all eligibility requirements for the Adoption Assistance Program. Participants may be receiving inaccurate benefit amounts

**Recommendation:**

We recommend that the County follow its policy that requires the case files be reviewed for accurate calculation of benefits so that the participants are paid properly.

**Views of Responsible Officials:**

the Department concurs with the single finding whereby the benefit amount was calculated incorrectly. The amount in question was determined to be an underpayment. This was rectified immediately and benefits have been issued. The underpayment was due to a change in the California Necessities Index (CNI). The CNI, which changes payment rates, is updated annually. However, the computer system is not updated in time to process these payment changes. The state instructions on the new rates are also often received after the fact. These changes require a manual process to issue retroactive benefits and thus are time-consuming. Although the current system does not support the ability to automatically generate the CNI, much progress has been made in collaboration with others counties for an automated issuance of the CNI. The system is currently being tested by the CalWIN Consortium and we anticipate feedback within the next few months. We anticipate the need to hire additional staff in preparation for the test work as information will have to be manually entered into the system on all the cases prior to the test work. We recently experienced a change in staffing that has impacted the ability to maintain the growing caseload. This program currently has one newly assigned eligibility worker to manage over 800 Adoptions Assistance Program (AAP) cases. The worker is new to AAP and is currently participating in training. In addition, the supervisor assigned to support this unit is new to the program and is undergoing training. Once trained, the supervisor will conduct a 5% case review for accuracy in benefit issuances.

**Contact Information of Responsible Official:**

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**COUNTY OF SANTA BARBARA, CALIFORNIA  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**2013-001**

**Program:** Foster Care

**CFDA No.:** 93.658

**Federal Agencies:** U.S. Department of Health and Human Services

**Passed-Through:** California Department of Social Services

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$345

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program cases were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible cases.

**Condition Found:**

Out of the 40 cases selected for eligibility test work, we noted the following:

- 2 case files where initiation of a state-level fingerprint check within 10 calendar days after the background check did not occur. These items did not result in any questioned costs.
- 4 case files where the benefit amounts were calculated incorrectly.

**Effect:**

The County of Santa Barbara (the County) is not in compliance with all eligibility requirements for the Foster Care Program. Participants may be receiving inaccurate benefit amounts.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to ongoing Foster Care eligibility determination requirements in order to ensure that Foster Care eligibility determinations are being performed within the specified timeframe. This will help ensure the accuracy of the case data and that Foster Care eligibility determinations are supported by the proper documentation in the case file. We also recommend that the County follow its policy that requires the case files be reviewed for accurate calculation of benefits so that the participants are paid properly.

**Views of Responsible Officials:**

Currently, a business process is in place to initiate live scans within the required ten days: the orientation and fingerprinting forms are provided to the caregiver as is documented in the REL-00 that is signed by the caregiver and licensing social worker at the initial visit. However, prior to placement in a relative's home, a criminal clearance and home safety assessment is obtained to ensure the child is in a safe place. In addition, payment is not initiated until the fingerprinting results are back and therefore no questionable costs are generated. The two cases in question date back to 2010 which cannot be corrected retroactively. In addition, the Department does not conduct its own live scans and does not have control over the scheduling or the business practice of the agency that does them.

Regarding the four cases where the benefits were calculated incorrectly, benefits amounts were initially calculated correctly by the worker; however, the California Necessities Index (CNI) adjustment was not applied at that point in time. The CNI increase was not timely provided as the current system does not support automatic issuance of CNI increases; therefore, the increases have to be entered manually. The Department is currently participating in a work group with several other counties in an effort to eventually have the system automatically generate the payment. In addition, the Department is in the process of hiring more staff to administer the program.

**Current Year Status:**

See Finding 2014-001.

## **2013-002**

**Program:** Medical Assistance Program (Medicaid Cluster)

**CFDA No.:** 93.778

**Federal Agency:** U.S. Department of Health and Human Services

**Passed-Through:** California Departments of Health Care Services, Mental Health, and Social Services

**Award Numbers:** Various

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$0

### **Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program participants were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible participants.

### **Condition Found:**

Specific requirements must be followed to ensure that the individual meets the financial and categorical requirements, which includes the following:

- Obtaining a written application, MC 210 "Statement of Facts," signed under penalty of perjury by the applicant.
- Verification of an applicant's information reported on the MC 210 "Statement of Facts," including identity, social security number, residency, monthly expenses, as well as pregnancy, if necessary.
- Reconfirming of an applicant's income eligibility using the Income and Eligibility Verification System (IEVS), a secondary income verification tool. Verification of the applicant's income by obtaining a pay stub if the applicant is employed.
- Verification of an applicant's supplemental social security income (SSI) eligibility by obtaining a Medi-Cal Eligibility Data System (MEDS) report, if the applicant is applying for the Qualified Medicare Beneficiary (QMB) program.
- Verification of an applicant and recipient's social security number (SSN) to ensure that each SSN furnished was issued to that individual.
- Verification of an applicant's qualified alien status by obtaining an MC 13 if the applicant is not a U.S. citizen.
- Verification of the eligibility of Medicaid recipients with respect to circumstances that may change, at least every 12 months.

Out of the 60 case files selected for eligibility testwork, we noted the following:

- 6 case files whereby the income data in CalWIN did not match the data provided by the client and/or IEVS.
- 5 cases whereby the IEVS verification was not performed in a timely manner.
- 1 case file whereby the County failed to terminate benefits when eligibility requirements were not met.
- 2 case files whereby the County failed to send out the required notices of termination when discontinuing benefits.

Out of the 60 case files selected for In-Home Supportive Services (IHSS) eligibility testwork, we noted the following

- 8 case files whereby the County of Santa Barbara (the County) was unable to verify an application (SOC 295) was completed at the time of benefit issuance.
- 24 case files whereby the County failed to perform a client reassessment of needs within the 12 month renewal period and/or the County failed to retain MEDS from the reassessment date on file.

**Effect:**

Participant data may not be accurate in the participant file or the system, which could lead to initial and continual eligibility errors and inaccurate benefit calculations.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial and ongoing eligibility determination, required documentation, and maintenance of participant file and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:****Medicaid**

The Department acknowledges the six cases whereby the income information provided by the client and/or IEVS did not match the information entered into the system. The Department has implemented procedures to ensure consistency between the information provided by the client and the information entered into the system. Quality Assurance will monitor compliance via the monthly eligibility case reviews performed by Eligibility supervisors. A program bulletin reminder was published in October 2013 informing staff of the updated income section that will assist in calculating the income for staff. An email was also sent to all Medi-Cal supervisors and lead workers asking them to review the bulletin and inform staff that it is important that information provided by client matches CalWIN and that any discrepancies should be clearly documented in case comments. The email also reminds staff that Administrative Directive 06-04 Case Comments states that all eligibility staff is required to document every time a change is reported affecting eligibility and/or benefit amount. The information will also be reviewed at the November 2013 Medi-Cal Team meeting.

The Department acknowledges that the IEVS report as a secondary verification of income and property was not run timely on five case files. IEVS was subsequently processed, resulting in no change in eligibility. A Medi-Cal program bulletin article was published in August 2013 to remind all eligibility staff of this requirement during the application and renewal process. Online IEVS training is available to staff via the Department's Site Providing Online Training (SPOT). The Department has longstanding policies and procedures with regards to IEVS processing and Administrative Directive 06-22 clearly outlines the requirements. The information will also be reviewed at the November 2013 Medi-Cal Team meeting.

The Department acknowledges one case not terminated when eligibility requirements were not met and in two cases failed to send out termination notices. The Department has longstanding policies and procedures with regards to Authorization of cases. Administrative Directives 06-16 clearly outlines the requirements to review all authorization and correct termination and correspondence actions are completed on cases. The information will also be reviewed at the November 2013 Medi-Cal Team meeting.

Finally, increased caseloads and recurrent audit findings were the driving factors for the request to add 77 positions to the Department of Social Services in June 2013. Of these positions, 26 were for eligibility and direct supervision and 19 were for increased training capacity (trainers, mentors, and trainees) in the Department's Medi-Cal and CalFresh Eligibility programs. This deficit in resources directly impacted the Department's ability to contain and reduce the number of audit findings in these programs. The first wave of new hires from this staffing augmentation will be released to the line in January 2014 and the next group of new hires will subsequently enter training in February and be released to the line in August 2014. Training will continue to occur twice per year to account for new hires related to normal attrition.

**IHSS**

The Department acknowledges the eight cases where the original SOC 295 was not in the case file. Although the eight case files are believed to have originally had the SOC 295 on file, the physical case files are no longer available for review in order to substantiate. The county has converted all files to a document imaging system and some original SOC 295s were inadvertently not scanned.

There is a corrective action plan in place to identify cases missing the original SOC 295 at the annual renewal. If the document is missing, the social workers are required to obtain a signed duplicate SOC 295 at the annual renewal home visit. Social workers will be reminded of the requirement to review cases for the SOC 295 at the next semi-annual countywide meeting.

The Department acknowledges the issue with overdue reassessments. Also, retaining an annual MEDS screen print is part of the reassessment process. In Fiscal Year 12/13, the Department increased its efforts to address the ongoing issue of overdue reassessments in this chronically underfunded program. Two to four extra help staff was assigned to overdue assessments during the last year and substantial improvement in timely reassessments was made. Additionally, the IHSS funding stream recently changed to Maintenance of Effort, thus enabling the Department to hire additional full time IHSS staff. The number of full time IHSS approved positions increased from 12 to 15 effective August 2013, and we are in the process of filling those additional positions.

Additionally, efforts are being made to ensure IHSS staff is well versed in program regulations and procedures. IHSS staff training is being standardized. In addition to on-the-job-training, formal Staff Development-led training commenced for new hires effective August 2013. Finally, the new CMIPS II database, implemented in November 2013, will further assist in standardizing program policies and procedures.

**Current Year Status:**

See Finding 2014-002.

**2013-003**

**Program:** State Administrative Matching Grants for Supplemental Nutrition Assistance Program

**CFDA Nos.:** 10.561

**Federal Agency:** U.S. Department of Agriculture

**Passed-Through:** California Department of Social Services

**Award Number:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Special Tests and Provisions – ADP System for Food Stamps

**Questioned Costs:** \$5

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for special tests and provisions require that the County (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and (3) provide data necessary to meet federal issuance and reconciliation reporting requirements. In addition, the March 2013 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program participants were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible participants.

**Condition Found:**

Out of the 60 case files tested, we noted the following:

- 9 cases whereby the County inaccurately entered the participant's income and/or housing costs into the CalWIN system.
- 8 cases whereby the required quarterly QR-7 for re-determining the participant's eligibility was not processed timely.

**Effect:**

- The participants may receive incorrect benefit amounts.
- Ineligible participants may receive benefit amounts.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial and ongoing eligibility determination, required documentation, and maintenance of participant files and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. We recommend that the County require the determination, re-determination and calculation be reviewed, on a sample basis, by other County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:**

The Department acknowledges nine cases where the participant's income and/or housing were entered into the CalWIN system incorrectly. The findings were reviewed with CalFresh (CF) supervisors at the August 14, 2013, CF "Team" meeting. The Corrective Action Plan will be reviewed with the Supervisors at the next CF Team meeting on December 11, 2013.

On November 14, 2013, the CalWIN data system "Case Comment" section was modified to require an income determination, including a section in which the EW must enter all paystub amounts, dates received, and multiplier used. Gross income is now automatically tallied so that there is no error in the calculation of the gross income. This modification will reduce future calculation errors. Also, the state implemented Semi-Annual Reporting (SAR) in place of the previous quarterly reporting in August 2013. With the implementation of SAR, the methodology of determining income has changed. Workers will no longer average income to determine CF benefits, which will eliminate averaging errors.

The Department continues to rely on case reviews to ensure the integrity of the eligibility determinations and to ensure the correct information is entered into the CalWIN system. The Quality Assurance unit continues to collect and conduct an analysis of the Supervisor reviews. Results and trends are compiled into a quarterly report which is shared with program managers, Department Business Specialists, line supervisors and line staff.

We concur with the finding of eight cases whereby the QR7 was processed untimely. As mentioned, SAR implementation was effective August 2013. All CF cases on a QR cycle will have been converted by the end of October 2013. As a result, CF participants will submit a Periodic Report every six months as opposed to every three months. In addition, the County has recently hired additional staff to assist in the increase of caseloads. It is expected that timely processing of the SAR 7 will occur once staff is in place and receipt of the SAR 7 will be sporadic. Preliminary findings of untimely processing of the QR7 were reviewed with Supervisors at the August 14, 2013, CF Team meeting. This Corrective Action Plan will be reviewed with supervisors at the next CF Team meeting on December 11, 2013.

Finally, increased caseloads and recurrent audit findings were the driving factors for the request to add 77 positions to the Department of Social Services in June 2013. Of these positions, 26 were for eligibility and direct supervision and 19 were for increased training capacity (trainers, mentors, and trainees) in the Department's Medi-Cal and CalFresh Eligibility programs. This deficit in resources directly impacted the Department's ability to contain and reduce the number of audit findings in these programs. The first wave of new hires from this staffing augmentation will be released to the line in January 2014 and the next group of new hires will subsequently enter training in February and be released to the line in August 2014. Training will continue to occur twice per year to account for new hires related to normal attrition.

**Current Year Status:**

See Finding 2014-003.

## **2013-004**

**Program:** Temporary Assistance for Needy Families

**CFDA Nos.:** 93.558

**Federal Agency:** U.S. Department of Health and Human Services

**Passed-Through:** California Department of Social Services

**Award Number:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$488

### **Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requires each State to participate in the IEVS, the Child Support Non-Cooperation, and Penalty for Refusal to Work. Under the State of California IEVS Plan, the County is required to properly consider the information obtained from the State of California data matching system in determining the eligibility and the amount of Temporary Assistance for Needy Families (TANF) benefits.

### **Condition Found:**

Out of the 60 case files selected for eligibility testing, we noted:

- 1 case file whereby the redetermination was received and processed late.
- 1 case file whereby the County inaccurately entered the participant's income into the CalWIN System as the income data did not match the information provided by the client.
- 1 case file whereby the benefit amount was incorrectly calculated.

### **Effect:**

Participant data may not be accurate in the participant file or the system, which could lead to initial and continual eligibility errors and inaccurate benefit calculations.

### **Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial and ongoing eligibility determination, required documentation, and maintenance of participant file and ensure that such policies and procedures are formally documented and strictly adhered to by County personnel. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

### **Views of Responsible Officials:**

The Department acknowledges that the redetermination on one case file was received and processed late. The Department relies on case reviews to ensure the integrity of the eligibility determinations and to ensure the correct information is entered into the CalWIN system. The Quality Assurance unit continues to collect and conduct an analysis of the Supervisor reviews. Results and trends are compiled into a report which is shared with program managers, Department Business Specialists, line supervisors and line staff.

The Department acknowledges one case file where the income was inaccurately entered into the CalWIN System as the income data did not match the information provided by the client and/or IEVS. IEVS was subsequently processed, resulting in no change in eligibility. A program bulletin article was published in August 2013 to remind all eligibility staff of this critical requirement during the application and renewal process. New online IEVS training was developed by Staff Development via the Department's Site Providing Online Training (SPOT). All CalWORKS and CalFresh staff was mandated to complete the training by June 2013. The Department has longstanding policies and procedures with regards to IEVS processing and Administrative Directive 06-22 clearly outlines the requirements. The information will also be reviewed at the January 28, 2014, January CalWORKS Team meeting.

The Department acknowledges one case file whereby the benefit amount was incorrectly calculated. The Department has implemented procedures to ensure consistency between the information provided by the client and the information entered into the system. A program bulletin reminder will be issued informing staff of the updated income section that was added to the case comment templates which will assist in calculating the income.

The findings and corrective action plan will be reviewed with supervisory staff by the program Department Business Specialist, with the expectation that the supervisors provide unit training/review of the applicable policies and procedures at least semi-annually. The current case review policy ADMIN AD 19-102 and the use of the Income Budgeting Worksheet template will be reviewed with supervisors at our next countywide CalWORKs Team Meeting on January 28, 2014.

**Current Year Status:**

Resolved.

**2013-005**

**Program:** Adoption Assistance Program

**CFDA No.:** 93.659

**Federal Agencies:** U.S. Department of Health and Human Services

**Passed-Through:** California Department of Social Services

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$8,800

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that cases were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made for eligible cases. The March 2013 OMB Circular A-133 *Compliance Supplement* also requires the County to discontinue benefit payments when a child reaches the age 18, or 21 if the County determines the child has a mental or physical disability that warrants continuation of assistance.

**Condition Found:**

Out of 40 participants selected for eligibility testing, we noted the following:

- 22 case files whereby the AAP-2, AD 4320, or AAP-4 lacked one of the required signatures from the authorized official of public adoption agency or the adoptive parents.
- 24 case files whereby the eligibility certification form, AAP-4, was not completed and/or the eligibility was not determined by the case worker.
- 1 participant reached the age 18 during the fiscal year and continued to receive benefit payments.

**Effect:**

Participants may be ineligible to receive benefits per AFDC 1996 requirements, but may be eligible to receive benefits under another funding source.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to ongoing eligibility re-determination requirements in order to ensure that eligibility re-determinations are being performed within the specified timeframe. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:**

The Department acknowledges the findings of incomplete forms (AAP-2, AD 4320 or AAP-4) and has taken action to address this issue. While the Department cannot retroactively correct forms obtained during the intake process, changes in business practices, ongoing training to staff and case review will improve adherence to policies and procedures. Eligibility is re-determined and correct renewal forms are obtained every two years on a flow basis. To address the issue with forms and to ensure an eligibility determination has been correctly documented, the Department is in the process of adding staff to administer the program and has recently added a supervisor (effective 9/30/13) to help oversee the process. As there are now two supervisors available to support the program effective October 2013, there will be 100% review of all grantings to ensure that all forms are completed and signed by all of the appropriate parties prior to the issuance of AAP funds.

The Department concurs with the single finding of the participant who received benefits past the age of 18. The Department continues to work diligently to review these cases and has adopted new business practice to ensure cases are terminated when they no longer meet the eligibility criteria. Specifically, one Eligibility worker is now assigned to monitor these cases and has developed a tracking sheet. With the expansion of the program which continues eligibility up to age 21, we anticipate caseload growth. The Department has recently hired one supervisor to help oversee the program (9/30/13) and is in the process of hiring staff to support the increase in caseload numbers.

**Current Year Status:**

See Finding 2014-004.

**2013-006**

**Program:** Workforce Investment Act (WIA) Cluster

**CFDA No.:** 17.258, 17.259, and 17.278

**Federal Agencies:** U.S. Department of Labor

**Passed-Through:** California Employment Development Department

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Special Tests and Provisions

**Questioned Costs:** \$0

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that cases were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made for eligible cases.

**Condition Found:**

Out of the 40 participants selected for eligibility testing, we noted the following:

- 3 cases whereby the case manager/supervisor review was not performed in a timely manner.
- 3 cases whereby the applicant and staff signatures on the application were back-dated to a date prior to the print date indicated on the application.
- 1 case file whereby the original application was not retained in the file.
- 1 case file whereby the documentation evidencing the applicant attended a WIA orientation was not retained in the file.

**Effect:**

Participants may be ineligible to receive benefits. The case files may contain incorrect information and may not be detected due to the untimely review by a case manager/supervisor.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial eligibility determination requirements and timely review of the participant's application by a case manager/supervisor. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:**

The Department acknowledges three cases where the manager/supervisor review was not performed timely. Prior to January 2012 the youth program was housed within four separate contracted agencies. Each of these four agencies was generating case management uniquely and the three files identified with missing signatures came from that timeframe. There is no longer the ability to correct a file that is closed and of which the individual participant is no longer in the existing program. Since January 2012 when the case management files were brought in-house, the case management structure, including eligibility and review, has been overhauled to include a staff person (program manager), separate from the identified case manager, to act as reviewer of the file. This error is not correctable retroactively but steps have been taken to ensure this error does not occur in the future.

The Department acknowledges three cases whereby the applicant and staff signatures on the application were back-dated to a date prior to the print date indicated on the application. The Interlink management system prints all existing case management notations and documents with the current date at the time of print. In an effort to reduce unnecessary paper in the case file folder, it was determined to remove all previously printed paperwork which was duplicated at each new printing. However, the original 'wet' signature documents were not to be removed. Some originals were inadvertently removed. In these three case files, the original dates were written in because those dates were no longer in the file. The dates that were handwritten represented the correct date of signature signing and acceptance by the case manager. Currently, all staff has been instructed to check and double-check all the original documents and to place them in a separate file section to prevent any accidental pulling of original paperwork that should not be removed.

The Department acknowledges one case file whereby the original application was not retained in the file. In this case file, the handwritten application that the participant used as a draft application was not included in the case file. Normally, this draft is not an included document as all information is entered into the Interlink system by staff from the draft application and discarded or filed separately. As of now, all staff has been instructed to check and double-check all the original documents and to place them in a separate file section to prevent any accidental pulling or removal of original paperwork that should not be removed.

The Department acknowledges one case file whereby the documentation evidencing the applicant attended a WIA orientation was not retained in the file. Normally, documentation evidencing WIA orientation attendance is not obtained at that time because there is no commitment to the program from the possible participant until that participant returns with all the required documents. However, at the time of orientation there is a sign-in sheet whereby a copy could be added to the file as proof of orientation attendance. Effectively immediately, a copy of the orientation sign-in sheet will be added to a case file when registration has been completed, verified, and integrated into the Interlink system.

**Current Year Status:**

Resolved.

**2013-007**

**Program:** Community Development Block Grants/Entitlement Grants Cluster

**CFDA No.:** 14.218 and 14.253

**Federal Agencies:** U.S. Department of Housing and Urban Development

**Passed-Through:** N/A

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$2,317,190

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for Subrecipient Monitoring requires that the pass-through entity performs the monitoring procedures prescribed in OMB Circular A-133.

**Condition Found:**

No subrecipient monitoring procedures have been performed for the fiscal year 2012/13.

**Effect:**

The subrecipients may not be adhering to the agreement entered between the County and the subrecipients.

**Recommendation:**

We recommend that the County establish formal policies and procedures with regards to the subrecipient monitoring requirements. This will help ensure the monitoring procedures are done on a regular and timely basis.

**Views of Responsible Officials:**

The County is aware that all subrecipient monitoring was not performed in fiscal year 2012-13, particularly the site inspections of affordable housing units. The County Board of Supervisors recognized the need for additional monitoring staff and in 2013 approved funding for a new Monitoring Housing Specialist II. Recruitment for the Monitoring Housing Specialist II and Senior Housing Specialist positions is on-going, with both positions expected to be filled before the end of calendar year 2013. Community Development Block Grants/Entitlement Grants Cluster (CDBG) subrecipient monitoring is expected to begin in the latter half of fiscal year 2013-14. The County will review its current monitoring procedures, identify short comings, and develop a schedule and risk matrix to begin monitoring subrecipients in 2014.

**Current Year Status:**

Resolved.

**2013-008**

**Program:** HOME Investment Partnerships Program

**CFDA No.:** 14.239

**Federal Agencies:** U.S. Department of Housing and Urban Development

**Passed-Through:** N/A

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Subrecipient Monitoring

**Questioned Costs:** \$1,483,955

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for Subrecipient Monitoring requires that the pass-through entity performs the monitoring procedures prescribed in OMB Circular A-133.

**Condition Found:**

No subrecipient monitoring procedures have been performed for the fiscal year 2012-2013.

**Effect:**

The subrecipients may not be adhering to the agreement entered between the County and the subrecipients.

**Recommendation:**

We recommend that the County establish formal policies and procedures with regards to the subrecipient monitoring requirements. This will help ensure the monitoring procedures are done on a regular and timely basis.

**Views of Responsible Officials:**

The County is aware that all subrecipient monitoring was not performed in fiscal year 2012-13, particularly the site inspections of affordable housing units. The County has retained the services of HOME consultant MDG to develop HOME policies and procedures. These policies and procedures were drafted, and provided to HUD in July 2013 for their review and comment. The County is currently sending staff for HOME training provided by HUD and is scheduling on-site training for staff on HOME policies and procedures beginning in 2013.

**Current Year Status:**

Resolved.

## **2013-009**

**Program:** HOME Investment Partnerships Program  
**CFDA No.:** 14.239  
**Federal Agencies:** U.S. Department of Housing and Urban Development  
**Passed-Through:** N/A  
**Award Numbers:** Santa Barbara  
**Award Year:** Fiscal year 2012/13  
**Compliance Requirement:** Special Tests and Provisions  
**Questioned Costs:** \$0

### **Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for Special Tests and Provisions is that the County must perform an on-site inspections of HOME assisted rental housing for compliance with property standards on an annual basis for rental properties with 26 units or more.

### **Condition Found:**

We noted 29 properties with 26 or more units did not have an annual inspection as required.

### **Effect:**

The rental properties may not be meeting the property standards and may be ineligible to accommodate the tenants receiving HOME assistance.

### **Recommendation:**

We recommend that the County establish formal policies and procedures with regards to the housing quality standards so that all properties are inspected properly.

### **Views of Responsible Officials:**

The County is aware that all subrecipient monitoring was not performed is fiscal year 2012-13, particularly the site inspections of affordable housing units. To address this deficiency the County retained the services of monitoring consulting firm Urban Futures. Since April 2013, Urban Futures has monitored 22 HOME assisted properties and a sampling of the 210 HOME units in those HOME assisted properties, based on HUD monitoring protocols. Urban Futures is continuing its monitoring and expects to finish its review of the remaining properties by early 2014. To improve staff awareness of HUD HOME monitoring policies and procedures, staff training is on-going, with training on policies and procedures scheduled in 2013. The County is hiring a Housing Specialist II position specifically dedicated to monitoring activities and affordable housing monitoring. This position will be filled before December 30, 2013.

### **Current Year Status:**

Resolved.

## **2013-010**

**Program:** Temporary Assistance for Needy Families  
**CFDA No.:** 93.558  
**Federal Agencies:** U.S. Department of Health and Human Services  
**Passed-Through:** California Department of Social Services  
**Award Numbers:** Santa Barbara  
**Award Year:** Fiscal year 2012/13  
**Compliance Requirement:** Special Tests and Provisions  
**Questioned Costs:** \$0

### **Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requires each State to participate in the Income Eligibility and Verification System (IEVS), the Child Support Non-Cooperation, and Penalty for Refusal to Work. Under the State of California IEVS Plan, the County is required to properly consider the information obtained from the State of California data matching system in determining the eligibility and the amount of Temporary Assistance for Needy Families (TANF) benefits.

**Condition Found:**

Out of the 60 case files selected for eligibility testing, we noted:

- 5 case files whereby the IEVS verification was not performed timely.

**Effect:**

Lack of investigative procedures could result in participants receiving incorrect benefit amounts.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to ongoing eligibility verification. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:**

The Department acknowledges that the IEVS report was not performed timely on five case files. A program bulletin article was published in August 2013 to remind all eligibility staff of this critical requirement during the application and renewal process. New online IEVS training was developed by Staff Development via the Department's Site Providing Online Training (SPOT). All CalWORKS and CalFresh staff was mandated to complete the training by June 2013. The Department has longstanding policies and procedures with regards to IEVS processing and Administrative Directive 06-22 clearly outlines the requirements. The information will also be reviewed at the January 28, 2014, January CalWORKS Team meeting.

The Department has implemented procedures to ensure consistency between the information provided by the client and the information entered into the system. A program bulletin reminder will be issued informing staff of the updated income section that was added to the case comment templates which will assist in calculating the income.

The Department relies on case reviews to ensure the integrity of the eligibility determinations and to ensure the correct information is entered into the CalWIN system. The Quality Assurance unit continues to collect and conduct an analysis of the Supervisor reviews. Results and trends are compiled into a report which is shared with program managers, Department Business Specialists, line supervisors and line staff. The Quality Assurance Unit is currently in the process of conducting an IEVS focus review. An analysis of the findings will be issued by December 31, 2013.

The findings and corrective action plan will be reviewed with supervisory staff by the DBS, with expectation that the supervisors provide unit training/review of the applicable policies and procedures at least semi-annually. Administrative AD 06-22 will be reviewed with supervisors at our next countywide CalWORKS Team Meeting on January 28, 2014.

**Current Year Status:**

Resolved.

**2013-011**

**Program:** Special Supplemental Nutrition Program for Women, Infants, and Children

**CFDA No.:** 10.557

**Federal Agencies:** U.S. Department of Agriculture

**Passed-Through:** California Department of Public Health

**Award Numbers:** Santa Barbara

**Award Year:** Fiscal year 2012/13

**Compliance Requirement:** Eligibility

**Questioned Costs:** \$0

**Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requirements for eligibility state that the pass-through entity must determine whether required eligibility determinations were made, that individual/group program participants were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program, and determine whether federal program awards were made only to eligible participants.

**Condition Found:**

Out of the 40 case files selected for eligibility testing, we noted:

- 2 case files whereby the County's verification of participant residence could not be audited as the information was not retained by the system.
- 1 case whereby the County did not perform and/or document a measurement of participant's height and weight as required by federal law.
- 1 case whereby the County's performance of the required nutritional risk assessments could not be audited because the participant's records were not retained by the system upon participant discontinuance.
- 1 case whereby the hematological test for anemia required as part of the nutritional risk assessment was not received within 90 days of the certification date and the County did not place a hold on the participant's account.

**Effect:**

Participant data may not be accurate in the participant file or the system, which could lead to initial and continual eligibility errors.

**Recommendation:**

We recommend that the County adhere to established policies and procedures with regards to initial and ongoing eligibility verification. This will help ensure the accuracy of the participant data and that eligibility determinations are supported by the proper documentation in the participant file.

**Views of Responsible Officials:**

The Department concurs with this finding. To help prevent future findings, all WIC staff will be retrained on the California WIC Program policies and procedures regarding eligibility. Specifically:

1. Each WIC applicant /participant will provide proof of residency at each certification to ensure they are residents of Santa Barbara County.
2. Each WIC applicant/participant will have a height and weight measurement as required and ensure it is documented in the applicant/participant's file.
3. Each WIC applicant/participant requiring a biochemical test result (hemoglobin or hematocrit) within 90 days of certification will be documented in the applicant/participant's file or the file will be placed on hold.

In order to ensure staff is adhering to the above mentioned policies regarding eligibility, training will be provided by the WIC Training Coordinator and ongoing adherence to the policies will be monitored by the WIC Site Supervisors. In addition we will communicate with the State WIC program about challenges of the current computer system due to its inability to retain historical data for all participants' files.

**Current Year Status:**

Resolved.