



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Auditor-Controller  
**Department No.:** 061  
**For Agenda Of:** 09/15/15  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** No Vote Required

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**TO:** Board of Supervisors  
**FROM:** Department Robert W. Geis, CPA CPFO  
Director(s)  
Contact Info: Betsy Schaffer (568-2134)  
**SUBJECT:** Receive and File the County of Santa Barbara's Comprehensive Annual Financial Report and Financial Highlights for the Fiscal Year Ended June 30, 2015

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:**

As to form: N/A

**Recommended Actions:** That the Board of Supervisors:

- a) Receive and file the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR) and Financial Highlights for the fiscal year ended June 30, 2015.
- b) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15378(b)(5), because they are government fiscal activities which do not involve commitment to any specific project which may result in potentially significant physical impact on the environment.

**Background**

Government Codes §25250 and §25253 require every Board of Supervisors to have their financial accounts and records audited and to publish the financial transactions and condition of the County. The attached CAFR is being presented to your Board to fulfill these requirements for the fiscal year ended June 30, 2015.

The County contracts for the annual audit of the financial statements. The independent auditing firm of Brown Armstrong Certified Public Accountants issued an unmodified opinion on the CAFR for the fiscal year ended June 30, 2015. An unmodified opinion is issued when the auditor has formed the opinion that the financial statements present fairly the financial position, results of operations, and changes in financial position for the governmental activities, the business-type activities, each major

fund, and the aggregate remaining fund information for the County, in conformity with generally accepted accounting principles.

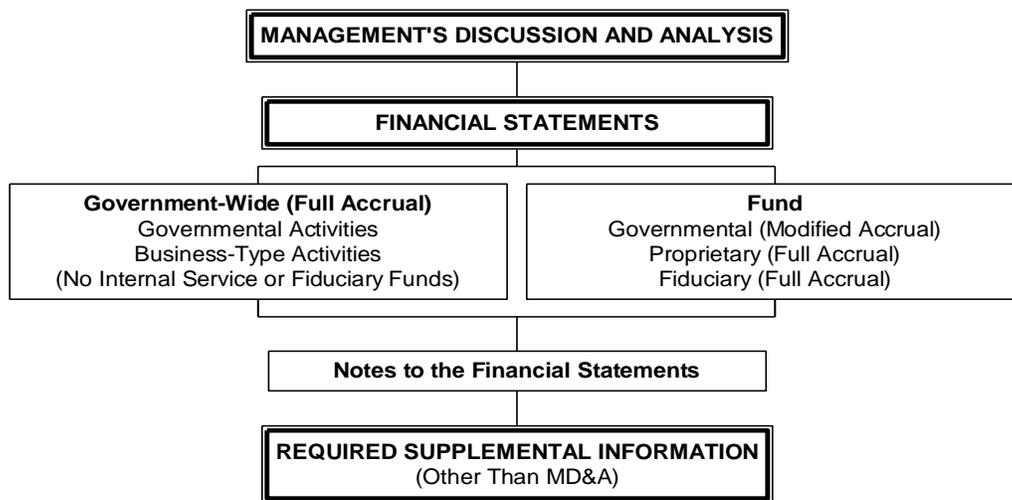
**Summary Text:**

**Comprehensive Annual Financial Report (CAFR) of the County of Santa Barbara**

Accounting and financial reporting for state and local governments focused originally on funds, which were designed to enhance and demonstrate fiscal accountability using a modified accrual (short-term) basis of accounting. Gradually, however, a consensus developed that fund-based presentations needed to be accompanied by governmentwide financial statements using a full accrual basis of accounting, to meet the equally important objective of operational accountability. The result is today’s comprehensive, integrated financial reporting model, which was especially designed to ensure and demonstrate both fiscal and operational accountability. Its intended users are the bond rating agencies, investors, and financial institutions, in addition to management and the public.

However, along with these reporting enhancements came significant added complexity due to the dual reporting model. The CAFR has become and is an increasingly technical report more useful to financial analysts and accountants than to management and the public. Though complex, the report reveals the County’s financial position, results of operations and detailed disclosures. It is prepared in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB) for consistency among governmental entities.

*CAFR Reporting Model*



**Financial Statement Overview**

The following four key financial statements provide the information necessary to assess the County’s financial performance for the fiscal year. Detailed and summary narrative analysis is included in the Management’s Discussion and Analysis (pages 12–27), which precede these statements.

- Statement of Net Position – Governmentwide (page 30)
- Statement of Activities – Governmentwide (page 31)

- Balance Sheet – Governmental Funds (pages 32-34)
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (pages 36-38)

Other areas of interest in the CAFR include:

- Detailed note disclosures that expand on certain amounts shown in the financial statements (pages 48–108), such as cash and investments, long-term debt, fund balances, pensions\* and other postemployment benefits. One item of particular interest may be Note 18 (pages 92-93), which presents detailed fund balances for governmental funds.
- Required Supplementary Information related to the Schedule of the County’s Proportionate Share of the Net Pension Liability and the Schedule of County’s Contributions, but are one year in arrears (page 110). An additional Schedule of Funding progress is provided for the Other Post Employment Benefits Plan (page 110).
- A variety of statistical information generally related to the last ten years of financial and some operational activities (pages 168–183).
- An introductory transmittal letter that provides a profile of the County, some economic trends, major initiatives that occurred during the fiscal year, and highlighted financial policies.

\* Of specific interest for fiscal year 2014-15 is that some of the past disclosures for pensions have changed with the implementation of *GASB 68 – Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* that required the County to record pension liabilities on the governmentwide financial statements. The implementation of *GASB Statement No. 68* resulted in the recognition of a \$565 million net pension liability which, along with the current year activity, reduced the total net position of the County (Governmentwide Statement of Net Position-page 30), from \$916 million to \$362 million. Additional information about the net pension liability can be obtained from the Pension note, Note 21 (pages 98-104).

One other item of interest that came out of the CAFR audit process is that your independent audit firm Brown Armstrong in doing their work identified a year-end variance in the South Coast Flood zone property tax account. This variance was brought to the attention of our Property Tax Division, which led the Division to discover an allocation factor error that when corrected, resulted in \$1,128,598 more in property taxes to the General Fund and a reduction in the property tax allocation to the Flood Zone. Our office determined that this was significant enough to reopen FIN and correct the allocation rather than post it as prior year taxes in FY 15-16. This resulted in an increase in the General fund year-end residual fund balance from the \$2,057,280 reported in our “Fiscal Year 2014-2015 Financial Status Report” to \$3,185,878. In the current year budget, after topping off the strategic reserve with \$49,384, the unassigned fund balance is at \$3,136,494.

### **Financial Highlights**

The Financial Highlights publication translates the technically complex CAFR into a more easily understandable overview of the County’s finances, economic prospects, and achievements. This report focuses on summarizing the significant financial and economic activity of Santa Barbara County for the fiscal year ended June 30, 2015. The overall theme of this year’s Financial Highlights is that the County’s financial condition is experiencing continued moderate growth due to the ongoing economic recovery. By making this report available to the general public, we hope to stimulate an interest in County government finances and promote the County’s accountability to the citizens of Santa Barbara County.

### **Certificates of Achievement**

We are submitting the CAFR and Highlights publications to the Certificate of Achievement for Excellence programs, sponsored by the Government Finance Officers Association (GFOA). The Certificates of Achievement are prestigious awards, recognizing conformance with the highest standards for preparation of state and local governmental financial reports. We have received the CAFR award for the last twenty-four (24) years and the popular report award for the Financial Highlights for the last twenty (20) years. We believe that this year's reports will also qualify for these awards.

**Schedule of Federal Financial Assistance and Management Letter**

The annual audit process also covers the *Single Audit Report* (Schedule of Federal Financial Assistance) and generally includes a Management Letter, i.e., *Findings and Recommendations*. Test work for the fiscal year 2014-15 Single Audit began in June 2015, and we anticipate a completion date of September 30, 2015 (required completion is March 31, 2016). Upon completion, the Single Audit report will be filed with the Board.

**Fiscal Analysis:**

The County has a contract with Brown Armstrong CPA's to audit the County's Comprehensive Annual Financial Report and Single Audit, the Annual Financial Report for the First 5 Children & Families Commission, and the annual Treasury financial and compliance reports for fiscal year 2014-15. The County General fund pays for the County's audit and is partially reimbursed from cost allocation charges to the other funds. First 5 Children & Families Commission and the Treasurer pay for their own audits.

<b>Funding Sources</b>	<b>Audit</b>	<b>FY 2014-15</b>
General Fund	Annual Financial Audit	\$ 65,000.00
General Fund	Single Audit	64,260.00
General Fund	Treasury Audit	10,000.00
First 5 Fund	First 5 Audit	11,460.00
Total		<u>\$ 150,720.00</u>

**Performance Measure:**

1. Receive an unmodified audit opinion and the Government Finance Officers Association Award for Excellence on the County's CAFR.
2. Publish the County's CAFR within 60 days of the fiscal year end.
3. Issue a reader-friendly Financial Highlights report within 60 days of fiscal year-end.

**Special Instructions:**

None

**Attachments:**

- A. Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015
- B. Financial Highlights for the fiscal year ended June 30, 2015
- C. Required Communication Letter Pursuant to Statements on Auditing Standards (SAS) No. 114

**Authored by:**

Betsy Schaffer, CPA, CPFO, Financial Reporting Division Chief, 568-2134

**cc:** Mona Miyasato, County Executive Officer