

**SANTA BARBARA COUNTY  
AGENDA BOARD LETTER**



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

Agenda Number:

Department:  
Department Number:  
Agenda Date:  
Placement:  
Estimated Time:  
Continued Item:

**Auditor-Controller**  
**061**  
November 2, 2004  
Departmental  
**30 minutes**  
No

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TO: Board of Supervisors

FROM: Robert W. Geis, CPA  
Auditor-Controller X2100

STAFF CONTACT: Mike Struven  
Financial Reporting Division Chief X2134

SUBJECT: Annual County Financial Audit for fiscal year ended June 30, 2004

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**RECOMMENDATIONS:** C.A. Recommendation: \_\_\_\_\_

That the Board of Supervisors:

1. Receive and file the County of Santa Barbara Comprehensive Annual Financial Report (CAFR) and Financial Highlights for the fiscal year ending June 30, 2004.
2. Receive a presentation by the Auditor's Office that provides an overview of the CAFR, the County's financial position and results of operations for the Fiscal Year ending June 30, 2004.

**ALIGNMENT WITH BOARD STRATEGIC PLAN:**

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

**EXECUTIVE SUMMARY & DISCUSSION:**

**Comprehensive Annual Financial Report of the County of Santa Barbara**

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2004 is herewith submitted in compliance with the State of California Government Code Section 25253. This report is important to County government since rating agencies, investors, financial institutions and the public rely upon it. Though complex, the report reveals the County's financial position, results of operations and detailed disclosures. It is prepared in accordance with government accounting standards for consistency among governmental units.

This publication is broken down into three sections: Introductory Section (pages 1-7), Financial Section (pages 8-119), and Statistical Section (pages 120-138).

Your Board contracts for the annual audit of this financial report. The independent auditing firm, KPMG, has issued an unqualified opinion on the County's financial statements

We have completed the implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), with the inclusion of the County’s historical values for all infrastructure assets on the government-wide statements. In the GASB’s view, the objective of the new model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors.

## **Financial Statement Overview**

With the changes in the economy and the State budget problems this presentation will focus on the changes in the County’s finances.

***The County’s financial position:*** The overall results of operations for FY 2003-04 leave the County in relatively sound financial condition. The County’s total net assets increased 5% to \$558 million. Over time, increases or decreases in net assets may be a useful indicator of whether the County’s financial position is improving or deteriorating. In the 01-02 fiscal year, the County reported positive changes in all three categories of net assets. In the past two fiscal years, the County reported positive changes in only two of the three categories of net assets, which indicates that we are in a financial downturn.

***Results of operations:*** At June 30, 2004, the County’s governmental funds reported total fund balances of \$185,916,000 a 9% decrease, or \$17,734,000 in comparison with the prior year. At June 30, 2004, unreserved fund balance of the General Fund was \$38,312,000, while total fund balance increased 4.25% or \$2,112,000 to \$47,562,000. This increase over the prior year indicates financing sources of \$303,021,000 closely equaled financing uses of \$305,133,000 in the County’s primary operating fund.

## **Financial Highlights Report of the County of Santa Barbara**

This report highlights the significant financial and economic activity of Santa Barbara County for the fiscal year ending June 30, 2004. It is intended to provide an easily understandable overview and summary of the County’s finances, economic prospects and achievements. 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.

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

The annual audit process also covers the “Single Audit Report” (Schedule of Federal Financial Assistance) and generally includes a Management Letter (Findings and Recommendations). These documents are part of the Board’s annual audit contract with KPMG but are not ready for presentation at this hearing.

## **Certificates of Achievement**

We have submitted 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 thirteen years, the Popular Report award for the Financial Highlights for the last eight years, and we believe that this year’s reports will also qualify.

## **Fiscal Impact:**

The annual audit fee is \$98,500 and the Internal Audit Division provides 1,200 hours to assist the outside audit firm KPMG in completion of the engagement.

## **Mandates and Service Levels:**

Government Code Section 25250, Health and Safety Code 33080

**CONCURRENCES:** N/A