

# County of Santa Barbara Comprehensive Annual Financial Report (CAFR)

Fiscal Year Ended June 30, 2017



Gaviota Peak

# CAFR Fiscal Year Ended June 30, 2017

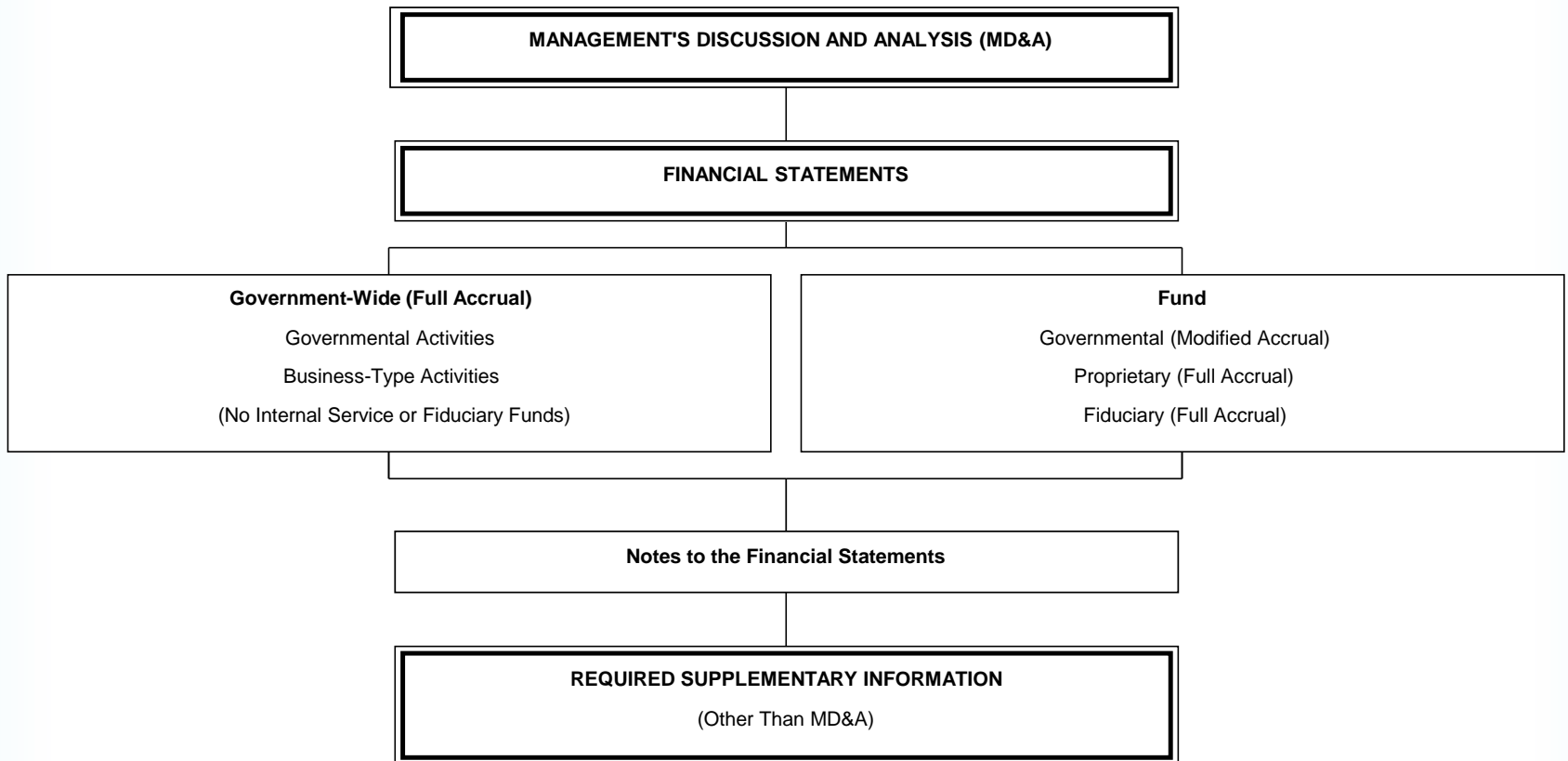
## Presentation Agenda

1. What is the CAFR?
  - Background and Reporting Model
  - CAFR Contents
  - Net Position
  - Countywide Assets and Liabilities
  - Countywide Net Position
  - Countywide Revenues and Expenses
  - CAFR Highlights
2. Upcoming Governmental Accounting Standards Board (GASB) Pronouncements
3. Financial Highlights Publication
4. Certificates of Achievement
5. Action Items & Questions

# CAFR Background

- Annual audit required
- Contract with independent CPA firm
- Dual Purpose Financial Statements:
  - Entitywide Financial Statements (Long-Term Focus)
  - Fund Financial Statements (Near-Term Focus)
- Received an unmodified (“clean”) opinion for FY 2016-17
- Prepared, audited, and issued within sixty days of year end. Provides timely, accurate reporting.

# CAFR Reporting Model



# CAFR Contents

	<u>Pages</u>
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# Countywide Assets

	2016*	2017	Change
<b>Assets:</b>			
Current and other assets	\$ 548,606	\$ 590,965	\$ 42,359
Capital assets, net of depreciation	787,132	819,193	32,061
<b>Total assets</b>	<b>\$ 1,335,738</b>	<b>\$1,410,158</b>	<b>\$ 74,420</b>
<b>Deferred outflows of resources:</b>			
Deferred social services	\$ 511	\$ 551	\$ 40
Deferred pensions	149,169	263,345	114,176
<b>Total deferred outflows of reources</b>	<b>\$ 149,680</b>	<b>\$ 263,896</b>	<b>\$ 114,216</b>

\* As restated for Land, Land Easement, and Infrastructure (Note 26).

*Changes are primarily due to the following --*

Current and other assets:

- Cash & Investments increased \$29M
- Accounts Receivable increased \$11M

Capital assets, net of depreciation:

- Capital Assets increased \$32M

Deferred pensions:

- Increased \$114M primarily due to the net difference between projected and actual earnings on retirement plan investments.

# Countywide Liabilities

	2016	2017	Change
<b>Liabilities:</b>			
Current and other liabilities	\$ 75,598	\$ 92,837	\$ 17,239
Long-term liabilities	923,439	1,022,710	99,271
<b>Total liabilities</b>	\$ 999,037	\$1,115,547	\$ 116,510
<b>Deferred inflows of resources:</b>			
Deferred SCAs	\$ 35,135	\$ 34,081	\$ (1,054)
Deferred housing loan payments	3,625	3,593	(32)
Deferred pensions	20,659	38,584	17,925
<b>Total deferred inflows of resources</b>	\$ 59,419	\$ 76,258	\$ 16,839

*Changes are primarily due to the following --*

Current and other liabilities:

- Accounts Payable increased \$5M
- Advances from grantors and third parties increased \$11M

Long-term liabilities:

- COP, bonds and notes payable decreased \$5M
- Net Pension increased \$104M

Deferred pensions:

- Increased \$18M due to the difference between expected and actual experience.

# Countywide Net Position

	2016	2017	Change
<b>Net position:</b>			
Net investment in capital assets	690,736	729,272	38,536
Restricted	245,979	264,619	18,640
Unrestricted	(509,753)	(511,642)	(1,889)
<b>Total net position</b>	<b>\$426,962</b>	<b>\$ 482,249</b>	<b>\$ 55,287</b>

*Changes are primarily due to the following –*

- Net Investments in Capital Assets: \$32.1M increase in County capital assets including additions from the County's Service Concession Arrangements and a decrease of \$6.4M in related debt and deferred inflows of resources.
- Restricted Net Position: \$10.2M increase due to State fire contract and other incident reimbursements, delay of several large expenditures and unspent realignment funds in the Probation department, \$4.9M increase due to unspent current year revenues to be spent on future Roads projects and an increase in accrued interest receivable and new loan principal related to non-forgivable housing loans, and \$2.1M increase related to additional property tax impounds and Court fees and fines.
- Unrestricted Net Position: \$4.2M increase in committed and unassigned governmental fund balance, \$1.4M increase in Business Type Activity fund balance, \$2.8M increase in unrestricted ISF net position offset by a decrease of \$10.3M related to governmental pensions and other post employment benefits.



# Countywide Revenues

	2016	2017	Change
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 236,626	\$ 249,582	\$ 12,956
Operating grants and contributions	351,015	365,471	14,456
Capital grants and contributions	85	3,201	3,116
Total program revenues	<u>587,726</u>	<u>618,254</u>	<u>30,528</u>
General revenues:			
Property taxes	254,166	267,613	13,447
Sales taxes	16,332	18,172	1,840
Transient occupancy tax	9,072	10,068	996
Other	11,010	6,675	(4,335)
Total general revenues	<u>290,580</u>	<u>302,528</u>	<u>11,948</u>
<b>Total revenues</b>	<u><u>\$ 878,306</u></u>	<u><u>\$ 920,782</u></u>	<u><u>\$ 42,476</u></u>

- Program revenues:
  - Charges for services increased primarily due to increases in health care fees (\$2.6M), Behavioral Wellness State and Federal revenue (\$2.8M), Fire incident reimbursements (\$1.8M) and Fire contract reimbursements (\$1.1M).
  - Operating grants and contributions increased primarily due to State grant reimbursements for the Northern Branch Jail (\$21.4M) and an increase in Mental Health Services Act revenue received by Behavioral Wellness (\$4.2M), offset by various decreases.
- General revenues increased primarily due to an increase in Property Tax revenue (\$13.4M).

# Countywide Expenses

	2016	2017	Change
<b>Expenses</b>			
Policy & executive	13,056	14,315	1,259
Public safety	275,809	314,026	38,217
Health & public assistance	363,789	364,675	886
Community resources & public facilities	94,254	94,387	133
General government & support services	37,131	37,716	585
General county programs	2,807	2,206	(601)
Interest on long-term debt	2,275	2,152	(123)
Resource recovery	23,017	29,196	6,179
Laguna sanitation	5,631	6,822	1,191
<b>Total expenses</b>	<b>\$ 817,769</b>	<b>\$ 865,495</b>	<b>\$ 47,726</b>

The main drivers to the increase to total expenses were related to:

- Salaries and Benefits expense increased a total of \$35.9M, \$30.8M of which was related to an increase in retirement pension expense.
- Services and supplies increased by \$5.6M

# Cash and Investments

- Cash and investments include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer.
- Cash and investments increased by \$149.7M to \$1,412.9M.

Investment	Cost	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity
Treasurer's pooled investments:					
CAMP	\$ 75,000	\$ 75,000	1.00%	On Demand	On Demand
LAIF	65,000	65,000	.91%	On Demand	On Demand
US Treasury Bills	5,000	4,969	.95%	2/18	215
US Treasury Notes	234,500	233,471	.50%-1.50%	7/17-6/21	462
Government agency bonds	184,550	183,985	.63%-1.57%	7/17-2/21	466
Government agency discount notes	408,274	406,861	Discount	7/17-6/18	112
Government agency bonds - callable	369,833	367,594	.75%-2.30%	11/17-2/22	891
Total pooled and directed investments	<u>\$ 1,342,157</u>	1,336,880			
Investments held with fiscal agents:		5,746			
Cash in banks:					
Non-interest bearing deposits		70,213			
Cash on hand:		51			
Total cash and investments		<u>\$ 1,412,890</u>			

# Long-Term Liabilities

- Overall an increase of \$99M to \$1,022.7M, primarily driven by the increase to net pension liability.

	<u>July 1, 2016</u>	<u>June 30, 2017</u>	<u>Change</u>
Capital lease obligations	\$ 2,351	\$ 1,983	\$ (368)
Certificates of participation (COP)	34,098	32,443	(1,655)
Unamortized premium on COP	52	31	(21)
Unamortized discount on COP	(134)	(122)	12
Bonds and notes payable	27,394	23,675	(3,719)
Compensated absences	34,217	33,554	(663)
Landfill closure/postclosure care costs	27,396	29,245	1,849
Liability for self-insurance claims	21,352	19,582	(1,770)
Estimated litigation liability	160	--	(160)
OPEB obligation	100,843	103,362	2,519
Net pension liability	673,444	777,888	104,444
Other long-term liabilities	2,266	1,069	(1,197)
Total long-term liabilities	<u>\$ 923,439</u>	<u>\$ 1,022,710</u>	<u>\$ 99,271</u>

# Pension Liability

- Increase in net pension liability of \$104.8M to \$780M.

*This does not include the effects of the FY 2016-17 10.5% actual return or the change in the assumed rate of return (from 7.5% to 7.0%). The impact of these factors will be reflected in next year's financial statements.*

## Schedule of the County's Proportionate Share of the Net Pension Liability

	FY 2016	FY 2015	FY 2014	FY 2013
County share of plan liability	92.7824%	92.8017%	92.6470%	92.3325%
County's net pension liability	\$ 780,034	\$ 675,252	\$ 565,460	\$ 721,772
County's covered-employee payroll	\$ 304,480	\$ 295,365	\$ 283,430	\$ 277,298
Net pension liability as a percentage of covered-employee payroll	256.20%	228.60%	199.50%	260.30%
Plan fiduciary net position as a percentage of the total pension liability	75.20%	77.70%	80.46%	73.66%

# Upcoming GASBs

<b>Statement No. 75</b>	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Implementation in FY 2017-18
<b>Statement No. 87</b>	Leases	Implementation in FY 2020-21

*Only significant new standards that impact the County are listed.*


# Financial Highlights

- Summarizes the County's finances in a 'reader-friendly' format.
- New sections for FY 2016-17:
  - Top 10 employers and tax payers
  - Sources and uses of General Fund
  - Information on the Northern Branch Jail and the County pension liability and projected contributions.
- FY 2015-16 theme:
 

*"Steady Improvement"*
- FY 2016-17 theme:
 

*"Temperate Growth"*


FINANCIAL HIGHLIGHTS | COUNTY OF SANTA BARBARA
FISCAL YEAR ENDED JUNE 30, 2017
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Gaviota Peak  
AUGUST 25, 2017

## Financial Highlights

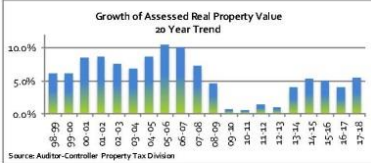
County of Santa Barbara



### Economic Indicators

According to the California Economic Forecast Newsletter, the national economy has seen temperate growth, little inflation, low unemployment and modest wage pressures. In California, the economy in 2017 is expected to look much like it did in 2016 but with more job openings, more pressure to raise salaries and hourly rates of pay, and technology sectors that remain vibrant. At the local level, the 2017 University of California Economic Forecast Project reported that the most recent data show strong output growth, increased payrolls, and rising housing prices in Santa Barbara County. Overall, economic indicators at the national, state and local levels show that the economy continued to improve slowly but steadily on most measures in fiscal year (FY) 16-17.

### Financial Indicators



Source: Auditor-Controller, Property Tax Division

#### Board of Supervisors

1st District	Das Williams, Vice Chair
2nd District	Janez Wolf
3rd District	Joan Hartmann, Chair
4th District	Peter Adam
5th District	Steve Lavagnino

**County Executive Officer**  
Mona Myasato

**County Auditor-Controller**  
Theodore A. Fallati, CPA, CFFO

**Contact Us**

- ✓ Visit the County's web site at [www.countyofsb.org](http://www.countyofsb.org)
- ✓ View these Financial Highlights online at [www.countyofsb.org/auditor](http://www.countyofsb.org/auditor)
- ✓ Email us your comments at [auditor@co.santa-barbara.ca.us](mailto:auditor@co.santa-barbara.ca.us)

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# Certificates of Achievement

- CAFR and Financial Highlights have been submitted to the Government Finance Officers Association's Certificate of Achievement program
- CAFR has received award of excellence annually since 1991
- Financial Highlights has received award of excellence annually since 1995



# Action Item

- Acting as the Board of Supervisors, receive and file the County's CAFR and Financial Highlights for Fiscal Year 2016-17.

# Questions? / Web Access

View the County's financial reports at

<http://www.countyofsb.org/auditor/PublicationsLatest.sbc>

