



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: 10/07/08
Placement: Set Hearing on 10/14/08
Estimated Tme: 30 minutes on 10/14/08
Continued Item: No
If Yes, date from:
Vote Required: No Vote Required

TO: Board of Supervisors
FROM: Department Robert W. Geis, CPA
Director(s)
Contact Info: Jennifer Christensen (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, 2008

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: No

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions: That the Board of Supervisors:

Set a hearing for October 14, 2008 to receive and file the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR) and Financial Highlights for the fiscal year ended June 30, 2008.

Summary Text:

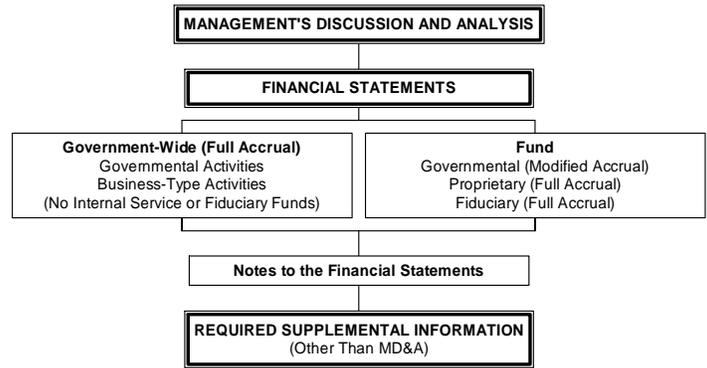
Government Code §§ 25250 and 25253 require every Board of Supervisors to have their financial accounts and records audited and to publish the financial transactions and condition of the county. This CAFR will be presented on October 14, 2008, to fulfill these requirements for the fiscal year ended June 30, 2008.

Your Board contracts for the annual audit of the financial statements. When the auditor has formed the opinion that the financial statements present fairly the financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles applied on the basis consistent with that of the preceding period, an unqualified opinion is issued. The independent auditing firm of Brown Armstrong CPA issued an unqualified opinion on the CAFR for fiscal year ended June 30, 2008.

Background:

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. Gradually, however a consensus developed that fund-based presentations needed to be accompanied by government-wide financial statements 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 rating agencies, investors, financial institutions, management and the public.



Along with the reporting enhancements came significant added complexity due to the dual reporting. The report is an increasingly technical report more useful to financial analysts and accountants than 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 government accounting standards for consistency among governmental entities.

Adding to the complexity of the CAFR, certain financial statement disclosures were particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures and complicated transactions affecting the financial statements were:

- Note 19 Other Post Employment Benefits (OPEB) as required by Governmental Accounting Standards Board (GASB) Statement No. 45.
- Note 12 Commitments and Contingencies related to the Alcohol Drug Mental Health Fund (ADMHS) liabilities.
- Note 22 Prior Period Adjustments in the Alcohol Drug Mental Health Fund (ADMHS) that results in a deficit fund balance.
- COP issuance in the last week of the fiscal year that resulted in a complex set of transactions between the County General Fund and the Redevelopment Agency (RDA).

Financial Statement Overview

The Statement of Revenues, Expenditures, and Changes in Fund Balances provides the information necessary to assess the County's financial performance for the fiscal year. Detailed analysis is included in the management discussion and analysis section of the report (pages 11 – 23).

Other areas of interest include detailed note disclosures (pages 44–92) that include cash and investments, long-term debt, reserved and designated fund balances, retirement plans and other post employment benefits. Supplementary information related to the Schedule of Funding progress for the Retirement System is also included but is one year in arrears (page 93). An additional Schedule of Funding progress is provided for Other Post Employment Benefits Plan (page 94). The report also includes a variety of statistical information generally related to the last ten years of financial activities (pages 141–158).

Financial Highlights Report of the County of Santa Barbara

The Financial Highlights Report translates the technically complex CAFR into a more easily understandable overview of the County's finances, economic prospects and achievements. This report focuses on the significant financial and economic activity of Santa Barbara County for the fiscal year ended June 30, 2008. The overall theme of this year's report is that the County's strong growth of the past several years is beginning to slow down, and that the County faces significant fiscal challenges over the next few years. 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.

Required Communication Letter

We are including a copy of the required communication from the independent auditing firm Brown Armstrong pursuant to Statement of Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*. This SAS establishes standards and provides guidance on matters to be communicated with those charged with governance. In particular, SAS No. 114 establishes a requirement for the auditor to communicate certain significant matters related to the audit. The most sensitive disclosures noted in the required communication letter pertained to reporting of Other Post Employment Benefits resulting from the implementation of GASB Statement No. 45, and Commitments, Contingencies and Prior Period Adjustments related to the Alcohol Drug Mental Health Fund (ADMHS).

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 seventeen years and the popular report award for the Financial Highlights for the last eleven years. We believe that this year's reports will also qualify.

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 2007-08 Single Audit began June 2008 and we anticipate a completion date of October 31, 2007 (required completion is March 31, 2009.) Upon completion, the report will be filed with the Board.

Performance Measure:

1. Receive unqualified 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.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Contract Scope:</u>	<u>FY 07/08</u>	<u>FY 08/09</u>
General Fund:		
County Financial Audit	\$ 62,000.00	\$ 62,000.00
County Single Audit	36,840.00	36,840.00
Redevelopment Agency	18,100.00	18,100.00
First 5	<u>11,460.00</u>	<u>11,460.00</u>
Total	\$ 128,400.00	\$ 128,400.00

In January 2007, the County entered into a one-year contract (with two 1-year options to renew) with Brown Armstrong CPA’s to audit the County’s Comprehensive Annual Financial Report and Single Audit, and the Annual Financial Reports for the Redevelopment Agency and the First 5 Commission. In January 2008, the County exercised the first of its two 1-year options to renew this contract. The County General fund pays for the County’s audit and is partially reimbursed from cost allocation charges to the other funds. The general funds of the Redevelopment Agency and First 5 each pay for their own audits.

Special Instructions:

None

Attachments:

1. Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008
2. Financial Highlights for the fiscal year ended June 30, 2008
3. Required Communication Letter Pursuant to SAS No. 114

Authored by:

Jennifer Christensen, Financial Reporting Division Chief, 568-2134

cc: Michael F. Brown, County Executive Officer