

SANTA BARBARA COUNTY BOARD AGENDA LETTER



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

Agenda Number:
Prepared on: 8/11/05
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 8/16/05
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Robert W. Geis, CPA
Auditor-Controller

STAFF CONTACT: Mike Struven
Financial Reporting Division Chief

SUBJECT: Annual County Financial Audit for fiscal year ended June 30, 2005.

Recommendation(s):

That the Board of Supervisors:

Set a 30 minute hearing for September 13, 2005 to:

1. Receive and file the County of Santa Barbara Comprehensive Annual Financial Report (CAFR) and Financial Highlights for the fiscal year ending June 30, 2005.
2. Receive a presentation by the Auditor's Office that provides a high-level overview of the CAFR and a discussion of the County's financial position and results of operations for the fiscal year ended June 30, 2005.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 3. A Strong, Professionally Managed County Organization.

Executive Summary and Discussion:

Each year the County is required to prepare and have an independent annual audit of the County's financial operations. Your Board contracts for the annual audits of the CAFR, Redevelopment Agency Report and a Federally mandated "Single Audit". The independent auditing firm, KPMG LLP, was contracted to conduct the audits.

These reports are important to County government since rating agencies, investors, financial institutions and the public rely upon these audited financial documents. Though complex, the reports reveal the County's financial position, results of operations and detailed disclosures. The reports are prepared in accordance with government

accounting standards for consistency among government units. The Single Audit is not presented at this time since departments are still in the process of finalizing the actual costs of federal programs for the Schedule of Federal Financial Assistance.

The Auditor-Controller department will provide a high level overview of the CAFR. The County is experiencing an increase in the rate of growth in its economic driven general revenues mainly due to growth in property tax revenue. State budget reductions are still taking resources away from the County through FY 05-06. The County is absorbing these cuts by approving only modest increases to salaries and benefits for a large part of the organization. We believe that next year revenues will again outpace expenditures.

The County's financial position: The overall results of operations for FY 2004-05 leave the County in relatively sound financial condition. The County's total net assets increased 6% to \$593 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. Unrestricted net assets increased by \$6.4 million, the County's investment in capital assets, net of related debt increased by \$23.9 million, and restricted net assets increased by \$5.1 million.

Results of operations: At June 30, 2005, the County's governmental funds reported total fund balances of \$203,427, a 9% increase, or \$17,511 in comparison with the prior year. At June 30, 2005, unreserved fund balance of the General Fund was \$42,102, while total fund balance increased to \$51,298. This 8% or \$3,736 increase from the prior year indicates financing sources exceeded financing uses in the County's primary operating fund.

Mandates and Service Levels:

Government Code Section 25250, Health and Safety Code 33080

Fiscal and Facilities Impacts:

The annual audit fee is \$113,100 and internal audit provides 1,200 hours to assist the outside audit firm KPMG in completion of the engagement.

Special Instructions:

None

Concurrence:

None