

COUNTY OF SANTA BARBARA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008



*POINT SAL STATE BEACH*

ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER



Located in the northwestern portion of Santa Barbara County near the city of Guadalupe, Point Sal State Beach is composed of approximately 80 acres and includes 2 miles of ocean frontage. Prime examples of coastal sage and chaparral cover the hills, and giant coreopsis dominates the wildflower display in the spring. Lion Rock, located just offshore, is an important bird-roosting site and is also used by sea lions and other marine mammals.

In January 2007, Vandenberg Air Force Base officials closed Point Sal to public access. In May 2008, the County Board of Supervisors finalized an agreement with the U.S. Air Force at Vandenberg to reopen public pedestrian access to this beautiful and pristine section of coastline.

Latitude: 34.89218

Longitude: -120.63824

Front Cover  
Point Sal, California  
Photograph by Joel Boyer, CPA

COUNTY OF SANTA BARBARA  
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2008



PREPARED UNDER THE SUPERVISION OF  
ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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# COUNTY OF SANTA BARBARA

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## OFFICE OF THE AUDITOR-CONTROLLER

September 16, 2008

To the Citizens of Santa Barbara County:

The Comprehensive Annual Financial Report (CAFR) of the County of Santa Barbara (County) for the fiscal year ended June 30, 2008, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brown Armstrong has issued an unqualified ("clean") opinion on the County of Santa Barbara's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### Profile of the Government

The County, located approximately 100 miles north of Los Angeles and 300 miles south of San Francisco, was established by an act of the State Legislature on February 18, 1850. It occupies 2,744 square miles, one-third of which is located in the Los Padres National Forest and has a population of 428,655. Eight incorporated cities are within the County: Santa Barbara, Santa Maria, Lompoc, Goleta, Carpinteria, Guadalupe, Solvang, and Buellton. The largest employment categories include services, wholesale and retail trade, public administration, and manufacturing. The mild climate, picturesque coastline, scenic mountains and numerous parks and beaches make the County a popular tourist and recreational area.

Policymaking and legislative authority is vested in the County Board of Supervisors (Board), which consists of an elected supervisor from each of five districts. The Board is responsible, among other things, for passing ordinances, adopting budgets, appointing committees and appointing the County Executive Officer (CEO). The CEO, in turn, appoints the non-elected department heads that are not otherwise appointed by law. Supervisors are elected to four-year staggered terms with two supervisors elected in even-years and three supervisors elected in odd-years. The County has five elected department heads responsible for the offices of the Clerk-Recorder-Assessor, Auditor-Controller, District Attorney, Sheriff, and Treasurer-Tax Collector-Public Administrator. The following organization chart reflects the various functional categories reported in the government-wide Statement of Activities as well as identifies principal officials.

Policy & Executive



Salud Carbajal, Chair  
First District Supervisor



Janet Wolf  
Second District Supervisor



Brooks Firestone  
Third District Supervisor



Joni Gray  
Fourth District Supervisor



Joe Centeno, Vice-Chair  
Fifth District Supervisor

Michael F. Brown  
County Executive Officer (CEO)  
General County Programs

Dennis Marshall  
County Counsel

Law & Justice	Public Safety	Health & Public Assistance	Community Resources & Facilities	General Government & Support Services
Christie Stanley District Attorney	John Scherrei Fire	Ann Detrick Alcohol, Drug, & Mental Health Services (ADMHS)	William Gillette Agriculture & Cooperative Extension	Robert W. Geis, CPA, CPFO Auditor-Controller
Greg Paraskou Public Defender	Patricia Stewart Probation	Carrie Topliffe, CPA Child Support Services	John Torell, CPA, CPFO Housing & Community Development	Joseph E. Holland, CPFO Clerk-Recorder-Assessor
Gary Blair Court Special Services	Bill Brown Sheriff-Coroner	Dr. Elliot Schulman Public Health Services	Dan Hernandez Parks	Bob Nisbet General Services
		Kathy Gallagher Social Services	John Baker Planning & Development	Susan Paul Human Resources
			Scott McGolpin Public Works	Bernice James Treasurer-Tax Collector & Public Administrator

The County, with an average of 4,337 full-time equivalent employees, provides a full range of services to its residents as the organization chart above depicts. Included in operations are various component units which provide specific services County-wide or to distinct geographic areas within the County. They include the First 5 Children and Families First Commission, County Service Areas, the Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Sanitation and Sewer Maintenance Districts, Sandyland Seawall Maintenance District, the County Redevelopment Agency, the Santa Barbara County Finance Corporation, and the Water Agency. While these entities are legally separate from the County, the County is financially accountable for them as their governing bodies are substantially the same as the County Board. Other entities, such as the Air Pollution Control District and the Santa Barbara County Association of Governments, conduct their own day-to-day operations, answer to their own governing board and thus are not included in the County's financial statements.

The County is required by State law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental and proprietary funds and are prepared on the modified accrual basis of accounting. The legal level of budgetary control is maintained at the fund, department, and object level with more stringent control over fixed assets, and reserves and designations, which are maintained at the line item level. The Board must approve amendments or transfers of appropriations between funds or departments as well as items related to capital assets or designations. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. The Board has delegated authority to approve transfers of appropriations between object levels within the same department to the County Executive Office.



## Factors Affecting Economic Condition

### Economy:

Santa Barbara County showed moderate growth in fiscal year (FY) 07-08. Indicators next year show a decline in the local economic base. The following highlights are evidence of the changing economy.

### Employment

- The County's unemployment rate turned upward from 4.1% to 4.4%.
- Job growth remained anemic with an increase of only 0.9% in 2007.

### Economic Outlook Not Good, But Not Bad

Daily Sound April 18, 2008

### Income

- The average annual salary increased 2.2% to \$41,242.

### Retail Sales

- Retail sales decreased 4.9% to \$5.9 billion for the 2007 calendar year.

### Real Estate

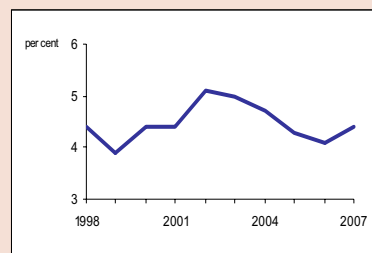
- The county-wide median home price increased 5.3% to \$771 thousand, compared to a state-wide home price decrease of 4.1%.
- Santa Barbara County's residential real estate market slowed during 2007. The slowdown was reflected in sales volume, price growth, and new housing production. Given this market trend, it is notable that existing single-family median home prices remained stable.
- Non-residential valuations increased 15% to \$208.9 million.

### Tourism

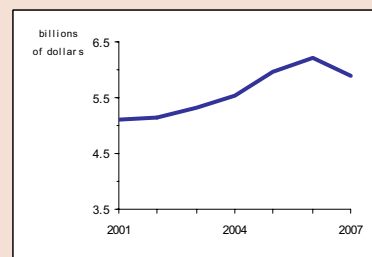
- The South Coast's 2007 hotel and motel occupancy rate was estimated at 73%.

Most of the information about the local economy is derived from the 2008 Santa Barbara County *Economic Outlook* printed April 2008 and based on the 2007 calendar year (with permission from the UCSB Economic Forecast Project).

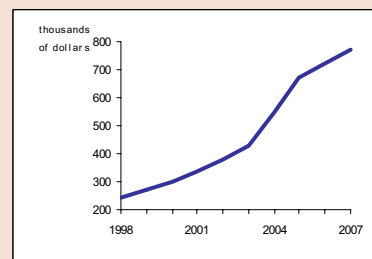
Unemployment Rate



Retail Sales



Median Home Price



## Economic Indicators

The economy has entered into a significant downturn and has been hit particularly hard by the housing collapse, problems in the mortgage security markets and the oil driven energy crisis. At the very least the housing sector is in a recession of its own throughout the U.S., California and the northern sector of Santa Barbara County. The California State budget deficit for FY 08-09 will also have a negative affect on the economy. We foresee an economic decline throughout 2008. Therefore we expect the continuation of a drop in the growth of our discretionary revenues, especially property taxes.

## Financial Indicators

In FY 07-08 the County's General Fund had a few adverse impacts. To begin the year, the Zaca fire burned 264,000 acres of Federal forest lands. We also had a decline in Prop 172 sales tax revenues that affected public safety funding. Late in the fiscal year, the General Fund transferred significant monies to support adult mental health programs. This caused a draw on fund balance after years of building reserves in the General Fund. In addition, at year-end a major liability related to Medi-Cal cost settlements was identified and reported in the ADMHS Fund that may impair General Fund reserves. Most other County programs remained financially sound, but showed stress from the various economic factors.

For FY 08-09, the year began with the Gap fire in the Goleta foothills burning over 10,000 acres. Property tax growth rates dropped to 4.5%. The County budget dropped its funded employee position count by 5%, implemented an employee furlough program and is expecting cuts when the California State budget is enacted. Retirement pension and retiree medical costs rose 25%. The County is hoping for the voters to approve the renewal of a ½ cent sales tax for road funding in November. A decision on funding for a North County jail will be difficult. Finances will be a significant issue for the foreseeable future.

## Factors Affecting Economic Condition – Continued

### Major Initiatives:

The CEO, in the County's Proposed Budget, outlines major programs (initiatives), accomplishments and challenges aligned with the County's Strategic Plan. This document is available at <http://www.countyofsb.org/ceo/index.asp>.

#### Future of Measure D Funding

The primary sources of annual revenue to address the repair and maintenance of the County's transportation infrastructure system needs are State gas taxes and Measure D local sales tax. Measure D was passed in 1989 and provides for ½-cent sales tax revenue over 20 years.

The Measure D ½-cent sales tax expires on June 30, 2009. Sales tax revenues will continue to be collected until the program's sunset date in April 2010. In 2006, the Santa Barbara County Association of Governments approved an extension of the sales tax for 30 more years and an increase of the tax from a ½ cent to ¾ cent. This revised sales tax measure was placed on the November 2006 General election ballot, but it did not receive a 2/3-majority approval by voters. A ½-cent reauthorization measure has been developed and will be placed on the 2008 General election ballot as Measure A.

The County's share of Measure D funds for FY 07-08 is estimated at \$7.4 million and is typically utilized for the Pavement Preservation Program to extend pavement life through periodic seal coating, resurfacing and patching of the existing asphalt surfaces. The identified backlog of road maintenance needs totals \$155 million for the next five years. In addition, this important local funding source provides leveraging opportunities for obtaining State and Federal funding to help maintain the County's transportation infrastructure, provides for construction materials for the Corrective Maintenance Program and funds various alternative transportation programs throughout the County.

#### Zaca Fire

In the final assessment, the Zaca Fire burned more than 240,000 acres and took nearly two months and \$120 million to put out. The fire, ignited by a spark from grinding metal to repair a water pipeline on a ranch on July 4, 2007 grew to become the second largest wildfire in California history.

As a result, the County Fire and Sheriff Departments were joined by numerous cooperative agencies to contain the fire. The roughly \$120 million spent on the Zaca Fire by the U.S. Forest Service is primarily composed of expenditures on aviation-related costs (\$17.7 million), hand crews (\$16.3 million), heavy equipment (\$22.2 million), salaries for personnel other than hand crews (\$21.9 million) and fire camps (\$21 million). In addition, about \$16.6 million was spent on the fire by the State from July 4 through July 16. According to the U.S. Forest Service, the expense is not unusual given the conditions that existed and the priority placed on protecting communities.

One benefit of the fire was that County agencies got an opportunity to implement plans and strategies developed over the years. The fire also highlighted the need for public preparation for this type of event. Although the Zaca Fire may be out, the impacts are expected to linger for years to come particularly with respect to the County's watersheds.

#### Santa Barbara County Redevelopment Agency

The Santa Barbara County Redevelopment Agency (Agency) manages efforts to rehabilitate and revitalize Isla Vista. The Agency is a separate legal entity from the County with a Board of Directors comprised of the same five elected officials as the Board of Supervisors. The Agency's objectives in Isla Vista are to develop a balanced, robust and economically viable commercial core; create attractive housing to meet the needs of residents and appeal to a range of housing sizes and income levels; improve deficient public infrastructure and to eliminate blight.

## Factors Affecting Economic Condition – Continued

A number of important projects were completed in FY 07-08 including: adoption of the Isla Vista Master Plan by the Board of Supervisors; acquisition of key sites in downtown Isla Vista for redevelopment; securing planning permits for public/private partnership at 909 Embarcadero Del Mar; façade improvement project at 6530 Pardall Road; provided funding for the purchase and rehabilitation of 20 affordable housing units at Parkview Apartments in partnership with the County Housing Authority and the completion of the Pardall Road streetscape design, with construction scheduled for Summer 2008.

In FY 07-08 the Agency received a \$17 million loan from the County to fund redevelopment projects in Isla Vista. Those loan proceeds are being used to finance the acquisition of the Medical Clinic site; construction of the Pardall Road Enhancement Project; acquisition of the Church site; construction of improvements to El Colegio Road; installation of new sidewalks; and acquisition other sites for redevelopment. The adopted work program for FY 08-09 also includes development of public/private partnerships to redevelop key sites in downtown Isla Vista, acquisition and design of a downtown parking lot, and supporting the Isla Vista Master Plan certification with the Coastal Commission.

### Point Sal State Beach

The County of Santa Barbara and Vandenberg Air Force Base reached an agreement to reopen Point Sal Road as a trail, allowing public access to Point Sal State Beach and Park which has been closed to the public for more than one year. The Park is described as one of the most rugged and remote State Parks with pristine sand and a wind-protected cove. Point Sal Road, a nine-mile road located in Santa Barbara County near Guadalupe, passes through Vandenberg Air Force Base, a high security area. Since the 1998 El Niño storms, no vehicles have been allowed; however hikers and cyclists were allowed to use the road until the end of 2006, when use was prohibited due to security concerns. Under the agreement, the County will assume responsibility for improvements, particularly to sections of the trail that have been washed out in rainstorms, and to erect fencing to separate the trail from base property, as well as trail marking, and emergency evacuations. The trail will be closed by Vandenberg Air Force Base during times of heightened security. The County will pursue alternative access routes to the Park.

### Significant Capital Projects and Operating Impacts

The County completed \$24.5 million in capital projects in the current year and has approved \$54.9 million in capital projects for FY 08-09 as described on page A-31 of the Proposed Budget. The largest of the ongoing projects relate to transportation improvements.

### **Long-term financial planning:**

Local assessed property values for FY 08-09 grew 4.6% over FY 07-08 values; this will increase secured and unsecured property tax revenues by an equal percentage. However, the FY 08-09 budget was adopted reflecting only a 3.6% increase in these revenues. Additionally, in response to a continuing downturn in real property sales, conservative estimates for the leading indicators were adopted: a 15.5% decrease in property transfer taxes and an 14.1% decrease in supplemental property taxes.

The County is committed to building and maintaining a strategic reserve fund of \$34 million or 30 days working capital. This reserve will be used to maintain services during a slow economy or an emergency. As of June 30, 2008, the County has set aside \$24.2 million for this purpose.

The County's Five-Year Capital Improvement Plan (CIP) identifies capital needs as well as funding sources and funding shortfalls. The CIP included \$159.9 million in projected spending on capital projects for FY 08-09. Only \$54.9 million of this planned amount has current funding and is included in the proposed budget. Significant projects include \$21.0 million for transportation projects, \$5.9 million for Tajiguas Landfill Liners, \$2.0 million for an integrated Help America Vote Act (HAVA) compliant voting system, \$1.9 million and \$3.1 million respectively for an Isla Vista downtown parking lot and streetscape improvements, and \$3.0 million for the Mission Creek Flood Control project.

## Factors Affecting Economic Condition – Continued

### Relevant financial policies:

Using a set of Best Financial Management Practices for Governmental Issuers of Municipal Debt published by Fitch Ratings, we are benchmarking Santa Barbara County financial policies.

#### Fund Balance Reserve

The County is committed to building a strategic reserve fund as discussed previously.

#### Multiyear Financial Forecasting

The County's Proposed Budget includes a five-year financial forecast focusing on discretionary revenues and their uses to aid in current year decision-making.

#### Monthly or Quarterly Financial Reporting and Monitoring

The County Budget Director chairs quarterly projection reviews of each department's monthly actual and projected revenues and expenditures. In addition, the CEO holds quarterly meetings with each department that focus on their operations and performance measures.

#### Contingency Planning

The County does not have a formal contingency policy and maintains only a small operating contingency of less than 1% in the General Fund. The County is in the process of building a strategic reserve that will equal approximately 10% of annual General Fund expenditures. The County also has other significant fund balances in its special revenue funds. The most noteworthy is the Flood Control fund balance used to hedge against storm related disasters.

#### Nonrecurring Revenue

The County's budget principles state that a department's base General Fund contribution will not include any one-time revenues or expenditures. Another principle states that any year-end undesignated General Fund balance should not be used to fund ongoing operations, but could be used to fund designations.

#### Financial Reporting Awards

The Government Finance Officers Association (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for seventeen consecutive years and the Certificate of Achievement in Popular Annual Reporting for eleven consecutive years.

#### Debt Affordability

The County established a Debt Advisory Committee (DAC) to provide advice to the Board on debt issuance and management. In addition, all long-term equipment or real property leases are reviewed for lease vs. purchase decisions. An independent debt affordability review was last performed in June 1999 before the County presented a voter initiative to build a jail funded by a sales tax increase.

#### Superior Debt Disclosure Practices

The County maintains a complex set of disclosures in the County's Proposed Budget document and the CAFR statistical section. We believe that time is of the essence in the publication of these documents. The budget is adopted before June 30 and loaded into the financial system before the close of the first month of the new fiscal year. The CAFR publication date is generally within 45-60 days of the close of the fiscal year. The County's major financial documents are available on the web at [www.countyofsb.org](http://www.countyofsb.org).

#### Pay-as-you-go Capital Funding

The County policy on pay-as-you-go is not formalized. However, many of the County's funds only utilize pay-as-you-go financing. The DAC looks at repayment sources as one of the key criteria for approval of new debt issues.

#### Debt Repayment Plan

The County's current outstanding debt schedule features a debt repayment plan that will reduce debt by 60% over the next ten years.

#### Five-year Capital Improvement Plan

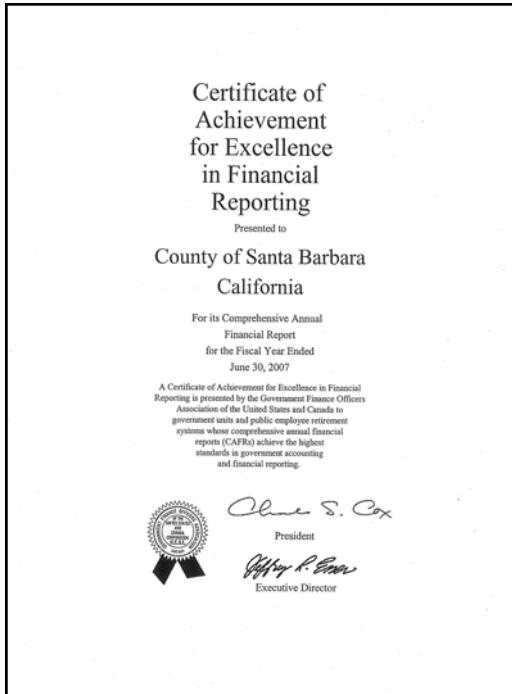
The County's Five-Year Capital Improvement Plan provides for an integration of capital projects and operating impacts in the proposed operating budget each budget cycle.

#### Budgeting Awards

The GFOA has presented the Distinguished Budget Presentation Award to the County for eleven consecutive years.

## Awards and Acknowledgments

**Certificate of Achievement:** The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County's CAFR for the fiscal year ended June 30, 2007. This was the seventeenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Distinguished Budget Presentation:** The County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

**Popular Financial Reporting:** The County received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2007. This award is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

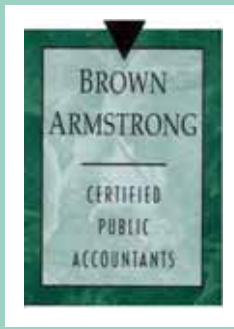
**Certificate of Distinction:** In September 2007, the International City/County Management Association (ICMA) presented Santa Barbara County with its Certificate of Distinction for exceeding the standards established by the ICMA Center for Performance Measurement in the application of performance data to local government management, including training, verification, public reporting, planning and decision-making, networking, and accountability.

**Acknowledgments:** The preparation of the CAFR and its timely issuance is the result of a concentrated, dedicated, and coordinated effort by the entire Auditor-Controller staff. We would like to acknowledge the special efforts of the Financial Reporting Division for their assistance in the report's preparation. We would also like to thank all County departments who participated in its preparation.

Michael F. Brown  
County Executive Officer

Robert W. Geis, CPA  
Auditor-Controller





**BROWN ARMSTRONG PAULDEN**  
**McCOWN STARBUCK THORNBURGH & KEETER**  
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Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA  
Richard L. Halle, CPA, MST

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Supervisors  
County of Santa Barbara, California

Lynn R. Krausse, CPA, MST  
Rosalba Flores, CPA  
Connie M. Perez, CPA  
M. Sharon Adams, CPA, MST  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Brunetti, CPA, MBA  
Matthew R. Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan L. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA  
Samuel O. Newland, CPA  
Brooke N. DeCuir, CPA  
Craig A. Rickett, CPA  
Kenneth J. Witham, CPA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California, as of and for the year ended June 30, 2008 which collectively comprise the County of Santa Barbara's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Santa Barbara's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Road, Public Health, Social Services, Flood Control District, and Alcohol, Drug, and Mental Health Services Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2008, on our consideration of the County of Santa Barbara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 23, the Santa Barbara County Employees' Retirement System schedule of funding progress on page 93, and the schedule of funding progress for the County of Santa Barbara's Other Post Employment Benefit (OPEB) Plan on page 94 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Santa Barbara's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. Keeter", is written over the company name.

Bakersfield, California  
September 16, 2008



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the comprehensive annual financial report.

As management of the County of Santa Barbara, California (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section. All dollar amounts are expressed in thousands.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide financial analysis:**

The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$688,018 (*net assets*):

- \$456,435 represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (*invested in capital assets, net of related debt*).
- \$155,182 (*restricted net assets*) is available for the County's ongoing obligations related to programs with external restrictions.
- \$76,401 (*unrestricted net assets*) is available to fund County programs to citizens and debt obligations to creditors.

The County's total net assets increased by \$11,965 over the prior year, during the current fiscal year:

- The \$9,024 increase in net assets invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of related long-term debt.
- The \$30,886 increase in restricted net assets is discussed in the government-wide financial analysis on page 14. The largest increase was due to Redevelopment Agency (RDA) loan proceeds of \$17,000.
- The \$27,945 decrease in unrestricted net assets is primarily related to the RDA Debt Service Fund and Alcohol, Drug and Mental Health Services (ADMHS) Fund having fund balance deficits of \$13,704 and \$11,346, respectively, in addition to other activity discussed on page 14.

### **Financial analysis of the County's funds:**

Total ending fund balance, \$239,250, for the County's governmental funds at June 30, 2008 increased 5%, or \$11,564, from the restated prior year ending fund balance of \$227,686. Of this amount approximately 84%, or \$200,410, is *available for spending (unreserved fund balance)*. Unreserved fund balance for the General Fund decreased \$8,214 to \$61,758, which equates to 19% of total General Fund expenditures for the year. ADMHS unreserved fund balance decreased \$16,916 due to a prior period adjustment of \$14,203 and current year operating deficit of \$2,713 (see Note 12 and Note 22).

### **Capital assets and debt administration:**

The County's investment in capital assets (net of accumulated depreciation) increased by \$30,487, or 6%, to \$535,308. During the current fiscal year, the County completed the Cottage Hospital Flood Control box culvert at a cost of \$6,417, completed Los Prietos Probation residential building improvements at a cost of \$1,040, and purchased four Caterpillar AWD Road Fund motor graders at a cost of \$282 each. The County recorded depreciation against its assets of \$18,360. The County's total long-term debt outstanding related to general obligations and revenue bonds increased by \$15,402, or 20%, to \$91,865.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the County's financial statements. The County's financial statements include three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

**Government-wide financial statements:** The *government-wide financial statements* provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets are a useful indicator of an improving or deteriorating County financial position. The *statement of activities* presents the most recent fiscal year changes for the County's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. The statement reports items resulting in cash flows in the future fiscal periods (e.g. uncollected taxes, and earned but unused vacation leave) as revenues and expenses in this statement.

The government-wide financial statements distinguish functions of the County principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include policy and executive, law and justice, public safety, health and public assistance, community resources and facilities, general government and support services, and general County programs. The business-type activities of the County include resource recovery and waste management, sanitation services, and transit operations.

Component units in the financial statements are legally separate entities financially accountable by the County and are under substantially the same governing board as the County or provide services entirely to the County. They include the First 5 Children and Families Commission, County Service Areas, the Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Sanitation and Sewer Maintenance Districts, the Sandyland Seawall Maintenance District, the Santa Barbara County Redevelopment Agency, the Santa Barbara County Finance Corporation, Community Facilities Districts, and the Water Agency.

Pages 26-27 of this report display the government-wide financial statements.

**Fund financial statements:** A *fund* groups related accounts used to maintain control over resources segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

County funds are divided into three categories:

- Governmental funds
- Proprietary funds
- Fiduciary funds

**Governmental funds:** *Governmental funds* account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating the County's near-term financing requirements.

The governmental funds' focus is narrower than that of the government-wide financial statements. To understand the long-term impact of the County's near-term financing decisions, compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. The reconciliations of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide financial statements facilitate the comparison between *governmental funds and governmental activities*.

The County maintains 62 individual governmental funds combined into 29 for financial reporting purposes. The County segregates from the General Fund a number of significant functions in major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Public Health, Social Services, Alcohol, Drug and Mental Health Services, Flood Control District, Capital Projects and Redevelopment Agency Debt Service funds, all considered major funds. Data for the other 21 governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget for all of its operating funds. The budget and actual comparison statements provided for the General Fund and major special revenue funds demonstrate performance against this budget.

Pages 28-39 of this report display the governmental funds financial statements.

**Proprietary funds:** The County maintains two different types of proprietary funds. *Enterprise funds* report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for resource recovery and waste management, sanitation services, and transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service funds account for information technology services, vehicle operations and maintenance, risk management and insurance, and communications functions. Since these services predominantly benefit governmental rather than business-type functions, they are consolidated within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Resource Recovery and Waste Management Fund (Resource Recovery), and Laguna Sanitation Fund, both considered major funds of the County. Data for the four internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Pages 40-42 of this report display the proprietary funds financial statements.

**Fiduciary funds:** Fiduciary funds account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. Fiduciary fund accounting is similar to proprietary funds. Fiduciary funds report the external portions of the Treasurer's Investment Pool and agency funds.

Pages 43-44 of this report display the fiduciary funds financial statements.

**Notes to the financial statements:** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Pages 47-92 of this report display the notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets:** As noted earlier, net assets over time is a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$668,018 at the close of the current fiscal year. The components of total net assets are as follows:

**Invested in capital assets, net of related debt:** Invested in capital assets (e.g. land, buildings, roads, bridges, flood control channels and debris basins, machinery, and equipment), less outstanding debt used to acquire those assets, totals \$456,435, and is the largest portion of the County's net assets. The County's investment in capital assets (net of accumulated depreciation) totals \$535,308 while related debt amounts to \$92,531 reduced by \$13,658 in unspent proceeds of debt. The County uses these capital assets to provide services to citizens; as such, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Restricted net assets:** Restricted net assets, \$155,182, represent resources subject to external restrictions on their use. Restricted net assets is primarily comprised of: 1) State imposed restrictions (42%), 2) Property taxes dedicated to specific services such as flood control and fire protection (39%), 3) Federal imposed restrictions for federally-qualified health centers (7%), 4) Debt service (7%), 5) Federal and state allocations for roads (3%), and 6) Cable television public access funds (1%). Restricted net assets increased by \$30,886 from the prior year. The following table describes the primary reasons for the increase:

<b>The County's Changes in Restricted Net Assets (in thousands)</b>	<b>Increase (Decrease)</b>
Increase of Redevelopment Agency (special revenue fund) restricted assets due to receipt of 2008 loan proceeds	\$ 16,474
Increase in various restricted assets of the General Fund	9,215
Increase of Flood Control District restricted assets as revenues exceeded expenses	5,143
Increase of Road Fund restricted assets as revenues exceeded expenses due to deferral of road maintenance projects	3,531
Increase in Fire District restricted assets due to greater than expected property tax revenue and operating cost savings	1,878
Increase in Redevelopment Agency (debt service) restricted assets due to establishment of loan reserve	1,430
Increase in restricted assets of the Water Agency as revenues exceeded estimates for property taxes and grants	952
Increase in Resource Recovery restricted assets as revenues exceeded estimates for service charges	588
Increase in Sandyland Seawall Maintenance restricted assets as benefit assessments were designated for future projects	346
Other increases, net	131
Decrease in First 5 Children and Families restricted assets due to a draw on an endowment designation for operations	(720)
Decrease in Public Health Fund restricted assets for Federally Qualified Health Care expenses	(895)
Decrease in restricted assets related to Affordable Housing projects	(1,617)
Decrease of ADMHS restricted assets due to Medi-Cal cost settlements for current and prior years	(5,570)
<b>Total</b>	<b>\$ 30,886</b>

**Unrestricted net assets:** Unrestricted net assets in the amount of \$76,401 are available to fund County programs to citizens and debt obligations to creditors. Unrestricted net assets decreased \$27,945 compared to the prior year.

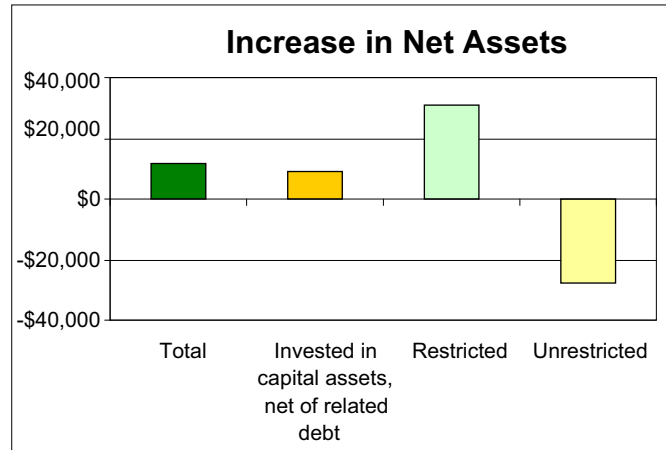
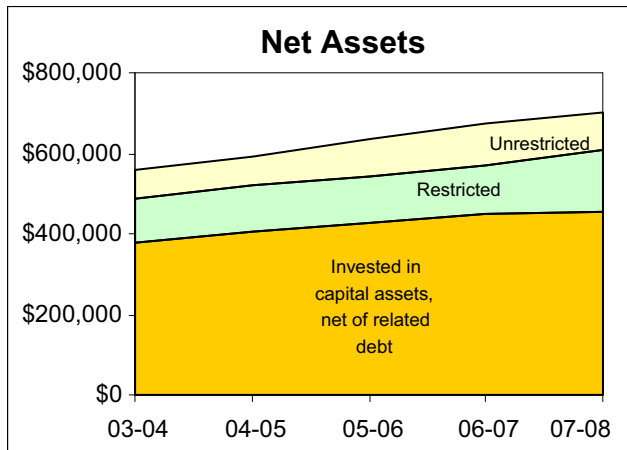
**The County's Net Assets (in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Total</b>		<b>Dollar</b>	<b>Percent</b>
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>Change</b>	<b>Change</b>
Current and other assets	\$ 370,679	\$ 407,747	\$ 40,016	\$ 44,463	\$ 410,695	\$ 452,210	\$ 41,515	10%
Capital assets	444,995	470,354	59,826	64,954	504,821	535,308	30,487	6%
<b>Total assets</b>	<b>815,674</b>	<b>878,101</b>	<b>99,842</b>	<b>109,417</b>	<b>915,516</b>	<b>987,518</b>	<b>72,002</b>	<b>8%</b>
Current and other liabilities	68,154	102,301	2,705	2,542	70,859	104,843	33,984	48%
Long-term liabilities	130,717	152,014	37,887	42,643	168,604	194,657	26,053	15%
<b>Total liabilities</b>	<b>198,871</b>	<b>254,315</b>	<b>40,592</b>	<b>45,185</b>	<b>239,463</b>	<b>299,500</b>	<b>60,037</b>	<b>25%</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	399,800	408,831	47,611	47,604	447,411	456,435	9,024	2%
Restricted	123,579	153,875	717	1,307	124,296	155,182	30,886	25%
Unrestricted	93,424	61,080	10,922	15,321	104,346	76,401	(27,945)	(27%)
<b>Total net assets</b>	<b>\$ 616,803</b>	<b>\$ 623,786</b>	<b>\$ 59,250</b>	<b>\$ 64,232</b>	<b>\$ 676,053</b>	<b>\$ 688,018</b>	<b>\$ 11,965</b>	<b>2%</b>

At fiscal year end, the County reported a 2% increase in net assets invested in capital assets, net of related debt. As discussed above, the County's restricted net assets increased by 25% while unrestricted net assets decreased by 27% compared to the prior year amounts.

The County's total net assets increased by \$11,965 over the prior period as a result of the total net assets increase of \$26,168 being off-set by a \$14,203 decrease related to a prior period adjustment made during the current fiscal year. The increase in net assets that are invested in capital assets, net of related debt, of \$9,024 represents capital acquisitions and deletions, less current year depreciation, plus the retirement of related long-term debt. The increase in restricted net assets, \$30,886, is illustrated above. The decrease in unrestricted net assets of \$27,945, is primarily related to the RDA Debt Service Fund and the ADMHS Fund having fund balance deficits of \$13,704 and \$11,346, respectively. In addition, a decrease in the Capital Projects fund balance of \$8,292 used to complete capital projects, an increase in the Social Services Fund of \$1,995, and a \$4,399 increase in Proprietary funds, and \$6,675 of the decrease in the General Fund's unreserved fund balance is related to unrestricted net assets.

Long-term liabilities increased by \$26,053 mainly due to the issuance of \$23,600 of Certificates of Participation (COP) in the current year, a \$12,434 increase due to first time recognition of Other Post Employment Benefits (OPEB), offset by COP debt payments of \$7,004.



The County's Changes in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2007	2008	2007	2008	2007	2008	Dollar Change	Percent Change
<b>Revenues</b>								
Program revenues:								
Charges for services	\$ 174,263	\$ 182,574	\$ 27,470	\$ 28,782	\$ 201,733	\$ 211,356	\$ 9,623	5%
Operating grants and contributions	274,169	281,421	854	1,745	275,023	283,166	8,143	3%
Capital grants and contributions	476	229	--	--	476	229	(247)	(52%)
General revenues:								
Property taxes	195,001	205,822	--	--	195,001	205,822	10,821	6%
Motor vehicle in-lieu tax	271	--	--	--	271	--	(271)	(100%)
Sales taxes	17,286	16,362	134	162	17,420	16,524	(896)	(5%)
Transient occupancy tax	6,591	7,174	--	--	6,591	7,174	583	9%
Unrestricted investment earnings	2,867	2,926	2,089	1,796	4,956	4,722	(234)	(5%)
Gain (loss) on sale of capital assets	1,269	(325)	1	(37)	1,270	(362)	(1,632)	(129%)
Other	7,573	8,391	911	68	8,484	8,459	(25)	--
<b>Total revenues</b>	<b>679,766</b>	<b>704,574</b>	<b>31,459</b>	<b>32,516</b>	<b>711,225</b>	<b>737,090</b>	<b>25,865</b>	<b>4%</b>
<b>Expenses</b>								
Policy & executive	8,569	9,069	--	--	8,569	9,069	500	6%
Law & justice	41,186	44,586	--	--	41,186	44,586	3,400	8%
Public safety	181,566	201,511	--	--	181,566	201,511	19,945	11%
Health & public assistance	271,806	292,094	--	--	271,806	292,094	20,288	7%
Community resources & public facilities	84,785	83,293	--	--	84,785	83,293	(1,492)	(2%)
General government & support services	36,771	35,743	--	--	36,771	35,743	(1,028)	(3%)
General county programs	14,734	14,461	--	--	14,734	14,461	(273)	(2%)
Interest on long-term debt	2,889	2,626	--	--	2,889	2,626	(263)	(9%)
Resource recovery	--	--	21,857	22,042	21,857	22,042	185	1%
Laguna sanitation	--	--	5,066	5,113	5,066	5,113	47	1%
Transit operations	--	--	62	384	62	384	322	519%
<b>Total expenses</b>	<b>642,306</b>	<b>683,383</b>	<b>26,985</b>	<b>27,539</b>	<b>669,291</b>	<b>710,922</b>	<b>41,631</b>	<b>6%</b>
Excess of revenues over expenses	37,460	21,191	4,474	4,977	41,934	26,168	(15,766)	(38%)
Transfers	3	(5)	(3)	5	--	--	--	--
<b>Increase in net assets</b>	<b>37,463</b>	<b>21,186</b>	<b>4,471</b>	<b>4,982</b>	<b>41,934</b>	<b>26,168</b>	<b>(15,766)</b>	<b>(38%)</b>
<b>Net assets - beginning</b>	<b>579,340</b>	<b>616,803</b>	<b>54,779</b>	<b>59,250</b>	<b>634,119</b>	<b>676,053</b>	<b>41,934</b>	<b>7%</b>
<b>Prior period adjustment</b>	<b>--</b>	<b>(14,203)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(14,203)</b>	<b>(14,203)</b>	<b>100%</b>
<b>Net assets - beginning, as restated</b>	<b>579,340</b>	<b>602,600</b>	<b>54,779</b>	<b>59,250</b>	<b>634,119</b>	<b>661,850</b>	<b>27,731</b>	<b>4%</b>
<b>Net assets - ending</b>	<b>\$ 616,803</b>	<b>\$ 623,786</b>	<b>\$ 59,250</b>	<b>\$ 64,232</b>	<b>\$ 676,053</b>	<b>\$ 688,018</b>	<b>\$ 11,965</b>	<b>2%</b>

**Governmental activities:** Governmental activities increased the County’s net assets by \$21,186 for the year ended June 30, 2008, accounting for 81% of the total increase in net assets. Governmental activities operating revenues exceeded operating expenses by \$21,191. Transfers provided a total decrease in net assets of \$5.

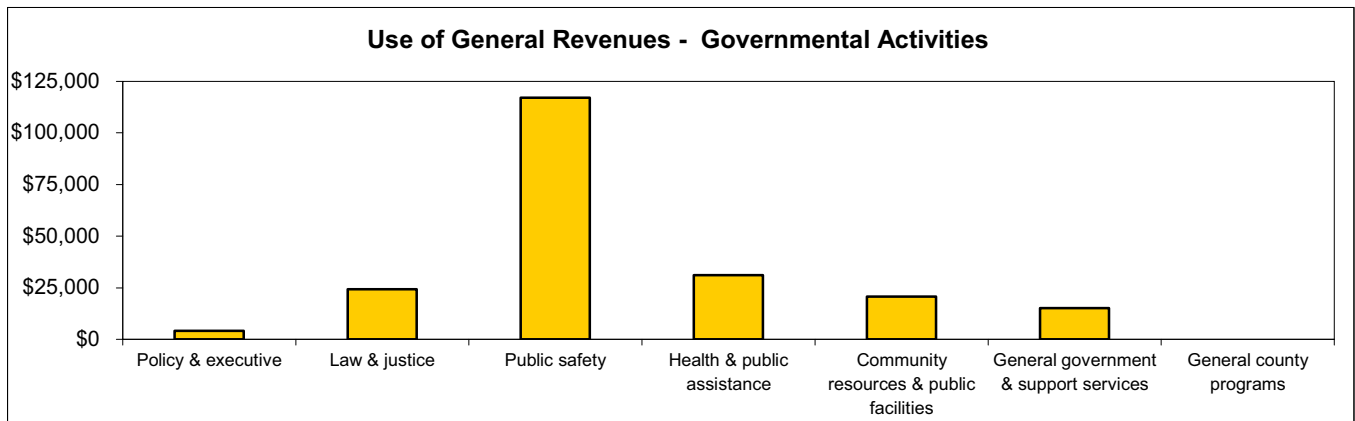
**Revenues:** Total revenues for the County’s governmental activities increased 4% from the prior year.

As an arm of the state government, operating grants and contributions serve multiple programs representing 40% of the County’s funding for governmental activities and are tied to mandated services such as public assistance, health, and mental health. These revenue sources increased by \$7,252 from the prior year as the cost of providing these services grew. In addition, charges for services increased by \$8,311 and capital grants and contributions decreased by \$247.

General taxes generated locally provide the Board of Supervisors (Board) with most of its discretionary spending ability. Since the formation of County government in the 1850s, basic public safety services such as sheriff, fire, and district attorney consume most of these resources.

The \$9,492 increase in general revenues is primarily due to the following:

- Property taxes increased \$10,821, or 6%, to \$205,822 primarily due to increases in assessed values of real property. Secured property taxes grew over 7% offset by declines in unsecured and supplemental property taxes.
- Sales taxes decreased by \$924, or 5%, to \$16,362. The total sales tax revenue includes the 3/4% sales tax allocation to the General Fund and the 1/2% Measure D tax distribution to the Road Fund.
- Transient occupancy tax increased by \$583, or 9%, to \$7,174. The increase was primarily due to completed renovations at major destination resorts and increased foreign tourism as a result of the weak US dollar.

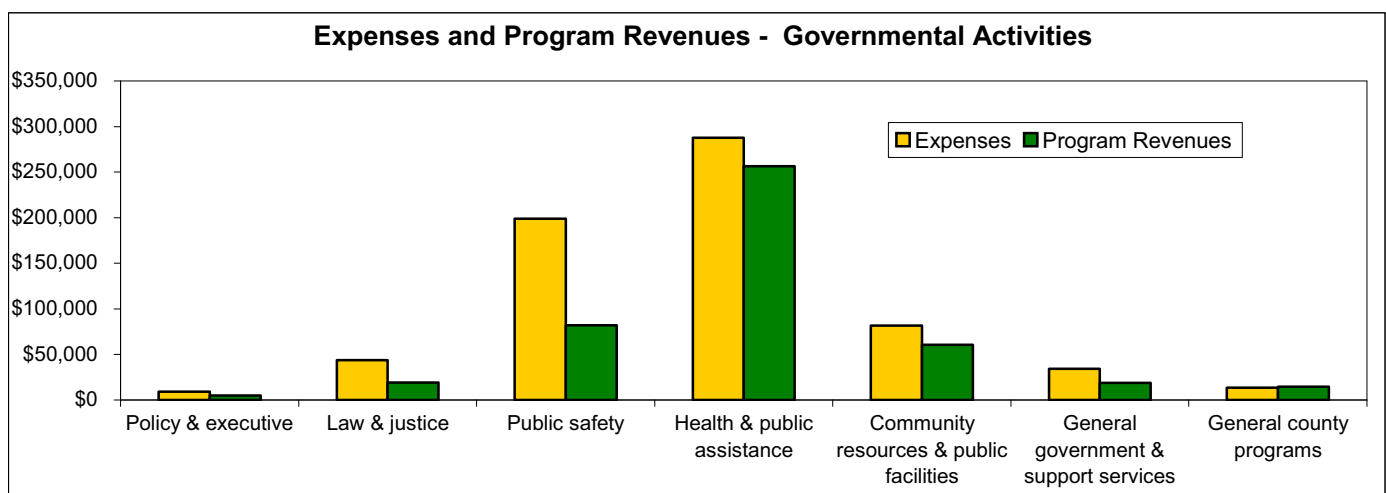


**Expenses:** Total expenses for governmental activities were \$683,383, an increase of 6%, or \$41,077, from the prior year. As a service delivery entity, the County’s major cost component is salaries and benefits, amounting to 61% of the total County governmental expenses. The average full time equivalent (FTE) employee count for the County (including business-type activities) increased from 4,290 in the prior year to 4,337 at June 30, 2008.

The total increase in program expenses for the County’s governmental activities is attributed generally to the following factors:

- Total salaries and benefits expense increased across all functions by \$42,758, or 11%, from the prior year primarily as a result of salary adjustments, cost of living adjustments (COLA) and 47 additional average FTEs totaling 5%, or \$19,373, of the total increase; an increase in the County’s contribution to employees’ retirement of \$7,910, or 2%, of the total increase; an employer health insurance increase of 1%, or \$3,043, of the total increase; the recognition of retiree medical Other Post Employment Health Benefits (OPEB), representing 3%, or \$12,168, of the total increase; and an increase to compensated absences of \$1,080, or 4%, of the total increase.
- Policy and executive expenses increased by \$500, or 6%, primarily due to increases of \$908 and \$476 for County Counsel and County Executive Office salaries and benefits, respectively.

- Law and justice expenses increased by \$3,400, or 8%, primarily due to salaries and benefits increases of \$1,726 and \$846 related to the District Attorney and the Public Defender, respectively.
- Public safety expenses increased by \$19,945, or 11%. The increase is primarily due to an increase in salaries and benefit costs of \$17,112 in the Probation, Sheriff and Fire departments. The Sheriff Department FTE count rose by an average of 21 positions due to hiring new staff and filling vacant positions while the Fire Department FTE count rose by an average of 14 positions.
- Health and public assistance expenses increased by \$20,288, or 7%, primarily due to increased salaries and benefits expense of \$4,863 in Public Health, \$3,055 in Alcohol, Drug and Mental Health Services, and \$5,003 in Social Services. In addition, Alcohol, Drug and Mental Health Services expenses for services and supplies increased by \$4,211 due primarily to increased provider contract costs.
- Community resources and public facilities expenses decreased by \$1,492, or 2%. Public Works expenses for services and supplies decreased by \$2,522. This decrease is primarily related to a reduction in road surface treatment and maintenance projects. Affordable Housing project expenses decreased by \$3,066.
- General government and support services expenses decreased by \$1,028, or 3%, primarily due to an increase of \$4,143 in salaries and benefits expense, a decrease of \$6,762 in General Services expenses resulting from a shift in utilities expenses to an internal service fund, and an increase of \$1,147 in Clerk-Recorder-Assessor services and supplies expenses.
- General county programs expenses decreased \$273, or 2%.
- Interest on long-term debt expense decreased \$263, or 9%.

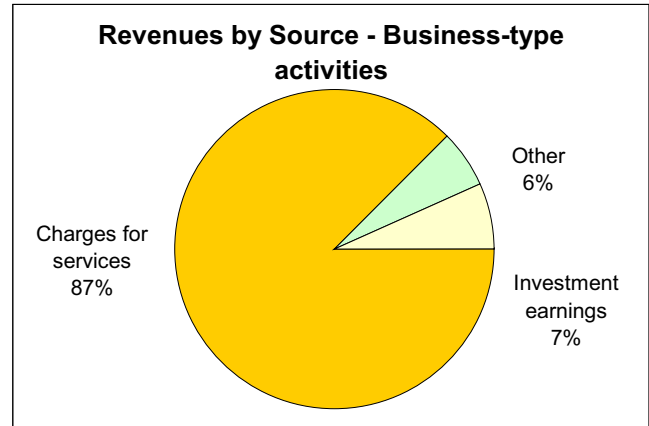
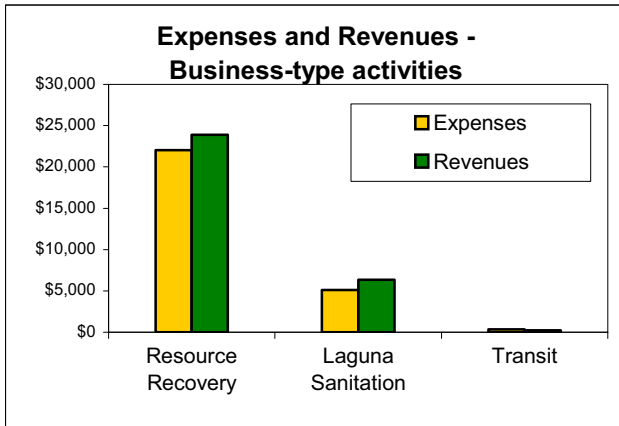


**GASB 45 Disclosure of Other Post Employment Benefits (OPEB).** Effective for the fiscal year beginning July 1, 2007, the County, like other large governmental entities, must comply with the requirements of GASB 45. The following table summarizes the primary results of the valuation relied upon by the County for purposes of preparing its financial statements:

Valuation Date	December 31, 2006
Discount Rate	4.50%
Unfunded Actuarial Accrued Liability	\$132,082
Normal Cost Rate	1.24%
UAAL Amortization Rate	4.03%
Annual Required Contribution	5.27%

The basic annual expense recognized under GASB 45 is called the Annual Required Contribution (ARC), even though there is no requirement to fund this amount. The ARC of \$12,168 consists of the normal cost plus amortization of the Unfunded Actuarial Accrued Liability (UAAL). The ARC is expressed as a percentage (5.27%) of covered payroll (\$235,810).

**Business-type activities:** The net assets of business-type activities increased by 8%, or \$4,982, indicating that these activities generated revenues sufficient to cover the costs of operations. Revenues increased 3% to \$32,516 due to rate increases. Expenses increased 2% to \$27,539 mainly due to increased salary and benefits expenses. The OPEB ARC for this first year of reporting was \$266.



**FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS**

As noted earlier, the County uses fund accounting to demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* is a useful measure of a government's resources available for spending at the end of the fiscal year.

At June 30, 2008, the County's governmental funds reported total fund balances of \$239,250, a 5%, or \$11,564, increase in comparison with the prior year's total ending fund balances when factoring in the \$14,203 prior period adjustment to decrease fund balance. The components of total fund balance are as follows:

- *Reserved* fund balance, \$38,840, is reserved for: 1) debt service, \$9,333, 2) long term receivables and prepaids that do not represent available spendable resources, \$20,812, 3) property tax losses, \$6,057, 4) property held for resale, \$2,600, and 5) imprest cash, \$38.
- *Unreserved fund balance* constitutes approximately 84%, or \$200,410, of the total fund balances that are available to meet the County's current and future needs. The County's management designates (i.e. earmarks) a portion of unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. The County has designated \$124,407 of the unreserved fund balance and the undesignated fund balance is \$76,003.

Changes in total fund balance for the General Fund and the remaining major governmental funds are as follows: The General Fund is the main operating fund of the County. The General Fund's total fund balance increased by 12%, or \$9,211, to \$88,139 at June 30, 2008, due to an increase in the reserved fund balance related to a \$17,000 long-term loan (COP borrowing) to the RDA. The General Fund's June 30, 2008 unreserved fund balance was \$61,758, a decrease of \$8,214 from the prior year amount of \$69,972.

As a measure of the General Fund's liquidity, it may be useful to compare both total fund balance and unreserved fund balance to total fund expenditures. Total fund balance equates to 27% of total General Fund expenditures while unreserved fund balance equates to 19% of total General Fund expenditures.



Of the General Fund unreserved fund balance, \$56,447, or 91% is designated. The most significant designations are a \$24,223 strategic "reserve" earmarked for severe economic downturns and emergencies, a \$8,950 capital outlay designation, and a \$4,673 litigation "reserve", which is earmarked for settlements of adverse litigation without other coverage. See Note 15 – Reserved and Designated Fund Balances on page 80. General Fund unreserved, undesignated fund balance at year-end was \$5,311, a 54% or \$6,173 decrease from the prior year generally related to \$6,900 in transfers to the ADMHS Fund for adult mental health services.

The total fund balances of the remaining Governmental Funds increased 1%, or \$2,353, over the prior year, to \$151,111 with the following significant changes:

- The fund balance of the Road Fund increased 265%, or \$3,530, primarily as a result of increased State intergovernmental revenues (Prop 1B).
- The ADMHS Fund balance decreased by \$16,916 due to a prior period adjustment of \$14,203 (see Note 22) and a current year operating deficit of \$2,713.
- The fund balance of the Flood Control District Fund increased \$5,144 partially as a result of decreased capital asset costs coupled with an increase in intergovernmental revenue.
- The fund balance of the Capital Projects Fund decreased by 28%, or \$8,292, due to expenditures related to projects in progress.
- A new RDA Debt Service Fund qualified as a major fund as a result of a borrowing from the General Fund, thereby creating a liability and deficit fund balance of \$13,704.
- The non-major governmental funds increased by a total of \$16,967 primarily due to loan proceeds of \$17,000 to the RDA Special Revenue Fund.

**Proprietary funds:** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total enterprise funds net assets, comprised primarily of the Resource Recovery Fund and Laguna Sanitation Fund, increased by \$4,918 or 8% from the prior year. Resource Recovery Fund net assets increased by \$3,406 and Laguna Sanitation Fund net assets increased by \$1,423. Resource Recovery Fund operating revenues increased by \$946, or 4%, due primarily to an increase in service charges to users and the adoption of an enterprise fund reserve policy. Laguna Sanitation Fund operating revenues increased by \$325, or 5%, due primarily to an increase in customers and an increase in residential sewer service rates.

Total internal service funds net assets increased by \$3,665. The Risk Management and Insurance Fund's net assets increased by \$3,000 turning a retained deficit of \$1,801 into net assets of \$1,199 due to the factors discussed in the next paragraph. A decrease in net assets of \$330 in Information Technology Services Fund, and increases in net assets of \$523 in Vehicle Operations and Maintenance Fund, and \$471 in the Communications Fund resulted from normal operations. The County implemented the usage of a new internal service fund, the Utilities Fund, during the year. The Utilities Fund had net assets of \$1 at June 30, 2008.

The Risk Management and Insurance Fund incurred a net loss in seven of the eight years prior to June 30, 2003. The deficit was due to continued adverse case development in the workers' compensation program coupled with increased costs related to medical care, lost time disability payments to injured workers and increased premiums for excess insurance coverage. The fund had net assets of \$1,199 as of June 30, 2008; a positive change in net assets of \$3,000 eliminated the June 30, 2007 deficit of \$1,801.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

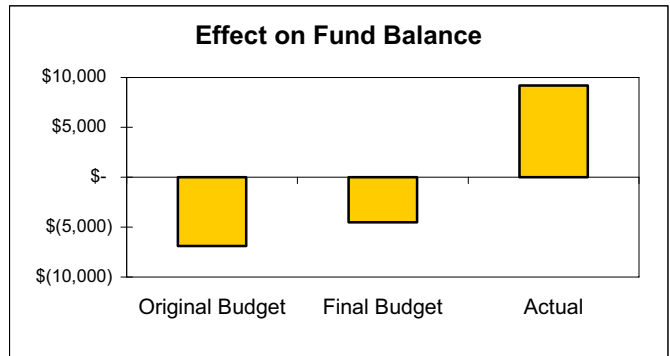
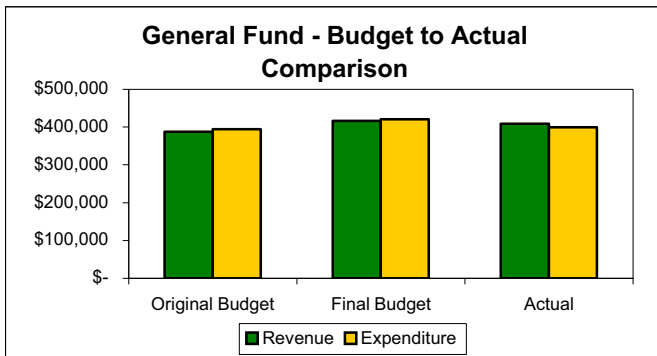
The County's final budget appropriations differ from the original budget by 4%. Supplemental appropriations of \$13,963 were approved during the fiscal year. Major changes in appropriations were mostly related to public safety services and are as follows:

- The Fire Department's adopted budget was increased by \$4,722 mostly related to salaries and benefits as a result of several unanticipated fire incidents which were reimbursed by Federal and State agencies as well as increased costs related to salary increases, constant staffing and cost of living adjustments.
- The Sheriff's Department had additional appropriations of \$5,158 due primarily to increases in appropriations related to salaries and benefits as a result of filling unfunded deputy sheriff positions and increased overtime. Services and supplies appropriations were also increased by \$1,503 partially attributed to increased professional and special services related to grant expenditures. In addition, the Sheriff's budget was increased by \$1,176 related to fixed assets as a result of a helicopter project in progress.

During the year, General Fund revenues were less than total adjusted budget estimates by \$1,649. Tax revenues exceeded the budget by \$4,638 primarily due to increases in property taxes of \$1,669, in-lieu local sales tax by \$1,153, property transfer tax by \$94, transient occupancy tax by \$1,274, and supplemental property taxes by \$538. Permit revenues in the planning and development process account for the majority of the \$1,053 negative variance in licenses, permits and franchise revenues as there was a decline in construction activity in the County. Interest earnings were more than the budget by \$782 due to higher balances and slightly better yields than used in the budget process. Intergovernmental revenues were less than budget by \$6,830 due primarily to a \$3,559 decrease related to a combination of the State deferring mandated cost claim reimbursements and grant revenues that were not claimed due to deferment of grant expenditures by the Clerk-Recorder-Assessor. In addition, the Probation Department collected \$1,352 less in intergovernmental revenues than was budgeted due primarily to budgeting lower than expected public safety sales tax revenue and Title IV E Federal revenues.

The variance between the final budget and actual expenditures resulted in \$15,809 of unspent appropriations. Salary and benefit cost savings of approximately \$4,086 resulted from unfilled positions across all functions, \$6,040 resulted from unspent appropriations for services and supplies across all functions, and \$4,928 resulted from equipment budgeted but not procured in this fiscal cycle.

By year-end, greater than anticipated tax revenues and appropriation savings reduced the budget plan to draw upon fund balance. The equity position of the General Fund increased by \$9,211, as opposed to the budget plan to draw on fund equity by \$4,531. The General Fund budget to actual statement can be found on page 32 of this report.



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets:** The County's investment in capital assets during the fiscal year increased by \$30,487, or 6%, to \$535,308 (net of accumulated depreciation). This investment in a broad range of capital assets includes land, infrastructure, structures and improvements, equipment, and construction in progress.

**The County's Capital Assets (net of depreciation, in thousands)**

	Governmental Activities		Business-type Activities		Total		Total	
	2007	2008	2007	2008	2007	2008	Dollar Change	Percent Change
	Land	\$ 90,817	\$ 90,772	\$ 12,244	\$ 12,244	\$ 103,061	\$ 103,016	\$ (45)
Construction in progress (CIP)	23,426	42,119	1,976	2,930	25,402	45,049	19,647	77%
Capital assets, not being depreciated	114,243	132,891	14,220	15,174	128,463	148,065	19,602	15%
Structures and improvements	135,364	132,250	15,618	19,812	150,982	152,062	1,080	1%
Equipment	38,145	37,475	9,067	9,618	47,212	47,093	(119)	--
Infrastructure	157,243	167,738	20,921	20,350	178,164	188,088	9,924	6%
Capital assets, net of accumulated depreciation	330,752	337,463	45,606	49,780	376,358	387,243	10,885	3%
<b>Total</b>	<b>\$ 444,995</b>	<b>\$ 470,354</b>	<b>\$ 59,826</b>	<b>\$ 64,954</b>	<b>\$ 504,821</b>	<b>\$ 535,308</b>	<b>\$ 30,487</b>	<b>6%</b>

The County both purchases outright and constructs capital assets throughout the year. When a capital project will be completed in a subsequent fiscal year, related expenditures are recorded as Construction in Progress (CIP). In the year of completion, a project's CIP is allocated to land, building, equipment or infrastructure. In the current fiscal year CIP increased \$18,693 for governmental activities and \$954 for business-type activities, as CIP expenses of \$49,667 were offset by project completions and disposals of \$30,020.

The County completed and capitalized projects costing approximately \$24,524. Major projects completed were:

- Health & Public Assistance – remodel of Alcohol, Drug and Mental Health Carmen Lane building (\$1,917).
- Community Resources & Facilities infrastructure – Cottage Hospital Flood Control box culvert (\$6,417), Jonata Park Road bridge (\$2,525) and Cachuma boat launch ramp and improvement (\$2,569).

During the year, the County capitalized \$9,098 in equipment purchases. The County recorded depreciation against its assets of \$18,360. The County also made asset disposals, net of accumulated depreciation, of \$4,081 during the fiscal year.

**The County's Capital Assets Changes (in thousands)**

<u>Capital assets, not being depreciated</u>	Increase (Decrease)
Land addition	\$ 59
Land disposal	(104)
CIP additions	49,667
CIP completions/disposals	(30,020)
Total capital assets, not being depreciated	19,602
<u>Capital assets, being depreciated</u>	
Structures & improvements additions	10,618
Structures & improvements disposals (net)	(3,533)
Structures & improvements depreciation	(6,005)
Equipment additions	9,098
Equipment disposals (net)	(444)
Equipment depreciation	(8,773)
Infrastructure additions	13,847
Infrastructure depreciation	(3,923)
Total capital assets, being depreciated	10,885
Total County capital assets change	\$ 30,487

More detailed capital assets information, including depreciation and outstanding CIP by project as of June 30, 2008, can be found in Note 6 to the financial statements on pages 64-67.

**Long-term debt:** At June 30, 2008, the County had total long-term debt outstanding related to general obligations and revenue bonds of \$91,865. This amount was comprised of \$80,060 of certificates of participation (COP) that are secured by the County's lease rental payments with a covenant to budget and appropriate lease payments, \$55 of long-term settlement obligations, \$4,324 of capital lease obligations, and \$7,426 of a state sponsored loan for the Laguna Wastewater Treatment Plant.

**The County's Outstanding Debt (in thousands)**

	Governmental		Business-type		Total		Total	
	Activities		Activities				Dollar	Percent
	2007	2008	2007	2008	2007	2008	Change	Change
Certificates of participation	\$ 59,143	\$ 70,209	\$ 4,321	\$ 9,851	\$ 63,464	\$ 80,060	\$ 16,596	26%
Long-term settlement obligations	--	--	110	55	110	55	(55)	(50%)
Capital lease obligations	5,015	4,301	30	23	5,045	4,324	(721)	(14%)
Laguna wastewater treatment plant note payable	--	--	7,833	7,426	7,833	7,426	(407)	(5%)
Other loans	11	--	--	--	11	--	(11)	(100%)
<b>Total</b>	<b>\$ 64,169</b>	<b>\$ 74,510</b>	<b>\$ 12,294</b>	<b>\$ 17,355</b>	<b>\$ 76,463</b>	<b>\$ 91,865</b>	<b>\$ 15,402</b>	<b>20%</b>

The County's total long-term debt related to general obligations and revenue bonds increased by \$15,402, or 20%, during the fiscal year. The net increase was due to the issuance of \$23,600 in COP debt being issued to provide funding for landfill improvements and redevelopment projects, coupled with payments of \$7,004 for a net increase of \$16,596, a reduction of \$55 in long-term settlement obligations, \$721 in capital lease payments, \$407 in payments on the Laguna Wastewater Plant note payable and a reduction of \$11 in other loan payments.

**The County maintains a Standard & Poor's "SP-1+" rating for short-term notes and both a Standard & Poor's "AA" and a Moody's "A1" for its long-term certificates of participation.**

Standard & Poor's, in the June 2005 rating on the County's Tax and Revenue Anticipation Notes (TRAN) for FY 05-06 states (the County did not issue a TRAN in FY 06-07 or FY 07-08):

- "The 'SP-1+' rating on Santa Barbara County, Calif.'s TRAN reflects the County's favorable general credit characteristics, ...
- ...the County's cash balances provide strong projected coverage for the notes"

Standard & Poor's in their April 2008 credit profile raised its rating and underlying rating from 'AA-' to 'AA', and stated, "The rating reflects the county's track record of very strong reserves, healthy finances, and low debt levels. In addition, the COP's rating reflects:

- The long-term general creditworthiness of the county, and;
- A covenant to budget and appropriate for lease payments.

The county's long-term general creditworthiness reflects:

- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong general fund reserves, despite limited financial flexibility due to state mandates;
- An experienced management team with strong financial policies; and
- Low overall debt levels.

These strengths are tempered by the projected slowdown of property tax revenues due to the overall softening of the real estate market."

Additional information on the County's long-term debt can be found in Note 9 of the financial statements on pages 71-74

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The following known factors were considered in preparing the County's budget for FY 08-09:

- The FY 08-09 budget contains a slight increase in general revenues compared to FY 07-08 actual revenues. While property taxes were budgeted with a 2.6% increase over FY 07-08 actual revenues, offsetting this increase were budgeted decreases when compared to FY 07-08 actual revenues in transient occupancy tax, unrestricted investment earnings, and other payments in lieu of taxes.
- Assessed property values grew 4.6% for the FY 08-09 which will increase property tax revenue by an equivalent amount for secured and unsecured property taxes. However, the FY 08-09 budget was adopted with a 4% increase in secured and unsecured property tax revenue estimates compared to prior year actual. In addition, other related property tax revenue estimates for property transfer tax and supplemental property tax were adopted at 16% and 14% less than prior year actual, respectively. The more conservative estimates are due to a continued downturn in real property sales and assessed values.
- The budget includes a 5% increase in salaries and benefits when compared to prior year actual amount. This includes increases for retirement rates and workers' compensation rates. The affect of negotiated salary agreements from prior years is also included and funds have been appropriated for contemplated new agreements or cost of living adjustments for a majority of the County's labor contracts. The increases are being offset by a 64 hour work furlough that union members ratified after the budget was adopted in order to assist in keeping actual salaries and benefits costs down during FY 08-09.
- There were no significant cuts in funding by the State of California included in the County's budget. The State budget had not been adopted as of the date of this report.

As of June 30, 2008, unreserved General Fund balance was \$61,758. Of this amount, \$56,447 is designated but available for appropriation. The County's General Fund ended with \$5,311 of unreserved, undesignated fund balance at June 30, 2008. The County's performance-based proposed FY 08-09 budget and the County's Five Year Capital Improvement Program can be found on the internet at [www.countyofsb.org/ceo/index.asp](http://www.countyofsb.org/ceo/index.asp).

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Santa Barbara County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039. The County's Comprehensive Annual Financial Report and Financial Highlights publications can be found at [www.countyofsb.org/auditor/publications.asp](http://www.countyofsb.org/auditor/publications.asp).



# **BASIC FINANCIAL STATEMENTS**

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF NET ASSETS

AS OF June 30, 2008 (in thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 4)	\$ 270,290	\$ 26,009	\$ 296,299
Accounts receivable, net:			
Taxes	29,188	--	29,188
Licenses, permits, and franchises	888	470	1,358
Fines, forfeitures, and penalties	410	--	410
Use of money and property	2,534	351	2,885
Intergovernmental	33,475	56	33,531
Charges for services	31,757	1,156	32,913
Other	1,345	755	2,100
Internal balances	2,508	(2,508)	--
Inventories	413	314	727
Prepaid items	343	96	439
Other receivables	6,305	48	6,353
Securities lending collateral (Note 4)	2,981	--	2,981
Deferred charges	748	112	860
Property held for resale	2,600	--	2,600
Restricted cash and investments (Notes 4 & 5)	21,962	17,604	39,566
Capital assets, not being depreciated (Note 6)	132,891	15,174	148,065
Capital assets, net of accumulated depreciation (Note 6)	337,463	49,780	387,243
Total assets	<u>878,101</u>	<u>109,417</u>	<u>987,518</u>
<b>LIABILITIES</b>			
Accounts payable	26,685	1,934	28,619
Salaries and benefits payable	17,147	348	17,495
Interest payable	614	5	619
Other payables	15,738	205	15,943
Obligations under securities lending (Note 4)	2,981	--	2,981
Unearned revenue (Note 7)	32,216	--	32,216
Customer deposits payable	6,920	50	6,970
Long-term liabilities (Note 9):			
Portion due within one year:			
Capital lease obligations (Note 8)	595	7	602
Certificates of participation payable, net (Note 9)	5,697	1,048	6,745
Rebatable arbitrage earnings (Note 9)	122	9	131
Note payable (Note 10)	--	417	417
Compensated absences (Note 9)	25,570	565	26,135
Liability for self-insurance claims (Note 11)	10,566	--	10,566
Landfill litigation settlement (Note 12)	--	55	55
Landfill closure/postclosure care costs (Note 13)	--	198	198
Portion due in more than one year:			
Capital lease obligations (Note 8)	3,706	16	3,722
Certificates of participation payable, net (Note 9)	65,180	8,854	74,034
Rebatable arbitrage earnings (Note 9)	13	--	13
Note payable (Note 10)	--	7,009	7,009
Compensated absences (Note 9)	1,971	13	1,984
Liability for self-insurance claims (Note 11)	26,138	--	26,138
Estimated litigation liability (Note 12)	288	--	288
Landfill closure/postclosure care costs (Note 13)	--	24,186	24,186
Other post employment benefits (OPEB) obligation (Note 19)	12,168	266	12,434
Total liabilities	<u>254,315</u>	<u>45,185</u>	<u>299,500</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	408,831	47,604	456,435
Restricted for (Note 14):			
Public safety	13,695	--	13,695
Health and public assistance	12,987	--	12,987
Community resources and public facilities	87,145	--	87,145
General government and support services	8,082	--	8,082
General county programs	21,878	--	21,878
Debt service	10,088	1,307	11,395
Unrestricted	61,080	15,321	76,401
Total net assets	<u>\$ 623,786</u>	<u>\$ 64,232</u>	<u>\$ 688,018</u>

The notes to the financial statements are an integral part of this statement.



COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

Functions/Programs				Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Direct Expenses	Indirect Expenses	Total Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:									
Policy & executive	\$ 13,727	\$ (4,658)	\$ 9,069	\$ 4,746	\$ 8	\$ --	\$ (4,315)	\$ --	\$ (4,315)
Law & justice	43,248	1,338	44,586	10,888	8,509	--	(25,189)	--	(25,189)
Public safety	195,027	6,484	201,511	40,125	41,851	--	(119,535)	--	(119,535)
Health & public assistance	285,975	6,119	292,094	78,555	179,087	--	(34,452)	--	(34,452)
Community resources & public facilities	79,965	3,328	83,293	27,246	38,781	82	(17,184)	--	(17,184)
General government & support services	49,297	(13,554)	35,743	14,171	4,857	147	(16,568)	--	(16,568)
General county programs	13,940	521	14,461	6,843	8,328	--	710	--	710
Interest on long-term debt	2,626	--	2,626	--	--	--	(2,626)	--	(2,626)
Total governmental activities	<u>683,805</u>	<u>(422)</u>	<u>683,383</u>	<u>182,574</u>	<u>281,421</u>	<u>229</u>	<u>(219,159)</u>	<u>--</u>	<u>(219,159)</u>
Business-type activities:									
Resource recovery	21,683	359	22,042	22,454	1,413	--	--	1,825	1,825
Laguna sanitation	5,050	63	5,113	6,276	85	--	--	1,248	1,248
Transit	384	--	384	52	247	--	--	(85)	(85)
Total business-type activities	<u>27,117</u>	<u>422</u>	<u>27,539</u>	<u>28,782</u>	<u>1,745</u>	<u>--</u>	<u>--</u>	<u>2,988</u>	<u>2,988</u>
Total primary government	<u>\$ 710,922</u>	<u>\$ --</u>	<u>\$ 710,922</u>	<u>\$ 211,356</u>	<u>\$ 283,166</u>	<u>\$ 229</u>	<u>(219,159)</u>	<u>2,988</u>	<u>(216,171)</u>
General Revenues:									
Taxes:									
Property							163,130	--	163,130
Sales							7,847	162	8,009
Transient occupancy							7,174	--	7,174
Payments in lieu of taxes							5,317	--	5,317
Franchise fees							3,029	--	3,029
Other general revenues							45	68	113
Restricted for community resources and public facilities:									
Sales tax, allocated to roads							8,515	--	8,515
Property tax, levied for flood control districts							8,130	--	8,130
Property tax, levied for county service areas							1,103	--	1,103
Property tax, levied for water agency							2,121	--	2,121
Property tax, levied for lighting districts							426	--	426
Property tax, levied for special districts-community facilities district							194	--	194
Tax increment, allocated to redevelopment agency							3,989	--	3,989
Restricted for public safety:									
Property tax, levied for fire district							26,729	--	26,729
Unrestricted investment earnings							2,926	1,796	4,722
Loss on sale of capital assets							(325)	(37)	(362)
Transfers							(5)	5	--
Total general revenues, general expenses, and transfers							<u>240,345</u>	<u>1,994</u>	<u>242,339</u>
Change in net assets							21,186	4,982	26,168
Net assets - beginning							616,803	59,250	676,053
Prior period adjustment							(14,203)	--	(14,203)
Net assets - beginning, as restated							<u>602,600</u>	<u>59,250</u>	<u>661,850</u>
Net assets - ending							<u>\$ 623,786</u>	<u>\$ 64,232</u>	<u>\$ 688,018</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AS OF June 30, 2008 (in thousands)**

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service
<b>ASSETS</b>								
Cash and investments	\$ 19,142	\$ 10,623	\$ 26,967	\$ 13,293	\$ 982	\$ 50,351	\$ 24,501	\$ 1,900
Accounts receivable, net:								
Taxes	29,188	--	--	--	--	--	--	--
Licenses, permits, and franchises	888	--	--	--	--	--	--	--
Fines, forfeitures, and penalties	18	--	--	--	--	--	--	--
Use of money and property	635	78	234	68	--	418	170	--
Intergovernmental	7,507	784	4,754	8,500	8,108	294	2,005	--
Charges for services	11,138	4,732	125	--	15,396	--	--	--
Other	--	--	--	--	--	--	--	--
Due from other funds (Note 17)	8,682	--	--	--	--	--	--	--
Prepaid items	50	--	--	293	--	--	--	--
Other receivables	1,506	--	--	--	--	--	--	--
Securities lending collateral (Note 4)	2,981	--	--	--	--	--	--	--
Advances to other funds (Note 17)	18,759	--	--	--	--	--	--	--
Property held for resale	--	--	--	--	--	--	--	--
Restricted cash and investments	12,766	--	--	--	--	--	--	1,430
<b>Total assets</b>	<b>\$ 113,260</b>	<b>\$ 16,217</b>	<b>\$ 32,080</b>	<b>\$ 22,154</b>	<b>\$ 24,486</b>	<b>\$ 51,063</b>	<b>\$ 26,676</b>	<b>\$ 3,330</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 2,172	\$ 2,114	\$ 2,767	\$ 1,051	\$ 10,726	\$ 135	\$ 455	\$ 34
Salaries and benefits payable	10,716	453	1,885	1,978	1,209	138	--	--
Interest payable	--	--	--	--	83	--	--	--
Other payables	625	--	130	6	14,307	43	513	--
Obligations under securities lending (Note 4)	2,981	--	--	--	--	--	--	--
Advances payable (Note 17)	--	--	--	--	--	--	--	17,000
Unearned revenue (Note 7)	59	8,561	80	13,002	--	426	4,735	--
Deferred revenue (Note 7)	1,863	11	--	--	825	--	--	--
Customer deposits payable	6,704	216	--	--	--	--	--	--
Due to other funds (Note 17)	1	--	--	--	8,682	--	--	--
<b>Total liabilities</b>	<b>25,121</b>	<b>11,355</b>	<b>4,862</b>	<b>16,037</b>	<b>35,832</b>	<b>742</b>	<b>5,703</b>	<b>17,034</b>
Fund balances:								
Reserved for (Note 15):								
Receivables and prepaids	20,309	--	--	499	--	--	--	--
Imprest cash	15	1	3	16	2	--	--	--
Debt service	--	--	--	--	--	--	--	1,430
Property tax loss reserve	6,057	--	--	--	--	--	--	--
Inventories: property held for resale	--	--	--	--	--	--	--	--
Unreserved (Note 15):								
Designated, reported in:								
General fund	56,447	--	--	--	--	--	--	--
Special revenue funds	--	507	22,395	41	--	13,993	--	--
Capital projects fund	--	--	--	--	--	--	15,985	--
Debt service funds	--	--	--	--	--	--	--	--
Undesignated, reported in:								
General fund	5,311	--	--	--	--	--	--	--
Special revenue funds	--	4,354	4,820	5,561	(11,348)	36,328	--	--
Capital projects fund	--	--	--	--	--	--	4,988	--
Debt service funds	--	--	--	--	--	--	--	(15,134)
<b>Total fund balances</b>	<b>88,139</b>	<b>4,862</b>	<b>27,218</b>	<b>6,117</b>	<b>(11,346)</b>	<b>50,321</b>	<b>20,973</b>	<b>(13,704)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 113,260</b>	<b>\$ 16,217</b>	<b>\$ 32,080</b>	<b>\$ 22,154</b>	<b>\$ 24,486</b>	<b>\$ 51,063</b>	<b>\$ 26,676</b>	<b>\$ 3,330</b>

Amounts reported for governmental activities in the Statement of Net Assets are different because (Note 3):

Fund balances - total governmental funds

- (1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet.
- (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet.
- (3) Accrued interest on long-term debt.
- (4) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds and recognized as revenue in the statement of activities.
- (5) Issuance costs on certificates of participation are capitalized and amortized over the life of the related debt issue.
- (6) Internal Service Funds are used by management to charge the costs of fleet management, information technology, risk management, communications and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets.
- (7) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year.

Net assets of governmental activities (page 26)

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds	
\$ 59,846	\$ 207,605	<b>ASSETS</b>
--	29,188	Cash and investments
--	888	Accounts receivable, net:
392	410	Taxes
414	2,017	Licenses, permits, and franchises
1,523	33,475	Fines, forfeitures, and penalties
327	31,718	Use of money and property
557	557	Intergovernmental
1	8,683	Charges for services
--	343	Other
4,799	6,305	Due from other funds (Note 17)
--	2,981	Prepaid items
--	18,759	Other receivables
2,600	2,600	Securities lending collateral (Note 4)
7,756	21,952	Advances to other funds (Note 17)
<u>\$ 78,215</u>	<u>\$ 367,481</u>	Property held for resale
		Restricted cash and investments
		Total assets
		<b>LIABILITIES AND FUND BALANCES</b>
		Liabilities:
\$ 5,637	\$ 25,091	Accounts payable
434	16,813	Salaries and benefits payable
7	90	Interest payable
114	15,738	Other payables
--	2,981	Obligations under securities lending (Note 4)
--	17,000	Advances payable (Note 17)
5,353	32,216	Unearned revenue (Note 7)
--	2,699	Deferred revenue (Note 7)
--	6,920	Customer deposits payable
--	8,683	Due to other funds (Note 17)
<u>11,545</u>	<u>128,231</u>	Total liabilities
		Fund balances:
4	20,812	Reserved for (Note 15):
1	38	Receivables and prepaids
7,903	9,333	Imprest cash
--	6,057	Debt service
2,600	2,600	Property tax loss reserve
		Inventories: property held for resale
		Unreserved (Note 15):
		Designated, reported in:
--	56,447	General fund
14,809	51,745	Special revenue funds
--	15,985	Capital projects fund
230	230	Debt service funds
		Undesignated, reported in:
--	5,311	General fund
41,123	80,838	Special revenue funds
--	4,988	Capital projects fund
--	(15,134)	Debt service funds
66,670	239,250	Total fund balances
<u>\$ 78,215</u>	<u>\$ 367,481</u>	Total liabilities and fund balances
	\$ 239,250	
	450,231	
	(114,279)	
	(524)	
	2,699	
	748	
	44,912	
	<u>749</u>	
	<u>\$ 623,786</u>	

COUNTY OF SANTA BARBARA, CALIFORNIA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service
<b>Revenues</b>								
Taxes	\$ 181,048	\$ 8,515	\$ --	\$ --	\$ --	\$ 8,065	\$ --	\$ --
Licenses, permits, and franchises	13,886	251	149	--	--	--	--	--
Fines, forfeitures, and penalties	5,755	--	1,996	--	4	--	--	--
Use of money and property	4,209	75	1,218	461	(472)	2,166	1,119	1
Intergovernmental	53,058	21,130	29,129	110,427	28,143	4,527	4,884	--
Charges for services	75,604	2,055	31,221	--	39,266	2,953	345	--
Other	2,223	152	5,005	795	171	53	302	--
Total revenues	<u>335,783</u>	<u>32,178</u>	<u>68,718</u>	<u>111,683</u>	<u>67,112</u>	<u>17,764</u>	<u>6,650</u>	<u>1</u>
<b>Expenditures</b>								
Current:								
Policy & executive	13,290	--	--	--	--	--	--	--
Law & justice	27,137	--	--	--	--	--	20	--
Public safety	188,009	--	--	--	--	--	159	--
Health & public assistance	5,442	--	75,811	121,028	76,003	--	1	--
Community resources & public facilities	36,807	29,878	--	--	--	12,652	816	--
General government & support services	47,122	--	--	--	--	--	312	--
General county programs	8,843	--	--	--	--	--	--	217
Debt service:								
Principal	11	58	--	105	--	--	--	--
Interest	--	4	--	2	--	--	--	--
Capital outlay	--	--	--	--	--	--	20,055	--
Total expenditures	<u>326,661</u>	<u>29,940</u>	<u>75,811</u>	<u>121,135</u>	<u>76,003</u>	<u>12,652</u>	<u>21,363</u>	<u>217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,122</u>	<u>2,238</u>	<u>(7,093)</u>	<u>(9,452)</u>	<u>(8,891)</u>	<u>5,112</u>	<u>(14,713)</u>	<u>(216)</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	55,838	1,591	8,688	11,912	9,516	35	6,421	--
Transfers out	(72,966)	(362)	(2,170)	(466)	(3,340)	(6)	--	(13,400)
Proceeds from sale of capital assets	217	63	1	1	2	3	--	--
Long-term debt issued	17,000	--	--	--	--	--	--	--
Issuance discount on long-term debt	--	--	--	--	--	--	--	(88)
Total other financing sources (uses)	<u>89</u>	<u>1,292</u>	<u>6,519</u>	<u>11,447</u>	<u>6,178</u>	<u>32</u>	<u>6,421</u>	<u>(13,488)</u>
Net change in fund balances	9,211	3,530	(574)	1,995	(2,713)	5,144	(8,292)	(13,704)
Fund balances - beginning	78,928	1,332	27,792	4,122	5,570	45,177	29,265	--
Prior period adjustment	--	--	--	--	(14,203)	--	--	--
Fund balances - beginning, as restated	<u>78,928</u>	<u>1,332</u>	<u>27,792</u>	<u>4,122</u>	<u>(8,633)</u>	<u>45,177</u>	<u>29,265</u>	<u>--</u>
Fund balances - ending	<u>\$ 88,139</u>	<u>\$ 4,862</u>	<u>\$ 27,218</u>	<u>\$ 6,117</u>	<u>\$ (11,346)</u>	<u>\$ 50,321</u>	<u>\$ 20,973</u>	<u>\$ (13,704)</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds

Capital assets & long term debt:

- (1) The acquisition of capital assets uses current financial resources but has no effect on net assets.
- (2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.
- (3) The proceeds from the sale of capital assets provide current financial resources but have no effect on net assets.
- (4) The loss on the disposal of capital assets does not affect current financial resources but decreases net assets.

Measurement focus:

- (5) Revenues that do not provide current financial resources are not reported as revenues in the funds but are recognized in the statement of activities.
- (6) The issuance of long-term debt provides current financial resources to the funds but has no effect on net assets.
- (7) Principal payments on long-term debt use current financial resources but have no effect on net assets.
- (8) Bond premiums were recorded as interest revenue in the fund statements but are amortized in the statement of activities.
- (9) Bond discounts were recorded as a negative interest expenditure in the fund statements but are amortized in the statement of activities.
- (10) Cost of issuance was recorded as expenditures in the fund statements but are amortized in the statement of activities.
- (11) Contributions from other governments to pay their portion of long-term debt are recorded as revenue in the fund statements but have no effect on net assets.
- (12) The decrease in the interest payable liability does not increase current financial resources but is recorded as a increase in revenue in the statement of activities.
- (13) The increase in rebatable arbitrage earnings does not use current financial resources but is reported as revenue in the statement of activities.
- (14) The increase in the compensated absences liability does not use current financial resources but is recorded as an expense in the statement of activities.
- (15) The decrease in the estimated liability for litigation does not provide current financial resources but decreases expense in the statement of activities.
- (16) The increase in the liability for OPEB does not use current financial resources but is recorded as an expense in the statement of activities.

Internal service funds:

- (17) Internal service funds are used by management to charge the costs of fleet management, information technology, risk management, and communication services to individual funds. The net revenue of internal service funds is reported within governmental activities.

Change in net assets of governmental activities (page 27)

Other Governmental Funds	Total Governmental Funds	
\$ 34,327	\$ 231,955	<b>Revenues</b>
8	14,294	Taxes
4,578	12,333	Licenses, permits, and franchises
3,396	12,173	Fines, forfeitures, and penalties
19,913	271,211	Use of money and property
5,204	156,648	Intergovernmental
4,936	13,637	Charges for services
<u>72,362</u>	<u>712,251</u>	Other
		Total revenues
		<b>Expenditures</b>
		Current:
--	13,290	Policy & executive
14,718	41,875	Law & justice
1,196	189,364	Public safety
9,672	287,957	Health & public assistance
9,706	89,859	Community resources & public facilities
922	48,356	General government & support services
9,392	18,452	General county programs
		Debt service:
6,421	6,595	Principal
2,636	2,642	Interest
--	20,055	Capital outlay
<u>54,663</u>	<u>718,445</u>	Total expenditures
		Excess (deficiency) of revenues over (under) expenditures
<u>17,699</u>	<u>(6,194)</u>	
		<b>Other Financing Sources (Uses)</b>
55,322	149,323	Transfers in
(56,055)	(148,765)	Transfers out
1	288	Proceeds from sale of capital assets
--	17,000	Long-term debt issued
--	(88)	Issuance discount on long-term debt
<u>(732)</u>	<u>17,758</u>	Total other financing sources (uses)
16,967	11,564	Net change in fund balances
49,703	241,889	Fund balances - beginning
--	(14,203)	Prior period adjustment
49,703	227,686	Fund balances - beginning , as restated
<u>\$ 66,670</u>	<u>\$ 239,250</u>	Fund balances - ending
	\$ 11,564	
	38,130	
	(11,737)	
	(288)	
	(325)	
	(594)	
	(17,000)	
	6,595	
	136	
	71	
	100	
	(375)	
	43	
	(51)	
	(1,046)	
	4,295	
	(11,933)	
	<u>3,601</u>	
	<u>\$ 21,186</u>	

COUNTY OF SANTA BARBARA, CALIFORNIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 176,410	\$ 176,410	\$ 181,048	\$ 4,638
Licenses, permits, and franchises	16,148	14,939	13,886	(1,053)
Fines, forfeitures, and penalties	4,656	5,138	5,755	617
Use of money and property	3,005	3,427	4,209	782
Intergovernmental	57,251	59,888	53,058	(6,830)
Charges for services	70,232	75,403	75,604	201
Other	1,979	2,227	2,223	(4)
Total revenues	<u>329,681</u>	<u>337,432</u>	<u>335,783</u>	<u>(1,649)</u>
<b>Expenditures</b>				
Current:				
Policy & executive	13,673	13,892	13,290	602
Law & justice	26,900	27,268	27,137	131
Public safety	180,509	191,231	188,009	3,222
Health & public assistance	5,291	5,455	5,442	13
Community resources & public facilities	43,201	41,576	36,807	4,769
General government & support services	51,496	53,669	47,122	6,547
General county programs	7,411	9,353	8,843	510
Debt service:				
Principal	22	22	11	11
Interest	4	4	--	4
Total expenditures	<u>328,507</u>	<u>342,470</u>	<u>326,661</u>	<u>15,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,174</u>	<u>(5,038)</u>	<u>9,122</u>	<u>14,160</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	57,759	59,711	55,838	(3,873)
Transfers out	(65,836)	(78,005)	(72,966)	5,039
Proceeds from sale of capital assets	1	201	217	16
Long-term debt issued	--	18,600	17,000	(1,600)
Total other financing sources (uses)	<u>(8,076)</u>	<u>507</u>	<u>89</u>	<u>(418)</u>
Net change in fund balances	(6,902)	(4,531)	9,211	13,742
Fund balances - beginning	78,928	78,928	78,928	--
Fund balances - ending	<u>\$ 72,026</u>	<u>\$ 74,397</u>	<u>\$ 88,139</u>	<u>\$ 13,742</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
ROAD SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,710	\$ 8,710	\$ 8,515	\$ (195)
Licenses, permits, and franchises	242	242	251	9
Use of money and property	60	67	75	8
Intergovernmental	25,457	26,649	21,130	(5,519)
Charges for services	508	1,156	2,055	899
Other	911	849	152	(697)
Total revenues	<u>35,888</u>	<u>37,673</u>	<u>32,178</u>	<u>(5,495)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	36,917	39,572	29,878	9,694
Debt service:				
Principal	58	58	58	--
Interest	4	4	4	--
Total expenditures	<u>36,979</u>	<u>39,634</u>	<u>29,940</u>	<u>9,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,091)</u>	<u>(1,961)</u>	<u>2,238</u>	<u>4,199</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,351	1,591	1,591	--
Transfers out	(355)	(375)	(362)	13
Proceeds from sale of capital assets	--	--	63	63
Total other financing sources	<u>996</u>	<u>1,216</u>	<u>1,292</u>	<u>76</u>
Net change in fund balances	(95)	(745)	3,530	4,275
Fund balances - beginning	1,332	1,332	1,332	--
Fund balances - ending	<u>\$ 1,237</u>	<u>\$ 587</u>	<u>\$ 4,862</u>	<u>\$ 4,275</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
PUBLIC HEALTH SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses, permits, and franchises	\$ 202	\$ 210	\$ 149	\$ (61)
Fines, forfeitures, and penalties	1,714	2,024	1,996	(28)
Use of money and property	768	1,038	1,218	180
Intergovernmental	29,842	29,811	29,129	(682)
Charges for services	29,957	30,238	31,221	983
Other	4,636	5,102	5,005	(97)
Total revenues	<u>67,119</u>	<u>68,423</u>	<u>68,718</u>	<u>295</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	79,813	80,516	75,811	4,705
Total expenditures	<u>79,813</u>	<u>80,516</u>	<u>75,811</u>	<u>4,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,694)</u>	<u>(12,093)</u>	<u>(7,093)</u>	<u>5,000</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	12,290	8,857	8,688	(169)
Transfers out	(5,084)	(2,449)	(2,170)	279
Proceeds from sale of capital assets	--	--	1	1
Total other financing sources	<u>7,206</u>	<u>6,408</u>	<u>6,519</u>	<u>111</u>
Net change in fund balances	(5,488)	(5,685)	(574)	5,111
Fund balances - beginning	<u>27,792</u>	<u>27,792</u>	<u>27,792</u>	<u>--</u>
Fund balances - ending	<u>\$ 22,304</u>	<u>\$ 22,107</u>	<u>\$ 27,218</u>	<u>\$ 5,111</u>

The notes to the financial statements are an integral part of this statement.



COUNTY OF SANTA BARBARA, CALIFORNIA  
 SOCIAL SERVICES SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 438	\$ 447	\$ 461	\$ 14
Intergovernmental	115,160	117,503	110,427	(7,076)
Other	403	403	795	392
Total revenues	<u>116,001</u>	<u>118,353</u>	<u>111,683</u>	<u>(6,670)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	128,034	130,282	121,028	9,254
Debt service:				
Principal	105	105	105	--
Interest	2	2	2	--
Total expenditures	<u>128,141</u>	<u>130,389</u>	<u>121,135</u>	<u>9,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,140)</u>	<u>(12,036)</u>	<u>(9,452)</u>	<u>2,584</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	18,767	12,181	11,912	(269)
Transfers out	(7,197)	(524)	(466)	58
Proceeds from sale of capital assets	--	--	1	1
Total other financing sources (uses)	<u>11,570</u>	<u>11,657</u>	<u>11,447</u>	<u>(210)</u>
Net change in fund balances	(570)	(379)	1,995	2,374
Fund balances - beginning	4,122	4,122	4,122	--
Fund balances - ending	<u>\$ 3,552</u>	<u>\$ 3,743</u>	<u>\$ 6,117</u>	<u>\$ 2,374</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
ALCOHOL, DRUG AND MENTAL HEALTH SERVICES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 3	\$ 3	\$ 4	\$ 1
Use of money and property	(150)	(559)	(472)	87
Intergovernmental	29,459	27,902	28,143	241
Charges for services	46,299	43,469	39,266	(4,203)
Other	154	193	171	(22)
Total revenues	<u>75,765</u>	<u>71,008</u>	<u>67,112</u>	<u>(3,896)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	<u>74,730</u>	<u>81,842</u>	<u>76,003</u>	<u>5,839</u>
Total expenditures	<u>74,730</u>	<u>81,842</u>	<u>76,003</u>	<u>5,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,035</u>	<u>(10,834)</u>	<u>(8,891)</u>	<u>1,943</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	6,475	10,336	9,516	(820)
Transfers out	(7,503)	(4,414)	(3,340)	1,074
Proceeds from sale of capital assets	--	--	2	2
Total other financing sources (uses)	<u>(1,028)</u>	<u>5,922</u>	<u>6,178</u>	<u>256</u>
Net change in fund balances	7	(4,912)	(2,713)	2,199
Fund balances - beginning	5,570	5,570	5,570	--
Prior period adjustment	--	--	(14,203)	(14,203)
Fund balances - beginning, as restated	<u>5,570</u>	<u>5,570</u>	<u>(8,633)</u>	<u>(14,203)</u>
Fund balances - ending	<u>\$ 5,577</u>	<u>\$ 658</u>	<u>\$ (11,346)</u>	<u>\$ (12,004)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FLOOD CONTROL DISTRICT SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,011	\$ 8,011	\$ 8,065	\$ 54
Use of money and property	1,995	2,048	2,166	118
Intergovernmental	4,183	4,311	4,527	216
Charges for services	2,813	2,813	2,953	140
Other	181	181	53	(128)
Total revenues	<u>17,183</u>	<u>17,364</u>	<u>17,764</u>	<u>400</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>15,131</u>	<u>15,720</u>	<u>12,652</u>	<u>3,068</u>
Total expenditures	<u>15,131</u>	<u>15,720</u>	<u>12,652</u>	<u>3,068</u>
Excess of revenues over expenditures	<u>2,052</u>	<u>1,644</u>	<u>5,112</u>	<u>3,468</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	--	35	35	--
Transfers out	(5)	(6)	(6)	--
Proceeds from sale of capital assets	--	--	3	3
Total other financing sources (uses)	<u>(5)</u>	<u>29</u>	<u>32</u>	<u>3</u>
Net change in fund balances	2,047	1,673	5,144	3,471
Fund balances - beginning	45,177	45,177	45,177	--
Fund balances - ending	<u>\$ 47,224</u>	<u>\$ 46,850</u>	<u>\$ 50,321</u>	<u>\$ 3,471</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 820	\$ 1,203	\$ 1,119	\$ (84)
Intergovernmental	2,148	6,511	4,884	(1,627)
Charges for services	189	532	345	(187)
Other	129	648	302	(346)
Total revenues	<u>3,286</u>	<u>8,894</u>	<u>6,650</u>	<u>(2,244)</u>
<b>Expenditures</b>				
Current:				
Law & justice	--	20	20	--
Public safety	40	160	159	1
Health & public assistance	--	1	1	--
Community resources & public facilities	960	1,918	816	1,102
General government & support services	--	312	312	--
Capital outlay	15,637	30,789	20,055	10,734
Total expenditures	<u>16,637</u>	<u>33,200</u>	<u>21,363</u>	<u>11,837</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,351)</u>	<u>(24,306)</u>	<u>(14,713)</u>	<u>9,593</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	12,187	12,408	6,421	(5,987)
Transfers out	<u>(6,367)</u>	<u>(2,706)</u>	--	2,706
Total other financing sources (uses)	<u>5,820</u>	<u>9,702</u>	<u>6,421</u>	<u>(3,281)</u>
Net change in fund balances	(7,531)	(14,604)	(8,292)	6,312
Fund balances - beginning	29,265	29,265	29,265	--
Fund balances - ending	<u>\$ 21,734</u>	<u>\$ 14,661</u>	<u>\$ 20,973</u>	<u>\$ 6,312</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
REDEVELOPMENT AGENCY DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ --	\$ --	\$ 1	\$ 1
Total revenues	<u>--</u>	<u>--</u>	<u>1</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
General county programs	--	300	217	83
Total expenditures	<u>--</u>	<u>300</u>	<u>217</u>	<u>83</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(300)</u>	<u>(216)</u>	<u>84</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	--	1,600	--	(1,600)
Transfers out	--	(13,400)	(13,400)	--
Issuance discount on long-term debt	--	100	(88)	(188)
Total other financing (uses)	<u>--</u>	<u>(11,700)</u>	<u>(13,488)</u>	<u>(1,788)</u>
Net change in fund balances	--	(12,000)	(13,704)	(1,704)
Fund balances - beginning	--	--	--	--
Fund balances - ending	<u>\$ --</u>	<u>\$ (12,000)</u>	<u>\$ (13,704)</u>	<u>\$ (1,704)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF June 30, 2008 (in thousands)

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Resource Recovery	Laguna Sanitation	Nonmajor - Transit Operations		
<b>ASSETS</b>					
Current assets:					
Cash and investments (Note 4)	\$ 20,462	\$ 5,311	\$ 236	\$ 26,009	\$ 62,685
Accounts receivable:					
Licenses, permits, and franchises	470	--	--	470	--
Use of money and property	302	47	2	351	517
Intergovernmental	56	--	--	56	--
Charges for services	1,078	78	--	1,156	39
Other	755	--	--	755	788
Inventories	302	12	--	314	413
Prepaid items	96	--	--	96	--
Other receivables	--	--	48	48	--
Total current assets	<u>23,521</u>	<u>5,448</u>	<u>286</u>	<u>29,255</u>	<u>64,442</u>
Noncurrent assets:					
Deferred charges	112	--	--	112	--
Restricted cash and investments (Notes 4 & 5)	17,554	50	--	17,604	10
Capital assets, not being depreciated (Note 6)	12,263	2,911	--	15,174	--
Capital assets, net of accumulated depreciation (Note 6)	25,379	24,315	86	49,780	20,123
Total noncurrent assets	<u>55,308</u>	<u>27,276</u>	<u>86</u>	<u>82,670</u>	<u>20,133</u>
Total assets	<u>78,829</u>	<u>32,724</u>	<u>372</u>	<u>111,925</u>	<u>84,575</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,911	12	11	1,934	1,594
Salaries and benefits payable	286	62	--	348	334
Interest payable	--	5	--	5	--
Other payables	204	1	--	205	--
Customer deposits payable	--	50	--	50	--
Capital lease obligations (Note 8)	6	1	--	7	63
Certificates of participation payable (Note 9)	880	168	--	1,048	--
Rebatable arbitrage earnings (Note 9)	4	5	--	9	--
Note payable (Note 10)	--	417	--	417	--
Compensated absences (Note 9)	466	99	--	565	534
Liability for self-insurance claims (Note 11)	--	--	--	--	10,566
Landfill litigation settlement (Note 12)	55	--	--	55	--
Landfill closure/postclosure care costs (Note 13)	198	--	--	198	--
Total current liabilities	<u>4,010</u>	<u>820</u>	<u>11</u>	<u>4,841</u>	<u>13,091</u>
Noncurrent liabilities:					
Advances payable (Note 17)	1,759	--	--	1,759	--
Capital lease obligations (Note 8)	13	3	--	16	134
Certificates of participation payable, net (Note 9)	8,854	--	--	8,854	--
Note payable (Note 10)	--	7,009	--	7,009	--
Compensated absences (Note 9)	13	--	--	13	65
Liability for self-insurance claims (Note 11)	--	--	--	--	26,138
Landfill closure/postclosure care costs (Note 13)	24,186	--	--	24,186	--
OPEB obligation (Note 19)	221	45	--	266	235
Total noncurrent liabilities	<u>35,046</u>	<u>7,057</u>	<u>--</u>	<u>42,103</u>	<u>26,572</u>
Total liabilities	<u>39,056</u>	<u>7,877</u>	<u>11</u>	<u>46,944</u>	<u>39,663</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	27,891	19,627	86	47,604	19,924
Restricted for debt service (Note 14)	1,307	--	--	1,307	--
Unrestricted	10,575	5,220	275	16,070	24,988
Total net assets	<u>\$ 39,773</u>	<u>\$ 24,847</u>	<u>\$ 361</u>	<u>64,981</u>	<u>\$ 44,912</u>
Adjustment to reflect the allocation of the internal service funds' cumulative net loss				(749)	
Net assets of business-type activities				<u>\$ 64,232</u>	

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Nonmajor - Transit Operations	Total	
<b>Operating revenues:</b>					
Charges for services	\$ 14,521	\$ 6,234	\$ 4	\$ 20,759	\$ 51,592
Sale of scrap and recyclables	4,976	--	--	4,976	--
Franchise fees	384	--	--	384	--
Self-insurance recovery	--	--	--	--	1,077
Other operating revenues	2,573	42	48	2,663	382
Total operating revenues	<u>22,454</u>	<u>6,276</u>	<u>52</u>	<u>28,782</u>	<u>53,051</u>
<b>Operating expenses:</b>					
Salaries and benefits	7,553	1,420	--	8,973	7,809
Services and supplies	4,239	2,022	27	6,288	20,515
Self-insurance claims	--	--	--	--	18,339
Contractual services	6,493	458	351	7,302	813
Depreciation and amortization	2,101	981	6	3,088	3,535
County overhead allocation	359	63	--	422	833
Closure/postclosure costs	1,141	--	--	1,141	--
Other charges	--	--	--	--	355
Total operating expenses	<u>21,886</u>	<u>4,944</u>	<u>384</u>	<u>27,214</u>	<u>52,199</u>
Operating income (loss)	<u>568</u>	<u>1,332</u>	<u>(332)</u>	<u>1,568</u>	<u>852</u>
<b>Non-operating revenues (expenses):</b>					
Use of money and property	1,920	276	12	2,208	2,665
Interest expense	(194)	(195)	--	(389)	(9)
Gain (loss) on sale of capital assets	(39)	2	--	(37)	(10)
Other non-operating revenues	1,147	7	409	1,563	730
Total non-operating revenues, net	<u>2,834</u>	<u>90</u>	<u>421</u>	<u>3,345</u>	<u>3,376</u>
Income before transfers	<u>3,402</u>	<u>1,422</u>	<u>89</u>	<u>4,913</u>	<u>4,228</u>
Transfers in	7	1	--	8	450
Transfers out (Note 17)	(3)	--	--	(3)	(1,013)
Transfers in (out), net	<u>4</u>	<u>1</u>	<u>--</u>	<u>5</u>	<u>(563)</u>
Change in net assets	<u>3,406</u>	<u>1,423</u>	<u>89</u>	<u>4,918</u>	<u>3,665</u>
Total net assets - beginning	<u>36,367</u>	<u>23,424</u>	<u>272</u>	<u>60,063</u>	<u>41,247</u>
Total net assets - ending	<u>\$ 39,773</u>	<u>\$ 24,847</u>	<u>\$ 361</u>	<u>\$ 64,981</u>	<u>\$ 44,912</u>
Change in net assets - total enterprise funds				\$ 4,918	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				64	
Change in net assets of business-type activities				<u>\$ 4,982</u>	

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Nonmajor - Transit Operations		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided	\$ --	\$ --	\$ --	\$ --	\$ 51,162
Receipts from self-insurance recovery	--	--	--	--	1,077
Receipts from customers and users	21,950	6,239	52	28,241	--
Payments to employees	(7,234)	(1,369)	--	(8,603)	(7,167)
Payments to suppliers	(12,593)	(2,578)	(415)	(15,586)	(18,938)
Payments for self-insurance claims	--	--	--	--	(18,339)
Payment on landfill litigation settlement	(55)	--	--	(55)	--
County overhead allocation payments to the General Fund	(359)	(63)	--	(422)	(833)
Other operating receipts, net	1,147	7	409	1,563	375
Net cash provided by operating activities	<u>2,856</u>	<u>2,236</u>	<u>46</u>	<u>5,138</u>	<u>7,337</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	7	1	--	8	14
Transfers to other funds	(3)	--	--	(3)	(1,013)
Net cash provided (used) by noncapital and related financing activities	<u>4</u>	<u>1</u>	<u>--</u>	<u>5</u>	<u>(999)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
<b>FINANCING ACTIVITIES</b>					
Purchase of capital assets	(8,006)	(187)	(92)	(8,285)	(3,184)
Proceeds from sale of capital assets	24	2	--	26	54
Principal paid on capital lease obligations	(5)	(2)	--	(7)	(61)
Interest paid on capital lease obligations	--	--	--	--	(9)
Principal paid on certificates of participation	(906)	(164)	--	(1,070)	--
Interest paid on certificates of participation	(194)	(195)	--	(389)	--
Principal paid on note payable	--	(407)	--	(407)	--
Proceeds of long-term debt	6,600	--	--	6,600	--
Transfers from other funds	--	--	--	--	436
Net cash used by capital and related financing activities	<u>(2,487)</u>	<u>(953)</u>	<u>(92)</u>	<u>(3,532)</u>	<u>(2,764)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Use of money and property received	<u>2,164</u>	<u>283</u>	<u>13</u>	<u>2,460</u>	<u>2,855</u>
Net cash provided by investing activities	<u>2,164</u>	<u>283</u>	<u>13</u>	<u>2,460</u>	<u>2,855</u>
Net increase (decrease) in cash and cash equivalents	2,537	1,567	(33)	4,071	6,429
Cash and cash equivalents - beginning	35,479	3,794	269	39,542	56,266
Cash and cash equivalents - ending	<u>\$ 38,016</u>	<u>\$ 5,361</u>	<u>\$ 236</u>	<u>\$ 43,613</u>	<u>\$ 62,695</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets</b>					
Cash and investments per Statement of Net Assets	\$ 20,462	\$ 5,311	\$ 236	\$ 26,009	\$ 62,685
Restricted cash and investments per Statement of Net Assets	17,554	50	--	17,604	10
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 38,016</u>	<u>\$ 5,361</u>	<u>\$ 236</u>	<u>\$ 43,613</u>	<u>\$ 62,695</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 568	\$ 1,332	\$ (332)	\$ 1,568	\$ 852
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,101	981	6	3,088	3,535
Other non-operating revenues	1,147	7	409	1,563	730
Changes in assets and liabilities:					
Accounts receivable	(504)	(37)	--	(541)	(812)
Inventories	(73)	--	(48)	(121)	(81)
Accounts payable	56	(93)	11	(26)	2,471
Salaries and benefits payable	319	51	--	370	642
Landfill litigation settlement	(55)	--	--	(55)	--
Landfill closure cost liability	(649)	--	--	(649)	--
Deferred charges	(54)	(5)	--	(59)	--
Net cash provided by operating activities	<u>\$ 2,856</u>	<u>\$ 2,236</u>	<u>\$ 46</u>	<u>\$ 5,138</u>	<u>\$ 7,337</u>
<b>Noncash investing, capital, and financing activities</b>	\$ --	\$ --	\$ --	\$ --	\$ --

The notes to the financial statements are an integral part of this statement.



COUNTY OF SANTA BARBARA, CALIFORNIA  
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

AS OF June 30, 2008 (in thousands)

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and investments (Note 4)	\$ 485,184	\$ 32,118
Interest receivable	1,535	525
Securities lending collateral (Note 4)	4,662	-
Total assets	<u>\$ 491,381</u>	<u>\$ 32,643</u>
<b>Liabilities</b>		
Accounts payable	\$ --	\$ 5,412
Funds held as agent for others	--	27,231
Obligation under securities lending (Note 4)	4,662	--
Total liabilities	<u>\$ 4,662</u>	<u>\$ 32,643</u>
<b>Net Assets</b>		
Held in trust for pool participants	<u>\$ 486,719</u>	

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

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	<u>Investment Trust Fund</u>
<b>Additions:</b>	
Contributions to pooled investments	\$ 3,209,774
Interest and investment income	<u>21,656</u>
Total additions	<u>3,231,430</u>
<b>Deductions:</b>	
Distributions from pooled investments	<u>3,260,504</u>
Total deductions	<u>3,260,504</u>
Net decrease in net assets	(29,074)
Net assets held in trust for pool participants - beginning	<u>515,793</u>
Net assets held in trust for pool participants - ending	<u>\$ 486,719</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE  
FINANCIAL STATEMENTS**



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(in thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Reporting Entity

The County of Santa Barbara (the "County"), which was established by an act of the Legislature on February 18, 1850, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a five member Board of Supervisors (the "Board") which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by accounting principles generally accepted in the United States of America ("GAAP"), the accompanying financial statements present the activities of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The County's component units include the Santa Barbara County Redevelopment Agency, the Santa Barbara County Finance Corporation, the Water Agency, as well as various service areas and districts which provide specific services County-wide or to distinct geographic areas within the County. While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is demonstrated by the County Board acting as the governing board for each of the component units.

Because of their relationship with the County and the nature of their operations, each of the component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined (blended) with the activities of the County for purposes of reporting in the accompanying basic financial statements. The basis for blending the component units is that their governing bodies are substantially the same as the County's Board.

Additional detailed information and/or separately issued financial statements of the County's component units can be obtained from the County Auditor-Controller's Office located at 105 East Anapamu Street Room 303, Santa Barbara, CA 93101.

Blended Component Units

Descriptions of the County's blended component units are as follows:

*First 5 Children and Families Commission* has been established to promote, support, and improve the early development of children from prenatal stage to five years of age. Revenues consist primarily of funds generated by a State tax increase on cigarettes and tobacco products as mandated by Proposition 10. The First 5 Children and Families Commission is also a legally separate entity from the County. Additional detailed information and separately issued financial statements can be obtained from the Commission at 1 East Anapamu Street Suite 200, Santa Barbara, CA 93101.

*County Service Areas* have been established for the purpose of providing specific services to distinct geographical areas within the County. These services include street lighting, open space maintenance, library, community sewer sanitation and maintenance, sheriff patrols, and road maintenance in various unincorporated areas of the County. Revenues consist primarily of property taxes and benefit assessments.

The fund for *Public and Educational Access* was established in December 2001 by the County Board to receive grant revenue from the local cable television franchise. The primary objectives and purposes of the fund are the support of educational and public information through programs aimed at expanding public access and educational access to telecommunication services.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(in thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The *Santa Barbara County Fire Protection District* covers most of the unincorporated territory of Santa Barbara County, the City of Buellton, and private lands within the National Forest. The District provides a full range of fire services funded principally from property taxes. Other fire districts, cities, the Channel Islands, National Forest land, and military installations provide their own fire protection.

The function of the *Flood Control and Water Conservation Districts* is to control flood and storm waters and to conserve such waters for beneficial public use. Revenues consist primarily of property taxes and aid from other governmental units.

*Lighting Districts* provide for the operation and maintenance of streetlights in certain areas of the County and are financed by property taxes and benefit assessments.

*Sanitation and Sewer Maintenance Districts* provide water and sewage treatment to users. The costs of operating these units are charged to the users in the form of water charges and sewer fees.

*Mello-Roos Community Facilities Districts* allow for financing of public improvements and services. The services and improvements that can be financed include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities.

The *Sandyland Seawall Maintenance District* provides for the maintenance of a seawall constructed in the Sandyland Cove area, and is financed through benefit assessments levied against those properties adjacent to that beachfront area.

The *Water Agency* prepares investigations and reports on the County's water requirements, project development, and importation of water from the State Water Project. The agency provides technical assistance to County departments, water districts, and the public relative to ground water availability and water well locations and design. The agency also administers the Cachuma Project and Twitchell Project contracts with the U.S. Bureau of Reclamation.

The *Santa Barbara County Redevelopment Agency* (Redevelopment Agency or RDA) was formed on September 12, 1989, under Section 33200 of the State of California Health and Safety Code. The first redevelopment plan (the Isla Vista Redevelopment Project Area) was established by ordinance on November 27, 1990. The Redevelopment Agency is broadly empowered to engage in the general economic revitalization and redevelopment of property in the project area that is determined to be in declining condition. It is controlled by a Board of Directors who co-serve by virtue of their seats on the County Board. The Board of Directors makes all legislative decisions for the Redevelopment Agency. It publishes its own Annual Financial Report and receives its own independent audit. It is also a legally separate entity from the County. Additional detailed information and separately issued financial statements can be obtained from the Auditor-Controller's Office at 105 East Anapamu Street Room 303, Santa Barbara, CA 93101.

The *Santa Barbara County Finance Corporation* was established on July 28, 1983. This corporation is a nonprofit public benefit corporation, and in general its purpose is to: purchase, lease or otherwise acquire real property; construct, install or acquire public improvements; operate, maintain, repair or improve real or personal property; and borrow money and become indebted for the purpose of acquiring and improving such property. The corporation facilitates financing for the County and other public entities. It is a legally separate entity from the County. Additional detailed information can be obtained from the Auditor-Controller's Office at 105 East Anapamu Street Room 303, Santa Barbara, CA 93101.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The accompanying financial statements also include an Investment Trust Fund that holds assets of numerous self-governed school and special districts for which the County Treasurer acts as custodian. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments, and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. The County Auditor-Controller makes disbursements upon the request of the responsible school or self-governed district officers. Activities of the school and special districts are administered by separate boards and are independent of the County Board. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or to appropriate surplus funds available in these entities.

New Accounting Pronouncements

*Government Accounting Standards Board Statement No.45*

For the fiscal year ended June 30, 2008, the County implemented Government Accounting Standards Board (GASB) Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension.*” This statement is effective for the County for fiscal periods beginning after December 15, 2006.

This Statement requires that governments account for, and report, the annual cost of other postemployment benefits (OPEB) and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. The Statement does not require that government’s fund their OPEB plans, only that they account for them and report them. OPEB generally consists of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including their beneficiaries in some cases. The County’s OPEB plan is administered by the Santa Barbara County Employees’ Retirement System and consists of a postretirement medical program for retired members and their eligible dependents.

Implementation of GASB Statement No. 45 primarily impacted the County’s government-wide and proprietary funds financial statements for the year ended June 30, 2008. In addition, implementation required additional note disclosure (see Note 19) and required supplemental information (see Required Supplementary Information – Other Post Employment Benefits Plan – Schedule of Funding Progress).

*Government Accounting Standards Board Statement No.50*

For the fiscal year ended June 30, 2008, the County implemented GASB Statement No. 50, “*Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27.*” This statement is effective for the County for fiscal periods beginning after June 15, 2007.

GASB Statement No. 50 amends GASB Statement No. 27 to require employers participating in a cost-sharing plan to include the following in the note disclosure: the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, and how the contractually required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or that the cost-sharing plan is financed on a pay-as-you-go basis (see Note 18).

GASB Statement No. 50 also amends GASB Statement No. 27 to require that if a cost-sharing plan does not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of GASB Statement No. 25, as amended, and the plan is not included in the financial report of another entity, each employer in that plan should present, as required supplementary information (RSI), the schedules of funding progress and employer contributions for the plan (and notes to these schedules). Each employer also should disclose that the information presented relates to the cost-sharing plan as a whole, of which the employer is one participating employer, and should provide information helpful for understanding the scale of the information presented relative to the employer (see Required Supplementary Information – Santa Barbara County Employees’ Retirement System – Schedule of Funding Progress).

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Financial Statements

In accordance with Government Accounting Standards Board Statement No. 34 (GASB 34), the financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund intra-function activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. The statement of activities presents function revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include policy and executive, law and justice, public safety, health and public assistance, community resources and public facilities, general government and support services, and general County programs. The business-type activities of the County include resource recovery and waste management, sanitation, and transit operations.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual County-wide Cost Allocation Plan which allocates the cost of central service departments to service user departments. Costs allocated in the Cost Allocation Plan include administrative and support costs such as budget preparation and oversight, county counsel, landscaping, payroll, utilities, and facilities maintenance. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.



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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County in general considers revenues available if they are collected within 180 days after fiscal year-end, except for property taxes, which the County considers available if they are collected within 60 days after fiscal year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures that meet accrual criteria are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the County considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in other specialized funds.

The **Road Fund** is used to account for the planning, design, construction, maintenance and administration of County roads. It is also used to account for traffic safety and other transportation planning activities.

The **Public Health Fund** accounts for a variety of preventative health programs, outpatient services and inmate health programs. The fund is also used to account for Environmental Health, and Emergency Medical Services.

The **Social Services Fund** accounts for a variety of public assistance and social service programs.

The **Alcohol, Drug and Mental Health Services (ADMHS) Fund** is used to account for mandated community health services under the California Mental Health Act including a mandated responsibility to "guarantee and protect public safety."

The **Flood Control District Fund** is used to account for the provision of flood protection activities.

The **Capital Projects Fund** accounts for financial resources used in constructing major facilities.

The **Redevelopment Agency (RDA) Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest incurred for the purchase of real property within the area of the RDA.

The County reports the following major proprietary funds:

The **Resource Recovery and Waste Management Fund (Resource Recovery)** accounts for the activities of refuse collection, disposal, landfill operations, and recycling programs.

The **Laguna Sanitation Fund** accounts for the activities of sewer collection and sewage treatment in the Orcutt area.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Additionally, the County reports the following fund types:

**Internal Service Funds** account for vehicle operations, risk management, information technology, communications operations, and utilities operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

The **Investment Trust Fund** accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants. These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities. The County separately maintains these entities monies in 398 individual funds; these funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

**Agency Funds** are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including *Clearing and Revolving Funds*, *Deposit Funds*, *Other Agency Funds*, *State and City Revenue Funds*, and *Tax Collection Funds*) account for assets held by the County in an agency capacity for individuals or other government units. The County reports on 270 different agency funds.

Business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989. Business-type activities and enterprise funds apply all applicable GASB pronouncements as well as statements and interpretations of FASB, the Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Resource Recovery and Laguna Sanitation enterprise funds and of the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds include all Trust and Agency funds, which account for assets held by the County as a trustee or as an agent for individuals or other government units.

Cash and Investments

The County's cash and cash equivalents for statement of cash flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County Treasurer in a cash management investment pool (the "pool").

The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State statute.

The Air Pollution Control District (APCD) and the Santa Barbara County Association of Governments, as well as the public school districts, cemetery districts, fire protection districts, pest control districts, recreation and park districts, and resource conservation districts within the County are required by legal provisions to participate in the County's investment pool. The total percentage share of the County's investment pool that relates to these involuntary participants is 53% as of June 30, 2008. The deposits held for these districts are included in the Investment Trust Fund.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In the governmental funds financial statements, advances between funds are offset by a corresponding reservation of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables and Payables

The County only accrues revenues at fiscal year-end and accrues only those revenues it deems collectible; as such the County has no allowance for uncollectible accounts. The County expects to collect all accounts receivable within one year. County policy requires that all revenues and expenditures greater than \$5 are accrued at fiscal year-end, while revenues and expenditures under \$5 may be accrued at fiscal year-end at the discretion of individual departments.

At June 30, 2008, the County's governmental activities had \$33,475 of intergovernmental accounts receivable. These primarily consisted of approximately \$5,362 in State Aid for Public Safety (Proposition 172 proceeds), \$224 in Federal revenue for storm damage, and \$387 in Federal revenue for Medi-Cal Administration. The remaining \$27,502 consisted primarily of Federal and State grants for Public Assistance, Health and Sanitation, and Public Protection programs.

The County levies, collects, and apportions property taxes for all taxing jurisdictions within the County including school and special districts. Article XIIB of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to \$1 per \$100 of full cash value. Taxes levied to service voter-approved debt prior to June 30, 1978 are excluded from this limitation.

Secured property taxes are levied in September of each year based upon the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in June of each year. This method also provides that all of the delinquent penalties and redemption penalties of the participating entity flow to the County's General Fund. All County entities receiving property taxes

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

were required by statute to participate. All delinquent taxes are recorded as accounts receivable in the General Fund. At June 30, 2008, property taxes receivable of \$28,943 was recorded in the General Fund. In addition, the Teeter Plan requires that a property tax loss reserve be maintained in an amount equal to 1% of the current year's secured tax levy, which is shown as a reservation of fund balance in the General Fund (see Note 15).

Inventories and Prepaid Items

Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, approximating market value, using the first-in, first-out (FIFO) method. The costs of governmental funds inventories are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

Property Held for Resale

Property held for resale is an asset held by the Redevelopment Agency and is recorded in the Redevelopment Agency non-major special revenue fund at the lower of cost or estimated net realizable value. Realizable value is determined either by an agreed-upon sale price with a developer, or by an appraisal. Prior to the establishment of such a development agreement or appraisal, the property is maintained at cost. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributable to the property to be resold to developers.

Restricted Cash and Investments

Debt covenants require that resources be set aside as restricted assets, to repay tax and revenue anticipation notes (TRAN's) and interest. Additionally, cash set aside to meet the property tax loss reserve funding requirements are legally restricted to cover losses due to bankruptcies or inadequate proceeds on the sale of defaulted properties.

Customer Deposits Payable reflects cash from deposits held for services in the County's General Fund and Special Revenue Funds, which may eventually be returned to the customer. These deposits are included in restricted cash and investments.

Certificates of participation (COP) covenants require reserves to be set aside for debt service. These amounts are included in restricted cash and investments in various governmental funds and in the major enterprise funds.

Capital Assets

Capital assets include land, structures and improvements (e.g. office buildings and building improvements), equipment (e.g. vehicles, machinery and computers), and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items). They are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization thresholds are \$5 for equipment, with the exception of two internal service funds: Communications, \$5, and Information Technology, \$3. The capitalization threshold for buildings, improvements and infrastructure is \$100.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure:	Pavement and traffic signals	15 to 30 years
	Bridges	35 to 75 years
	Hardscape (curbs, gutter, sidewalks)	20 years
	Constructed flood control assets	50 years
	Sewer and sanitation	20 to 50 years
Structures and Improvements:	Office buildings	40 to 100 years
	Building improvements	5 to 75 years
Equipment:	Automobiles and light trucks	5 to 10 years
	Construction and maintenance vehicles	5 to 20 years
	General machinery and office equipment	3 to 25 years

Expenditures for capital assets and improvements are capitalized, as projects are constructed, in accordance with the County's capitalization policy. Interest and other overhead costs incurred during the construction phase of capital assets of business-type activities are reflected in the capitalized value of the asset constructed. Depreciation expense is allocated to the functions/programs and included as a direct expense in the statement of activities.

Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs, are recognized in the period issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e. portion that has come due for payment) is reported as a liability in the fund financial statement of the related fund.

Compensated Absences

County policy permits employees to accumulate earned but unused vacation, holiday and sick pay benefits. County policy states that unused sick leave shall not be cashed out at time of separation from service with the County; therefore, no liability for unpaid accumulated sick leave exists. Employees eligible for full retirement benefits however, may convert their unused sick leave to up to one year's service credit in determining their retirement benefits.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements. In the governmental funds financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2. BUDGETARY AND LEGAL COMPLIANCE**

The County is legally required to adopt an annual budget and adhere to the provisions of the California Government Code (Sections 29000 – 30200), commonly known as the County Budget Act. Budgets are adopted for the General, special revenue, debt service and capital projects funds. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. The Board annually conducts a public hearing for the discussion of a proposed budget. At the conclusion of the hearings, statutorily no later than October 2, the Board adopts the final budget including revisions by resolution. However, it has been the County's practice to adopt the budget prior to the start of the fiscal year. The Board also adopts subsequent revisions that occur throughout the year. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over fixed assets, and reserves and designations which are maintained at the line item level. Presentation of the basic financial statements at the legal level is not feasible due to excessive length. Because of the large volume of detail, the budget and actual statements contained in the Comprehensive Annual Financial Report have been aggregated by function. The County does prepare a separate Final Budget document demonstrating legal compliance with budgetary control that is made available to the public by the Office of the Auditor-Controller.

For fiscal year ended June 30, 2008, no instances exist in which expenditures exceeded appropriations.

The Board must approve amendments or transfers of appropriations between funds or departments. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. The Board must approve amendments or transfers of appropriations between object levels within the same department. Any deficiency caused by expenditures and other financing uses being greater than revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

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**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the statement of net assets are different from those reported for governmental funds in the balance sheet. The following two schedules provide a reconciliation of those differences:

	Total Governmental Funds (Page 29)	Long-term Assets and Liabilities (1)	Internal Service Funds (2) (Page 40)	Elimin- ations (3)	Total Governmental Activities (Page 26)
<b>Assets:</b>					
Cash and investments	\$ 207,605	\$ --	\$ 62,685	\$ --	\$ 270,290
Accounts receivable:					
Taxes	29,188	--	--	--	29,188
Licenses, permits, and franchises	888	--	--	--	888
Fines, forfeitures, and penalties	410	--	--	--	410
Use of money and property	2,017	--	517	--	2,534
Intergovernmental	33,475	--	--	--	33,475
Charges for services	31,718	--	39	--	31,757
Other	557	--	788	--	1,345
Due from other funds	8,683	--	--	(8,683)	--
Internal balances	--	--	--	2,508	2,508
Inventories	--	--	413	--	413
Prepaid items	343	--	--	--	343
Other receivables	6,305	--	--	--	6,305
Securities lending collateral	2,981	--	--	--	2,981
Deferred charges	--	748	--	--	748
Advances to other funds	18,759	--	--	(18,759)	--
Property held for resale	2,600	--	--	--	2,600
Restricted cash and investments	21,952	--	10	--	21,962
Capital assets	--	450,231	20,123	--	470,354
Total assets	<u>\$ 367,481</u>	<u>\$ 450,979</u>	<u>\$ 84,575</u>	<u>\$ (24,934)</u>	<u>\$ 878,101</u>
<b>Liabilities:</b>					
Accounts payable	\$ 25,091	\$ --	\$ 1,594	\$ --	\$ 26,685
Salaries and benefits payable	16,813	--	334	--	17,147
Interest payable	90	524	--	--	614
Other payables	15,738	--	--	--	15,738
Obligations under securities lending	2,981	--	--	--	2,981
Advances payable	17,000	--	--	(17,000)	--
Unearned revenue	32,216	--	--	--	32,216
Deferred revenue	2,699	(2,699)	--	--	--
Customer deposits payable	6,920	--	--	--	6,920
Due to other funds	8,683	--	--	(8,683)	--
Capital lease obligations	--	4,104	197	--	4,301
Certificates of participation (COP) payable	--	70,209	--	--	70,209
Unamortized premium on COP	--	861	--	--	861
Unamortized discount on COP	--	(193)	--	--	(193)
Rebatable arbitrage earnings	--	135	--	--	135
Compensated absences	--	26,942	599	--	27,541
Liability for self-insurance claims	--	--	36,704	--	36,704
Estimated litigation liability	--	288	--	--	288
OPEB obligation	--	11,933	235	--	12,168
Total liabilities	<u>128,231</u>	<u>112,104</u>	<u>39,663</u>	<u>(25,683)</u>	<u>254,315</u>
<b>Fund balance/net assets:</b>					
Total fund balance/net assets	<u>239,250</u>	<u>338,875</u>	<u>44,912</u>	<u>749</u>	<u>623,786</u>
<b>Total liabilities &amp; fund balance/net assets</b>	<u>\$ 367,481</u>	<u>\$ 450,979</u>	<u>\$ 84,575</u>	<u>\$ (24,934)</u>	<u>\$ 878,101</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED**

(1) Capital assets used in governmental activities (excluding Internal Service Funds) are not current financial resources and, therefore, are not reported in the balance sheet (Note 6).	\$ 450,231
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet (Note 9):	
Certificates of participation	\$ (70,209)
Unamortized premium on certificates of participation	(861)
Unamortized discount on certificates of participation	193
Capital lease obligations (excluding Internal Service Funds)	(4,104)
Estimated liability for litigation	(288)
Compensated absences (excluding Internal Service Funds)	(26,942)
Rebatable arbitrage earnings	(135)
OPEB obligation (excluding Internal Service Funds)	<u>(11,933)</u>
Total long-term liabilities	(114,279)
Accrued interest on long-term debt	(524)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities. (Note 7)	2,699
Issuance costs on certificates of participation are capitalized and amortized over the life of the related debt issue.	748
	<u>\$ 338,875</u>
(2) Internal Service Funds are used by management to charge the costs of information technology, vehicle operations and maintenance, risk management and insurance, communications and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets.	<u>\$ 44,912</u>
(3) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year.	<u>\$ 749</u>

**4. CASH AND INVESTMENTS**

Cash and investments include the cash balances of substantially all funds, which are consolidated and invested by the County Treasurer in a cash management investment pool (the "pool"), for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is apportioned quarterly to certain participating funds based upon each fund's average daily deposit balance with all remaining interest deposited in the General Fund. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2008 to support the value of shares in the pool.

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, \$100 is insured by Federal depository insurance. The remaining \$25,848 on deposit is uninsured and collateralized with securities held by the pledging financial institution but not in the County's name. Per Government Code section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral. At June 30, 2008 the value of pledged collateral was 145%.

At June 30, 2008, the carrying amount of the County's deposits was \$25,948 and the corresponding bank balance was \$22,812. The difference of \$3,036 was primarily due to deposits in transit.



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**4. CASH AND INVESTMENTS - CONTINUED**

Investments

Pursuant to Section 53646 of the State of California Government Code the County Treasurer prepares an Investment Policy Statement annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; State and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTRUST).

*Credit Risk and Concentration of Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment. For securities issued and fully guaranteed as to payment by an agency, or government sponsored enterprise of the U.S. Government the issuer shall be rated AAA by at least two of the three major rating services of Fitch, Moody's and S&P. Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services a minimum of F1 by Fitch, P-1 by Moody's and A-1 by S&P. Corporate bonds and notes shall be rated AA by at least two of the three major rating services of Fitch, Moody's and S&P if maturity is greater than three years and AA- if maturity is three years or less.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2008:

	<u>Credit Ratings</u>	<u>% of Portfolio</u>
Treasurer's pooled investments:		
LAIF	Unrated	5.06%
Commercial paper	A-2, P-1, F1	2.87%
Commercial paper	A-1, P-1, F1	13.11%
Commercial paper	A-1, P-2, F1	5.72%
Corporate notes	Aa, AA	1.90%
Corporate notes	Aa, AA, AA	9.07%
Corporate notes	Aa, AA-, AA-	0.62%
Corporate notes	Aa1, AA+	0.64%
Corporate notes	Aaa, AAA	6.75%
Negotiable certificates of deposit (CDs)	A-1, P-1, F1	2.34%
Government agency bonds	AAA	51.92%
Total Treasurer's pooled investments		<u>100.00%</u>
Directed investments:		
Government agency bonds	AAA	<u>100.00%</u>
Investments held with fiscal agents:		
Government agency bonds	AAA	<u>100.00%</u>

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**4. CASH AND INVESTMENTS - CONTINUED**

At the time of purchase, County investment policy dictates that no more than 5% of the total portfolio be invested in the securities of any single issuer, other than the U.S. Government, its agencies, and sponsored enterprises.

As of the fiscal year ended June 30, 2008, more than 5% of the County's pooled investments were invested in the following issuers:

<u>Issuer</u>	<u>Issuer Type</u>	<u>Fair Value</u> <u>Holdings</u>	<u>Percentage</u> <u>Holdings</u>
Federal Home Loan Mortgage Corporation	Government Sponsored	\$98,461	12.45%
Federal Home Loan Bank	Government Sponsored	\$158,564	20.05%
Federal National Mortgage Association	Government Sponsored	\$113,293	14.33%
Federal Farm Credit Banks	Government Sponsored	\$40,315	5.10%

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five (5) years and that non-short term investments, in the aggregate, shall not exceed 75% of the portfolio.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost; conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs and to preclude the Treasurer from having to sell investments below original cost.

Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participating funds based upon the fund's ending cash balance. Interest and net investment income consisted of the following for the fiscal year ended June 30, 2008:

	<u>Pool</u>	<u>Directed</u>	<u>Total</u>
Interest income	\$ 28,447	\$ 122	\$ 28,569
Realized gain	8,923	2	8,925
Administration and audit fees	(1,271)	(4)	(1,275)
Securities lending	9	-	9
Miscellaneous adjustments	(99)	-	(99)
Total net investment income	<u>\$ 36,009</u>	<u>\$ 120</u>	<u>\$ 36,129</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**4. CASH AND INVESTMENTS - CONTINUED**

The Treasurer purchases securities at a discount from face value to earn higher than nominal rates of return. Under GASB 31 such discount, when realized, is considered gain rather than interest. Interest earnings for the fiscal year amounted to \$28,447. The net realized gain on investments sold or matured during the fiscal year was \$8,923. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s).

Securities Lending

The Santa Barbara County Treasurer’s Pool is authorized by state statute and the Treasurer’s Investment Policy to lend its investment security holdings. The securities lending program is managed by Union Bank (the Bank) which also serves as the Treasurer’s custodial bank. The County Treasurer or the Bank may terminate the agreement to lend securities, without penalty, upon seven days notice.

Under GASB 28, “Accounting and Financial Reporting for Securities Lending Transactions,” cash received as collateral on securities lending transactions and investments made with that cash should be reported as assets. Liabilities resulting from these securities lending transactions also should be reported in the balance sheet. The total amount of cash collateral received by the Treasurer at June 30, 2008 amounted to \$7,643: \$2,981 of the collateral is held as an asset and associated liability in the General Fund while the remaining \$4,662 is held as an asset and associated liability within the Fiduciary Funds. The allotment is based on external equity of pool participants comprising 61% of the investment pool.

The Bank may lend securities only to eligible borrowers, as defined by the Treasurer. The term for each lending transaction is limited to a maximum of seven days. The Bank and its affiliates are not eligible borrowers. Cash collateral equaling 102% of the total value of the loaned securities is required. The Bank invests cash collateral on behalf of the County in permitted investments. Collateral is marked to market as is reasonable, and the Bank has the right to demand additional collateral as necessary. Such collateral received by the Bank is held separate and apart from the Bank’s own funds and securities. The Treasurer may not pledge or sell any collateral securities unless the borrower defaults. Securities lending transactions are restricted to 20% of the base value of the portfolio.

The securities lent remain in the Treasurer’s Statement of Assets as the County retains the risks and rewards of changes in the value of the underlying securities during the term of the loan, has a contractual right to the income distributions, and retains the right to sell the securities. The term to maturity of securities loans is generally matched with the maturity date of the term loan. All securities lending investments as of June 30, 2008 are overnight investments with next day maturities.

The collateral received by the Treasurer exceeds the amount on loan. Accordingly, the Treasurer is not exposed to custodial credit risk.

Securities lending balances at June 30, 2008 are as follows:

Securities Lent	Underlying Securities	Securities Collateral Value
Lent for securities collateral:		
Corporate notes	\$ 7,440	\$ 7,643

There are no provisions for agent indemnification of the securities lending transactions. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior-period losses during the fiscal year. There are no income distributions owing on the securities lent.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**4. CASH AND INVESTMENTS - CONTINUED**

The following is a summary of investments held by the County Treasurer as of June 30, 2008:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u> <u>Range</u>	<u>Maturity</u> <u>Date/Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u>
Treasurer's pooled investments:					
Commercial paper	\$ 171,151	\$ 171,590	2.32-3.08%	7/08-8/08	27 days
Negotiable CDs	18,500	18,500	2.58-3.55%	7/08-5/09	164 days
Corporate bonds	150,160	150,116	2.85-7.38%	8/08-8/12	1.41 years
Government agency bonds	410,222	410,717	0.00-6.00%	7/08-5/13	2.85 years
Local agency investment fund	40,000	40,000	3.11%	n/a	n/a
Directed investments:					
Government agency bonds	1,906	1,945	4.13-7.13%	6/10-7/11	2.83 years
Total pooled and directed investments	791,939	792,868			
Investments held with fiscal agents:					
Cash	27,421	27,421			
Government agency bonds	6,768	6,885	4.02-4.60%	11/08-2/13	147 days
Total investments	<u>\$ 826,128</u>	827,174			
Securities lending collateral		7,643			
Cash in banks:					
Non-interest bearing deposits		25,948			
Cash on hand		45			
Total cash and investments		<u>\$ 860,810</u>			
Total unrestricted cash and investments		\$ 813,601			
Total restricted cash and investments (Note 5)		39,566			
Total securities lending collateral		7,643			
Total cash and investments		<u>\$ 860,810</u>			
Total cash and investments summary:					
Total governmental activities		\$ 295,233			
Total business-type activities		43,613			
Total fiduciary funds		521,964			
Total cash and investments		<u>\$ 860,810</u>			

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2008:

Statement of Net Assets	
Net assets held for pool	<u>\$ 792,868</u>
Equity of internal pool participants	\$ 306,149
Equity of external pool participants (voluntary and involuntary)	486,719
Total equity	<u>\$ 792,868</u>
Statement of Changes in Net Assets	
Net assets held for pool participants, July 1, 2007	\$ 819,523
Net change in investments by pool participants	(26,655)
Net assets held for pool participants, June 30, 2008	<u>\$ 792,868</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**5. RESTRICTED CASH AND INVESTMENTS**

Cash and investments at June 30, 2008 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities

General Fund		
Deposits by various developers	\$ 6,709	
Property tax loss reserve	6,057	
Total General Fund	<u>12,766</u>	\$ 12,766
RDA Debt Service Fund		
Reserved for debt service	1,430	
Total RDA Debt Service Fund	<u>1,430</u>	1,430
Nonmajor Governmental Funds		
Reserved for debt service	7,749	
Clean water plan check trust	7	
Total Nonmajor Governmental Funds	<u>7,756</u>	7,756
Internal Service Funds		
Vehicle Operations and Maintenance - set aside for underground tank clean-up	10	
Total Internal Service Funds	<u>10</u>	10
Total governmental activities	<u>21,962</u>	<u>21,962</u>

Business-type Activities

Resource Recovery Fund		
Funds set aside for landfill site closure and maintenance costs (see Note 13)	14,779	
Financial assurance for landfill corrective action	1,468	
Reserved for debt service	1,307	
Total Resource Recovery Fund	<u>17,554</u>	17,554
Laguna Sanitation Fund		
Deposits by various developers	50	
Total Laguna Sanitation Fund	<u>50</u>	50
Total business-type activities	<u>17,604</u>	<u>17,604</u>
Total restricted cash and investments	<u>39,566</u>	<u>\$ 39,566</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**6. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 90,817	\$ 59	\$ (104)	\$ 90,772
Construction in progress	23,426	43,485	(24,792)	42,119
Total capital assets, not being depreciated	<u>114,243</u>	<u>43,544</u>	<u>(24,896)</u>	<u>132,891</u>
Capital assets, being depreciated:				
Structures and improvements	204,033	5,390	(6,526)	202,897
Equipment	87,802	6,995	(3,926)	90,871
Infrastructure	225,985	13,847	--	239,832
Total capital assets, being depreciated	<u>517,820</u>	<u>26,232</u>	<u>(10,452)</u>	<u>533,600</u>
Less accumulated depreciation for:				
Structures and improvements	(68,669)	(4,971)	2,993	(70,647)
Equipment	(49,657)	(7,290)	3,551	(53,396)
Infrastructure	(68,742)	(3,352)	--	(72,094)
Total accumulated depreciation	<u>(187,068)</u>	<u>(15,613)</u>	<u>6,544</u>	<u>(196,137)</u>
Total capital assets, being depreciated, net	<u>330,752</u>	<u>10,619</u>	<u>(3,908)</u>	<u>337,463</u>
Sub-total governmental activities	<u>444,995</u>	<u>54,163</u>	<u>(28,804)</u>	<u>470,354</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	12,244	--	--	12,244
Construction in progress	1,976	6,182	(5,228)	2,930
Total capital assets, not being depreciated	<u>14,220</u>	<u>6,182</u>	<u>(5,228)</u>	<u>15,174</u>
Capital assets, being depreciated:				
Structures and improvements	22,677	5,228	--	27,905
Equipment	20,994	2,103	(821)	22,276
Infrastructure	25,006	--	--	25,006
Total capital assets, being depreciated	<u>68,677</u>	<u>7,331</u>	<u>(821)</u>	<u>75,187</u>
Less accumulated depreciation for:				
Structures and improvements	(7,059)	(1,034)	--	(8,093)
Equipment	(11,927)	(1,483)	752	(12,658)
Infrastructure	(4,085)	(571)	--	(4,656)
Total accumulated depreciation	<u>(23,071)</u>	<u>(3,088)</u>	<u>752</u>	<u>(25,407)</u>
Total capital assets, being depreciated, net	<u>45,606</u>	<u>4,243</u>	<u>(69)</u>	<u>49,780</u>
Sub-total business-type activities	<u>59,826</u>	<u>10,425</u>	<u>(5,297)</u>	<u>64,954</u>
Total	<u>\$ 504,821</u>	<u>\$ 64,588</u>	<u>\$ (34,101)</u>	<u>\$ 535,308</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**6. CAPITAL ASSETS - CONTINUED**

Capital assets activity for each major enterprise fund for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Resource Recovery:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,445	\$ --	\$ --	\$ 9,445
Construction in progress	1,976	6,070	(5,228)	2,818
Total capital assets, not being depreciated	<u>11,421</u>	<u>6,070</u>	<u>(5,228)</u>	<u>12,263</u>
Capital assets, being depreciated:				
Structures and improvements	19,531	5,228	--	24,759
Equipment	16,095	1,936	(821)	17,210
Total capital assets, being depreciated	<u>35,626</u>	<u>7,164</u>	<u>(821)</u>	<u>41,969</u>
Less accumulated depreciation for:				
Structures and improvements	(5,217)	(968)	--	(6,185)
Equipment	(10,024)	(1,133)	752	(10,405)
Total accumulated depreciation	<u>(15,241)</u>	<u>(2,101)</u>	<u>752</u>	<u>(16,590)</u>
Total capital assets, being depreciated, net	<u>20,385</u>	<u>5,063</u>	<u>(69)</u>	<u>25,379</u>
Sub-total Resource Recovery	<u>31,806</u>	<u>11,133</u>	<u>(5,297)</u>	<u>37,642</u>
<b>Laguna Sanitation:</b>				
Capital assets, not being depreciated:				
Land	2,799	--	--	2,799
Construction in progress	--	112	--	112
Total capital assets, not being depreciated	<u>2,799</u>	<u>112</u>	<u>--</u>	<u>2,911</u>
Capital assets, being depreciated:				
Structures and improvements	3,146	--	--	3,146
Equipment	4,899	75	--	4,974
Infrastructure	25,006	--	--	25,006
Total capital assets, being depreciated	<u>33,051</u>	<u>75</u>	<u>--</u>	<u>33,126</u>
Less accumulated depreciation for:				
Structures and improvements	(1,842)	(66)	--	(1,908)
Equipment	(1,903)	(344)	--	(2,247)
Infrastructure	(4,085)	(571)	--	(4,656)
Total accumulated depreciation	<u>(7,830)</u>	<u>(981)</u>	<u>--</u>	<u>(8,811)</u>
Total capital assets, being depreciated, net	<u>25,221</u>	<u>(906)</u>	<u>--</u>	<u>24,315</u>
Sub-total Laguna Sanitation	<u>28,020</u>	<u>(794)</u>	<u>--</u>	<u>27,226</u>
<b>Transit Operations:</b>				
Capital assets, being depreciated:				
Equipment	--	92	--	92
Less accumulated depreciation for:				
Equipment	--	(6)	--	(6)
Sub-total Transit Operations	<u>--</u>	<u>86</u>	<u>--</u>	<u>86</u>
Total business-type activities	<u>\$ 59,826</u>	<u>\$ 10,425</u>	<u>\$ (5,297)</u>	<u>\$ 64,954</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**6. CAPITAL ASSETS - CONTINUED**

Internal Service Funds (ISF) predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities. Capital assets activity for Internal Service Funds for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Internal Service Funds:</b>				
Capital assets, being depreciated:				
Structures and improvements	\$ 2,219	\$ 361	\$ --	\$ 2,580
Equipment	41,651	3,278	(2,388)	42,541
Total capital assets, being depreciated	<u>43,870</u>	<u>3,639</u>	<u>(2,388)</u>	<u>45,121</u>
Less accumulated depreciation for:				
Structures and improvements	(392)	(56)	--	(448)
Equipment	(22,936)	(3,820)	2,206	(24,550)
Total accumulated depreciation	<u>(23,328)</u>	<u>(3,876)</u>	<u>2,206</u>	<u>(24,998)</u>
Total capital assets, being depreciated, net	<u>20,542</u>	<u>(237)</u>	<u>(182)</u>	<u>20,123</u>
Total	<u>\$ 20,542</u>	<u>\$ (237)</u>	<u>\$ (182)</u>	<u>\$ 20,123</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

	Depreciation (excluding ISF)	ISF Depreciation Allocation (1)	Total
<b>Governmental activities:</b>			
Policy & executive	\$ 81	\$ 35	\$ 116
Law & justice	809	85	894
Public safety	2,569	1,677	4,246
Health & public assistance	2,150	778	2,928
Community resources & public facilities	4,534	489	5,023
General government & support services	1,095	313	1,408
General county programs	499	30	529
Sub-total governmental activities	<u>11,737</u>	<u>3,407</u>	<u>15,144</u>
<b>Business-type activities:</b>			
Resource Recovery	2,101	120	2,221
Laguna Sanitation	981	8	989
Transit Operations	6	--	6
Sub-total business-type activities	<u>3,088</u>	<u>128</u>	<u>3,216</u>
Sub-total depreciation expense	<u>14,825</u>	<u>3,535</u>	<u>18,360</u>
<b>Accumulated depreciation from reinstated assets</b>	--	341	341
Total accumulated depreciation additions	<u>\$ 14,825</u>	<u>\$ 3,876</u>	<u>\$ 18,701</u>

(1) Depreciation of capital assets held by the County's Internal Service Funds is charged to the various functions based on their usage of the assets.



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**6. CAPITAL ASSETS - CONTINUED**

Construction in progress at June 30, 2008 consists of the following projects for the primary government:

**Governmental activities:**

Capital Outlay projects:		
North County jail	\$	5,402
Lompoc fire & sheriff station		5,020
IV Foot Patrol building		2,791
New computer aided dispatch system		1,374
Franklin Center remodel		1,276
South County jail management system		880
North County maintenance yard		702
Santa Maria modular project		626
Replace RMS		516
Cachuma Lake sewer plant		407
Other projects (individually less than \$400)		<u>5,980</u>
	\$	24,974
Road projects:		
Summerland circle & parking improvements		1,842
Hummel Drive extension		1,243
El Colegio widening		1,231
Tepesquet low water bridge		771
Black Road bridge rehabilitation		470
Floridale Ave bridge		454
Other projects (individually less than \$450)		<u>2,357</u>
		8,368
Flood Control projects:		
WSSD phase II, III		2,172
Mission Creek Corps project		1,459
Las Vegas Creek/Encina drain		1,217
Via Rueda interceptor		570
Foster Road storm drain		282
Other projects (individually less than \$200)		<u>775</u>
		6,475
Special Aviation projects:		
Airport project grant 11		961
Other projects (individually less than \$100)		<u>56</u>
		1,017
General Fund projects:		1,285
Sub-total governmental activities		<u>42,119</u>

**Business-type activities:**

Resource Recovery and Waste Management projects:		
Tajiguas liner expansion, phase 2B		2,428
Ballard water system, phase 2		166
Tajiguas 380 deck		160
Other projects (individually less than \$100)		<u>64</u>
		2,818
Laguna Sanitation projects:		
Other projects (individually less than \$100)		<u>112</u>
		112
Sub-total business-type activities		<u>2,930</u>
Total construction in progress	\$	<u><u>45,049</u></u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**(in thousands)**

**7. UNEARNED AND DEFERRED REVENUE**

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net assets as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate, as liabilities of the current period.

At June 30, 2008 the various components of deferred and unearned revenue reported are as follows:

	Unearned	Deferred (Unavailable)	Total
<b>General Fund:</b>			
Presidential primary election reimbursement	\$ --	\$ 1,527	\$ 1,527
Delinquent property taxes	--	336	336
Other receivables	59	--	59
Total General Fund	<u>59</u>	<u>1,863</u>	<u>1,922</u>
<b>Road Fund:</b>			
Developer mitigation fees	3,955	--	3,955
Office of Emergency Services match	--	11	11
Advances from California Department of Transportation for road project	4,606	--	4,606
Total Road Fund	<u>8,561</u>	<u>11</u>	<u>8,572</u>
<b>Public Health:</b>			
Advance on Federal grant for disaster preparedness	80	--	80
<b>Social Services Fund:</b>			
Grant drawdowns prior to meeting eligibility requirements	13,002	--	13,002
<b>Alcohol, Drug, and Mental Health Fund</b>			
Early, periodic, screening, diagnosis, and treatment	--	825	825
<b>Flood Control District Fund:</b>			
Developer mitigation fees	426	--	426
<b>Capital Projects Fund:</b>			
Developer mitigation fees	4,735	--	4,735
<b>Nonmajor governmental funds:</b>			
Advances on State and Federal grants for Child Support Services	213	--	213
Advances on State and Federal grants for Affordable Housing	631	--	631
Fire district mitigation fees	299	--	299
Other receivables	4,210	--	4,210
Total nonmajor governmental funds	<u>5,353</u>	<u>--</u>	<u>5,353</u>
Total unearned and deferred revenue	<u>\$ 32,216</u>	<u>\$ 2,699</u>	<u>\$ 34,915</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**8. LEASES**

Operating Leases as Lessee

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 3,648
2010	3,606
2011	2,699
2012	2,429
2013	1,239
2014 - 2015	634
Total minimum rental payments	\$ 14,255

Total rental expenditure/expense for the year ended June 30, 2008 was \$3,628 of which \$613 was recorded in the General Fund.

Operating Leases as Lessor

The County as lessor leases sections of the Casa Nueva building to both the Santa Barbara County Association of Governments and the Santa Barbara Air Pollution Control District under operating leases with terms from July 2003 through April 2034. The original cost of the Casa Nueva building is \$6,168. As of June 30, 2008, the building had a carrying amount of \$5,674 net of accumulated depreciation of \$494.

The County as lessor also leases sections of the Public Health building known as the VA Clinic to the Veterans Administration under an operating lease with terms from October 2007 through September 2012. The original cost of the VA Clinic is \$891. As of June 30, 2008, the building had a carrying amount of \$399, net of accumulated depreciation of \$492.

The following is a schedule of future minimum rentals to be received under operating leases entered into by the County as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 547
2010	555
2011	562
2012	375
2013	312
2014-2018	1,561
2019-2023	1,561
2024-2028	1,561
2029-2033	1,561
2034	260
Total minimum rentals to be received	\$ 8,855

For the year ended June 30, 2008, total rental income was \$731, all of which was recorded in the General Fund.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**8. LEASES - CONTINUED**

Capital Leases

The County has entered into certain capital lease arrangements under which the related structures and equipment will become the property of the County when all terms of the lease agreements are met. The following is a schedule of future minimum capital lease payments, payable from the General Fund, certain special revenue funds, internal services funds, and enterprise funds as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	\$ 801	\$ 8
2010	778	9
2011	779	8
2012	278	--
2013	278	--
2014-2018	1,348	--
2019-2023	991	--
2024-2028	694	--
Total minimum lease payments	<u>5,947</u>	<u>25</u>
Less: amount representing interest	<u>(1,646)</u>	<u>(2)</u>
Total present value of minimum lease payments	<u>\$ 4,301</u>	<u>\$ 23</u>

The following is a schedule of capital assets under capital leases by major class as of June 30, 2008:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 1,283	\$ --
Equipment	2,563	30
Structures and improvements	<u>1,917</u>	<u>--</u>
Total capital assets, gross	5,763	30
Less: accumulated depreciation	<u>(1,199)</u>	<u>(30)</u>
Total capital assets, net	<u>\$ 4,564</u>	<u>\$ --</u>

Depreciation expense related to capital assets under capital leases for governmental and business-type activities was \$462 and \$0 respectively, for the year ended June 30, 2008.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**9. LONG-TERM DEBT**

Certificates of Participation

The Santa Barbara County Finance Corporation (the "Corporation"), a public benefit corporation, was created to issue certificates of participation (COP). These are secured by annual lease payments paid by the County to the Corporation for use of the facilities constructed or acquired from the bond proceeds. These payments are used by the Corporation to pay the interest and principal of the bonds.

The COP contain certain bond covenants, which are deemed by the County to be duties imposed by law. The County must include the applicable lease-purchase payments due each year in its annual budget and make the necessary appropriations. The County is also required to maintain certain levels of liability, property damage, casualty, rental interruption and earthquake insurance in connection with each lease-purchase agreement. The County is in compliance with all significant financial restrictions and requirements as set forth in its various bond covenants.

A summary of COP principal outstanding as of June 30, 2008 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of 6/30/2008
<b>Governmental activities:</b>					
1998 Capital Improvements	3.80-4.60	2/10/1998	2/1/2011	\$ 11,720	\$ 3,494
2001 Capital Improvements	2.00-5.25	12/1/2001	12/1/2021	30,324	25,648
2004 Capital Improvements	2.00-3.00	3/31/2004	3/1/2011	20,023	7,687
2005 Capital Improvements	3.00-4.50	4/21/2005	3/1/2025	18,785	16,380
2008 Capital Improvements	4.00-4.75	6/25/2008	12/1/2028	16,912	17,000
Sub-total governmental activities				<u>97,764</u>	<u>70,209</u>
<b>Business-type activities:</b>					
1998 Baron Ranch	3.80-4.60	2/10/1998	2/1/2011	7,760	2,226
2001 Capital Improvements	2.00-5.25	12/1/2001	12/1/2021	1,101	857
2004 Capital Improvements	2.00-3.00	3/31/2004	3/1/2009	1,577	168
2008 Capital Improvements	3.00-4.50	6/25/2008	12/1/2023	6,625	6,600
Sub-total business-type activities				<u>17,063</u>	<u>9,851</u>
Total				<u>\$ 114,827</u>	<u>\$ 80,060</u>

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**9. LONG-TERM DEBT - CONTINUED**

The following is a schedule of total debt service requirements to maturity as of June 30, 2008 for certificates of participation:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,697	\$ 2,939	\$ 1,048	\$ 369
2010	5,633	2,822	1,107	343
2011	6,197	2,622	1,188	297
2012	3,250	2,381	400	266
2013	3,593	2,237	412	251
2014-2018	18,408	8,536	2,342	977
2019-2023	17,916	4,292	2,794	433
2024-2028	8,185	1,185	560	13
2029-2033	1,330	32	--	--
Sub-total	<u>70,209</u>	<u>27,046</u>	<u>9,851</u>	<u>2,949</u>
Unamortized premium	861	--	51	--
Unamortized discount	(193)	--	--	--
Total COP debt	<u>\$ 70,877</u>	<u>\$ 27,046</u>	<u>\$ 9,902</u>	<u>\$ 2,949</u>

Rebatable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings and at June 30, 2008 recorded a rebatable arbitrage liability of \$135 within governmental activities and \$9 within business-type activities.

Governmental Activities – Conduit Debt

*Special Assessment Debt*

The County acts as an agent for property owners who may benefit from projects financed from special assessment bond proceeds. The County collects the assessments, forwards the collections to bondholders, and initiates foreclosure proceedings, when appropriate. Special assessment bonds do not represent a liability of the County, as the County is not obligated in any manner for the debt. Accordingly, such obligations do not appear in the accompanying financial statements. The amount of special assessment debt outstanding at June 30, 2008 is \$18.

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**9. LONG-TERM DEBT - CONTINUED**

Changes in Long-term Liabilities

The long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
<b>Governmental activities:</b>					
Capital lease obligations	\$ 5,015	\$ --	\$ (714)	\$ 4,301	\$ 595
Certificates of participation (COP)	59,143	17,000	(5,934)	70,209	5,697
Unamortized premium on COP	997	--	(136)	861	--
Unamortized discount on COP	(122)	(88)	17	(193)	--
Other long-term obligations:					
Cachuma Sanitation Loan	11	--	(11)	--	--
Compensated absences	26,514	26,597	(25,570)	27,541	25,570
Liability for self-insurance claims	34,492	17,824	(15,612)	36,704	10,566
Estimated litigation liability	4,583	--	(4,295)	288	--
Rebatable arbitrage earnings	84	51	--	135	122
OPEB obligation	--	12,168	--	12,168	--
Sub-total governmental activities	<u>130,717</u>	<u>73,552</u>	<u>(52,255)</u>	<u>152,014</u>	<u>42,550</u>
<b>Business-type activities:</b>					
Capital lease obligations	30	--	(7)	23	7
Certificates of participation	4,321	6,600	(1,070)	9,851	1,048
Unamortized premium on COP	30	25	(4)	51	--
Note payable	7,833	--	(407)	7,426	417
Compensated absences	525	634	(581)	578	565
Landfill litigation settlement	110	--	(55)	55	55
Landfill closure/postclosure care costs	25,033	--	(649)	24,384	198
Rebatable arbitrage earnings	5	4	--	9	9
OPEB obligation	--	266	--	266	--
Sub-total business-type activities	<u>37,887</u>	<u>7,529</u>	<u>(2,773)</u>	<u>42,643</u>	<u>2,299</u>
Total	<u>\$ 168,604</u>	<u>\$ 81,081</u>	<u>\$ (55,028)</u>	<u>\$ 194,657</u>	<u>\$ 44,849</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**9. LONG-TERM DEBT - CONTINUED**

The long-term liability activity for each major enterprise fund for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
<b>Resource Recovery:</b>					
Capital lease obligations	\$ 24	\$ --	\$ (5)	\$ 19	\$ 6
Certificates of participation	3,989	6,600	(906)	9,683	880
Unamortized premium on COP	30	25	(4)	51	--
Compensated absences	420	525	(466)	479	466
Landfill litigation settlement	110	--	(55)	55	55
Landfill closure/postclosure care costs	25,033	--	(649)	24,384	198
Rebatable arbitrage earnings	2	2	--	4	4
OPEB obligation	--	221	--	221	--
Sub-total Resource Recovery	<u>29,608</u>	<u>7,373</u>	<u>(2,085)</u>	<u>34,896</u>	<u>1,609</u>
<b>Laguna Sanitation:</b>					
Capital lease obligations	\$ 6	\$ --	\$ (2)	\$ 4	\$ 1
Certificates of participation	332	--	(164)	168	168
Note payable	7,833	--	(407)	7,426	417
Compensated absences	105	109	(115)	99	99
Rebatable arbitrage earnings	3	2	--	5	5
OPEB obligation	--	45	--	45	--
Sub-total Laguna Sanitation	<u>8,279</u>	<u>156</u>	<u>(688)</u>	<u>7,747</u>	<u>690</u>
Total business-type activities	<u>\$ 37,887</u>	<u>\$ 7,529</u>	<u>\$ (2,773)</u>	<u>\$ 42,643</u>	<u>\$ 2,299</u>

In governmental activities, the liability for litigation and the majority of employee compensated absences are liquidated by the General Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of the totals for governmental activities.

The long-term liability activity for the Internal Service Funds for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
<b>Internal Service Funds:</b>					
Capital lease obligation	\$ 259	\$ --	\$ (62)	\$ 197	\$ 63
Compensated absences	618	515	(534)	599	534
Liability for self-insurance claims	34,492	17,824	(15,612)	36,704	10,566
OPEB obligation	--	235	--	235	--
Total	<u>\$ 35,369</u>	<u>\$ 18,574</u>	<u>\$ (16,208)</u>	<u>\$ 37,735</u>	<u>\$ 11,163</u>



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**10. NOTE PAYABLE**

**Business-Type Activities**

Laguna Wastewater Treatment Plant Note Payable

On August 16, 2001, the Laguna Sanitation District (District) entered into a financing contract with the State for the construction of a Total Dissolved Solids and Recycled Water Treatment Plant. Under the contract, the State made fifteen disbursements totaling \$9,150 to the District during the period of February 2002 through June 2003. Repayment of the note commenced in July 2004 and will continue through July 2023. Note payments are due July 1<sup>st</sup> of each year, as such, these payments are regularly made in June of the prior fiscal year. The interest rate on the note is 2.4% per annum.

The note payable outstanding at June 30, 2008 is \$7,426. The following is the repayment schedule as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 417	\$ 178	\$ 595
2011	427	168	595
2012	437	158	595
2013	448	147	595
2014	459	137	596
2015-2019	2,463	513	2,976
2020-2024	2,775	203	2,978
Total	<u>\$ 7,426</u>	<u>\$ 1,504</u>	<u>\$ 8,930</u>

**11. SELF INSURANCE**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; unemployment; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits. Excess coverage is provided by the California State Association of Counties Excess Insurance Authority ("Authority"), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its 54 member counties. A Board of Directors consisting of representatives of its member counties governs the Authority. The County's annual premium paid to the Authority for the year ended June 30, 2008 was \$3,921. The Authority issues its own audited Comprehensive Annual Financial Report that can be obtained at 3017 Gold Canal Dr., Rancho Cordova, CA 95670.

The Authority retains responsibility for claims in excess of the County's self-insurance retention. Self-insurance and Authority limits are as follows:

<u>Type of Coverage</u>	<u>Self-Insurance Limit</u>	<u>Authority Limit</u>
General Liability	\$ 500	\$ 25,000
Medical Malpractice	500	10,000
Workers' Compensation	500	300,000

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**11. SELF INSURANCE - CONTINUED**

The County purchases property insurance from commercial insurance companies via a pool comprised of a majority of California counties. The shared policy limits for the County’s “All Risk” coverage is \$600,000 with a \$10 deductible. All the property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. The County also maintains earthquake coverage with shared policy limits of \$285,000.

The unpaid claims liabilities included in the self-insurance internal service funds are based on the results of actuarial studies and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. General liability, workers’ compensation, and medical malpractice liabilities are carried at present value using a discount rate of 4%. It is the County’s practice to obtain full actuarial studies annually for general liability, workers’ compensation, and medical malpractice coverages. Premiums are charged by the Risk Management and Insurance Fund using various allocation methods that include actual costs, trends in claims experience, and number of participants. Revenues of the Risk Management and Insurance Fund, together with funds to be provided in the future, are expected to provide adequate resources to meet liabilities as they come due.

Changes in the liability for self-insurance claims during the past two fiscal years for the Risk Management and Insurance Fund are as follows:

	Fiscal Year Ended	
	June 30, 2007	June 30, 2008
Unpaid claims, beginning of year	\$ 32,685	\$ 34,492
Incurred claims	16,034	17,824
Claim payments	(14,227)	(15,612)
Unpaid claims, end of year	\$ 34,492	\$ 36,704

**12. COMMITMENTS AND CONTINGENCIES**

Litigation

The County is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of County operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability for litigation of \$288, representing County Counsel’s best estimate of the ultimate loss, has been accrued in the government-wide statement of net assets. The timing of the payment of these losses cannot presently be determined. The decrease of \$4,295 from June 30, 2007 is due to favorable outcomes of cases against the County, the estimated liability for which was previously accrued.

A number of lawsuits and claims are pending against the County for which the financial loss to the County has been determined to be reasonably possible by County Counsel. These lawsuits include claims filed for inverse condemnation, tort liability, workers’ compensation, civil rights violation, breach of contract, land use disputes, and storm damage. These lawsuits are seeking damages in excess of \$10,000. The County intends to vigorously defend itself against these lawsuits. The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments which may result from such claims will not, in the opinion of County Counsel, significantly affect the financial condition of the County.

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**12. COMMITMENTS AND CONTINGENCIES - CONTINUED**

Grants

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the County's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1997 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Alcohol, Drug and Mental Health (ADMHS)

Amounts received or receivable from Federal and State agencies that fund the Santa Barbara County ADMHS programs are subject to audit, adjustment and settlement by those agencies. These audits typically occur five years in arrears. Any disallowed claims for ADMHS or its third party providers, including amounts already collected, may constitute a liability of the applicable funds. ADMHS receives significant revenues for Federal Medicare/Medi-Cal and State EPSDT/Realignment funds. The County has identified and reported to the State potential issues regarding cost reporting, claiming and accounting methods by ADMHS and its third party providers for FY 02-03 through FY 07-08 that could result in claim adjustments.

The County's accrued liability related to these claim adjustments is \$17,084 as of June 30, 2008. \$2,881 of this amount was accrued in FY 07-08 and \$14,203 was recorded as a prior period adjustment (see Note 22). This amount is subject to State cost settlement and audit procedures, an appeal process, and negotiation and settlement between the County, State and third party providers. In FY 08-09 the County created a \$3,000 designation in the General Fund to be used for the settlement of these liabilities, as well as those liabilities accrued as part of the prior period adjustment.

A State Department of Mental Health audit for FY 02-03 proposed a finding that a portion of costs billed under the Medi-Cal program may be disallowed as Medi-Cal eligible. These questioned costs relate to services provided by other County departments. These costs extrapolated over the period of FY 02-03 through FY 07-08 are roughly estimated at \$14,400. The County believes it has the appropriate supporting documentation to meet the Medi-Cal eligibility requirements and is preparing for a scheduled administrative hearing with the State Department of Health Care Services.

Contracts

The County has entered into contracts to purchase goods and services from various vendors during the period July 1, 2008 through June 30, 2013. Approximately \$75,115 will be payable upon future performance under these contracts.

**13. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The County owns and operates four landfill sites: Tajiguas, Foxen Canyon, Ventucopa and New Cuyama. New Cuyama and Ventucopa were closed during the 1995-96 fiscal year. Foxen Canyon was converted to a transfer station in fiscal year 2003-04. State and Federal laws require the County to close landfills once their capacities are reached and to monitor and maintain the sites for thirty (30) subsequent years. The County recognizes a portion of the closure and postclosure care costs in each operating period until the landfills are closed. The amount recognized each year is based on the landfills' capacity used as of the balance sheet date. As of June 30, 2008, the County had incurred a liability of \$24,384, which represents the amount of costs reported to date based on the percentages of landfill capacities used to date. The remaining estimated liability for such costs is \$8,120, which will be recognized as the remaining capacities are used. The estimated total costs of closure and postclosure care totaling \$32,504 are subject to changes such as the effects of inflation, revisions of laws and other variables.

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**13. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED**

The estimated percentages of landfill capacity used are as follows:

Landfill	Capacity Used	Remaining Years
Tajiguas	70%	15
Foxen Canyon	95%	closed
Ventucopa	100%	closed
New Cuyama	100%	closed

On August 3, 1999, the Board approved an environmental review and authorized applications for a 15-year expansion of the Tajiguas landfill. Both the Regional Water Quality Control Board and the California Integrated Waste Management Board issued revised permits in April and May of 2003 that increased the landfill's permitted capacity. The estimated costs for the capacity expansion are \$25,000, which will be funded by the Resource Recovery enterprise fund's tipping fees.

The County is required by State and Federal laws and regulations to make annual contributions and/or provide an alternative funding mechanism to finance closure and postclosure costs. The County funds closure and postclosure costs with a combination of pledge of revenue agreements and restricted cash. The County has pledged revenues from future tipping fees generated at the Santa Barbara South Coast Transfer Station to fund 67 percent of all postclosure maintenance costs. Restricted cash and investments are expected to fund the remaining 33 percent of postclosure costs and all closure costs at Foxen Canyon and New Cuyama. The amount of \$14,779 is currently reported as a portion of restricted cash and investments in the Resource Recovery enterprise fund on the balance sheet (see Note 5).

Restricted cash for closure and postclosure costs at June 30, 2008 is comprised of the following:

Landfill	Closure Cost	Postclosure Cost	Total Restricted Cash
Tajiguas	\$ 9,133	\$ 3,730	\$ 12,863
Foxen Canyon	396	1,063	1,459
New Cuyama	--	457	457
Total	\$ 9,529	\$ 5,250	\$ 14,779

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**14. RESTRICTED NET ASSETS**

Restricted net assets are net assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Restricted net assets at June 30, 2008 for governmental activities are as follows:

Restricted for Public Safety:		
Fire Protection District	\$ 10,107	
Sheriff	3,302	
Probation	<u>286</u>	
		\$ 13,695
Restricted for Health & Public Assistance:		
Public Health	12,682	
Child Support Services	297	
Other	<u>8</u>	
		12,987
Restricted for Community Resources & Public Facilities:		
Flood Control Districts	50,321	
Redevelopment Agency	19,054	
Water Agency	5,902	
Roads	4,862	
Other	2,666	
Coastal Resources Enhancement	2,347	
County Service Areas	1,739	
Arts Commission	<u>254</u>	
		87,145
Restricted for General Government & Support Services:		
Clerk-Recorder-Assessor	4,410	
Affordable Housing	<u>3,672</u>	
		8,082
Restricted for General County Programs:		
General County Programs	10,439	
First Five Children and Families Commission	8,158	
Public and Educational Access	2,024	
Criminal Justice and Courthouse Construction	1,109	
Other	<u>148</u>	
		21,878
Restricted for Debt Service	<u>10,088</u>	
		10,088
Total restricted net assets - governmental activities		<u>\$ 153,875</u>

Included in governmental activities restricted net assets at June 30, 2008 are net assets restricted by enabling legislation of \$35,177. For business-type activities, restricted net assets at June 30, 2008 of \$1,307 are for debt service.

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**15. RESERVED AND DESIGNATED FUND BALANCES**

Reserved fund balances are not available for appropriation or are not considered “expendable available financial resources.” Designated fund balances are unreserved fund balances that have been earmarked by the Board for specified purposes.

Fund balances at June 30, 2008 are as follows:

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Reserved for:</b>										
Advances	\$ 18,759	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 18,759
Debt service	--	--	--	--	--	--	--	1,430	7,903	9,333
Property tax loss	6,057	--	--	--	--	--	--	--	--	6,057
Property held for resale	--	--	--	--	--	--	--	--	2,600	2,600
Other receivables	1,500	--	--	--	--	--	--	--	--	1,500
Prepaid items	50	--	--	499	--	--	--	--	4	553
Imprest cash	15	1	3	16	2	--	--	--	1	38
<b>Total reserved fund balance</b>	<b>26,381</b>	<b>1</b>	<b>3</b>	<b>515</b>	<b>2</b>	<b>--</b>	<b>--</b>	<b>1,430</b>	<b>10,508</b>	<b>38,840</b>
<b>Designated for:</b>										
Strategic reserve	24,223	--	--	--	--	--	--	--	--	24,223
Capital outlay	8,950	--	440	--	--	12,091	--	--	1,184	22,665
Health care services	--	--	15,412	--	--	--	--	--	--	15,412
Endowments	--	--	5,530	32	--	--	--	--	8,645	14,207
COP proceeds	--	--	--	--	--	--	13,657	--	231	13,888
Various	8,529	507	22	9	--	53	246	--	234	9,600
Litigation	4,673	--	--	--	--	--	--	--	--	4,673
Fire protection projects	--	--	--	--	--	--	--	--	4,572	4,572
Sheriff dispatch system	--	--	--	--	--	--	1,983	--	--	1,983
Elections proposition 41	1,898	--	--	--	--	--	--	--	--	1,898
General Fund capital contribution	1,628	--	--	--	--	--	--	--	--	1,628
Recorder automation	1,315	--	--	--	--	--	--	--	--	1,315
Salary and retirement offset	1,297	--	--	--	--	--	--	--	--	1,297
Public health special projects	239	--	991	--	--	--	--	--	--	1,230
Contingencies	--	--	--	--	--	864	99	--	173	1,136
Planning and development	1,102	--	--	--	--	--	--	--	--	1,102
General capital projects	--	--	--	--	--	985	--	--	--	985
Sheriff donations	912	--	--	--	--	--	--	--	--	912
Sheriff category grants	878	--	--	--	--	--	--	--	--	878
Assessor AB 818	803	--	--	--	--	--	--	--	--	803
<b>Total designated fund balances</b>	<b>56,447</b>	<b>507</b>	<b>22,395</b>	<b>41</b>	<b>--</b>	<b>13,993</b>	<b>15,985</b>	<b>--</b>	<b>15,039</b>	<b>124,407</b>
<b>Total unreserved-undesignated fund balances</b>	<b>5,311</b>	<b>4,354</b>	<b>4,820</b>	<b>5,561</b>	<b>(11,348)</b>	<b>36,328</b>	<b>4,988</b>	<b>(15,134)</b>	<b>41,123</b>	<b>76,003</b>
<b>Total fund balances</b>	<b>\$ 88,139</b>	<b>\$ 4,862</b>	<b>\$27,218</b>	<b>\$ 6,117</b>	<b>\$ (11,346)</b>	<b>\$50,321</b>	<b>\$20,973</b>	<b>\$ (13,704)</b>	<b>\$ 66,670</b>	<b>\$ 239,250</b>

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**16. RETAINED DEFICIT**

Alcohol, Drug and Mental Health Services (ADMHS) Fund

The ADMHS Fund has a retained deficit of \$11,346 at June 30, 2008, as a result recognition of liabilities related to estimated settlements with the State of California (see Note 12 for further discussion). The County is in the process of developing a corrective action plan that includes regular internal compliance reviews, compliance reports and an executive oversight committee to eliminate the conditions that contributed to the deficit. A 5-10 year payback plan may be necessary to eliminate the deficit. In FY 08-09 the County created a \$3,000 designation in the General Fund to be used toward the reduction of the deficit.

Redevelopment Agency (RDA) Debt Service Fund

The General Fund issued \$17,000 in COP debt during June 2008 with the explicit purpose of lending the proceeds to the Redevelopment Agency. In accordance with GAAP, bond proceeds and an advance receivable were recorded in the General Fund while cash and an advance payable were recorded in the Redevelopment Agency Debt Service Fund. The cash proceeds were subsequently transferred to the Redevelopment Agency Special Revenue Fund via an operating transfer leaving the Debt Service Fund with a liability but no related proceeds. The result is a retained deficit of \$13,704. A debt service schedule with annual payments funded by RDA tax increment is in place that will eliminate the debt and retained deficit by 2029.

**17. INTERFUND TRANSACTIONS**

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Alcohol, Drug and Mental Health Services	\$ 8,682
First 5 Children and Families Commission	General Fund	1
Total due to/from		<u>\$ 8,683</u>

Amounts due to the General Fund are the result of cash flow loans to cover a temporary cash deficit in the Alcohol, Drug and Mental Health Services Fund and is scheduled to be collected at the beginning of the next fiscal year.

Advances to/from other funds at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 17,000
General Fund	Resource Recovery Fund	1,759
Total advances to/from		<u>\$ 18,759</u>

The \$17,000 advanced to the Redevelopment Agency Debt Service Fund represents the remaining balance of an initial \$17,000 loan that provided financing resources for the Redevelopment Agency (Agency) to construct infrastructure projects and acquire property in the Isla Vista Area. To fund this loan the County issued certificates of participation on behalf of the Agency in FY 07-08. This advance is scheduled to be repaid by the Agency in FY 28-29.

The \$1,759 advanced to the Resource Recovery enterprise fund represents the remaining balance of an initial \$2,994 loan that provided financing resources for a landfill litigation settlement.

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**17. INTERFUND TRANSACTIONS - CONTINUED**

Transfers

Transfers to/from other funds as of June 30, 2008 are as follows:

Transfer From	Transfer To	Amount	
General Fund	Non-Major Governmental Funds	\$ 38,366	
	Social Services Fund	11,265	
	Alcohol Drug & Mental Health Services Fund	8,748	
	Public Health Fund	8,332	
	Capital Projects Fund	4,382	
	Road Fund	1,576	
	Internal Service Funds	<u>297</u>	
			\$ 72,966
Road Fund	Non-Major Governmental Funds	201	
	Capital Projects Fund	<u>161</u>	
			362
Public Health Fund	Capital Projects Fund	1,155	
	General Fund	551	
	Alcohol Drug & Mental Health Services Fund	400	
	Non-Major Governmental Funds	52	
	Internal Service Funds	<u>12</u>	
			2,170
Social Services Fund	Alcohol Drug & Mental Health Services Fund	319	
	General Fund	102	
	Capital Projects Fund	<u>45</u>	
			466
Alcohol Drug & Mental Health Services Fund	General Fund	1,963	
	Non-Major Governmental Funds	567	
	Social Services Fund	465	
	Public Health Fund	219	
	Internal Service Funds	<u>126</u>	
			3,340
Flood Control District Fund	Capital Projects Fund	4	
	Non-Major Governmental Funds	<u>2</u>	
			6
RDA Debt Service Fund	Non-Major Governmental Funds	<u>13,400</u>	
			13,400
Non-Major Governmental Funds	General Fund	52,708	
	Non-Major Governmental Funds	2,698	
	Capital Projects Fund	513	
	Social Services Fund	64	
	Public Health Fund	40	
	Flood Control District Fund	<u>32</u>	
			56,055
Resource Recovery Fund	Capital Projects Fund	<u>3</u>	
			3
Internal Service Funds	General Fund	514	
	Capital Projects Fund	158	
	Social Services Fund	118	
	Public Health Fund	97	
	Alcohol Drug & Mental Health Services Fund	49	
	Non-Major Fund	36	
	Internal Service Fund	15	
	Road Fund Fund	15	
	Enterprise Funds	8	
	Flood Control District Fund	3	
			1,013
	Total transfers		<u>\$ 149,781</u>



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**17. INTERFUND TRANSACTIONS - CONTINUED**

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, (2) move receipts identified for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**18. RETIREMENT PLANS**

**Santa Barbara County Employees' Retirement System**

Plan Description

The Santa Barbara County Employees' Retirement System (Retirement System) was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for its employees and contracting districts. It is governed by the California Constitution, California State Government Code § 31450 (County Employees' Retirement Law of 1937 ("CERL")), and regulations adopted by the Santa Barbara County Board of Supervisors and the Board of Retirement as authorized by CERL. The Retirement System operates a cost sharing multiple-employer defined benefit plan. Members include all permanent employees working full time, or at least 50% part time for the County, and the following independent special districts: Carpinteria-Summerland Fire Protection District, Santa Barbara Coastal Vector Control District, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District (APCD), the Santa Barbara County Association of Governments (SBCAG), and the Santa Barbara County Superior Court.

The Retirement System has nine County retirement plans of which five are currently available for new employees. All plans provide benefits as defined by CERL upon retirement, death or disability of members. Benefits are based on age, years of service, final average salary, and the benefit options selected. Cost-of-living adjustments after retirement are provided in all plans except General Plan 2.

Fiduciary Responsibility

The Retirement System, controlled by the Board of Retirement, is a fiduciary for the accounting and control of member and employer contributions, investment income and member benefits. The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan and managing the investment of the Retirement System's assets under authority granted by Article XVI of the Constitution of the State of California. Article XVI, Section 17(a) provides the Retirement Board has the "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17(b) further provides that "members of the Retirement Board of a public retirement system shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty." The Board consists of nine members and two alternates. These positions are filled as follows: the County Board of Supervisors appoints four, members of the Retirement System elect six (including the two alternates), and the County Treasurer-Tax Collector is an ex-officio member. The Retirement System publishes its own Comprehensive Annual Financial Report and receives its own independent audit. It is also a legally separate entity from the County and is not a component unit.

Additional detailed information and separately issued financial statements can be obtained from the Retirement System located at 3916 State St. Suite 210, Santa Barbara, CA 93105.

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**18. RETIREMENT PLANS - CONTINUED**

Employer/Employee Contribution

Employer and employee contribution rates are as follows:

	<u>Participants</u>	<u>Employer contribution rates</u>	<u>Employee contribution rates</u>
<u>Open for New Enrollment:</u>			
Safety Plan 4B	(a) Probation safety managers, and (b) Fire Chief hired on or after October 10, 1994	28.83%	10.93 – 15.45%
Safety Plan 4C	(a) Non-management Probation safety employees, and (b) Firefighters hired on or after October 10, 1994 (except Fire Chief)	31.86%	5.24 – 7.40%
General Plan 5B	General members hired on or after October 10, 1994 & in Bargaining Units 10, 11, 14, 15, 17, 35, 36, 40-43	17.26%	7.13 – 9.77%
General Plan 5C	General members hired on or after October 10, 1994 & in Bargaining Units 21-29, 32	17.26%	3.57 – 4.89%
Safety Plan 6B	Sheriff/DA safety members hired on or after October 10, 1994 enrolled in plan.	31.60%	5.24 – 7.40%
<u>Closed to New Enrollment:</u>			
General Plan 2	Non-contributory; employees hired before January 1999 may continue in plan.	10.81%	N/A
Safety Plan 4A	Firefighters hired before October 10, 1994 may continue in plan.	34.04%	5.47 – 7.72%
General Plan 5A	General members hired before October 10, 1994 may continue in plan.	17.26%	3.57 – 4.89%
Safety Plan 6A	Sheriff/DA safety members hired before October 10, 1994 may continue in plan.	34.04%	5.24 – 7.40%

The annual required contribution for the current year was determined as part of an actuarial valuation performed as of June 30, 2007. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8.16%; (2) inflation element in wage increases of 4%; and (3) salary merit and longevity increases of 2%. Unfunded liabilities are amortized using the level percentage of the projected payroll over 15 years from June 30, 2007. Changes in actuarial gains and loss assumptions are spread over a 15 year period.

Three-Year Trend Information

The County's actual contributions, annual pension cost, and the percentage of annual pension cost contributed, for the current year and each of the two preceding years, are as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>County Contributions</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contribution</u>
6/30/2006	6/30/2004	\$ 50,900	\$ 50,900	100%
6/30/2007	6/30/2005	58,737	58,737	100%
6/30/2008	6/30/2006	63,944	63,944	100%

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**18. RETIREMENT PLANS - CONTINUED**

Funding Policy

Contributions are made by participating employers based on rates recommended by an independent actuary, approved by the Board of Retirement, and adopted by the County Board of Supervisors. For certain bargaining units, a portion of the members' contribution is paid by the County. Employee contributions are based upon each individual member's age of entry into the system. Employee contributions cannot be withdrawn until separation from employment.

Santa Barbara County Replacement Benefit Plan

Internal Revenue Code (IRC) Section 415(b) limits the maximum annual amount that a defined benefit plan such as the Retirement System can pay to any individual. The Santa Barbara County Replacement Benefit Plan, a qualified IRC 415(m) plan, provides annual retirement benefits otherwise earned by and payable to Retirement System members, but limited by Section 415(b).

Participation is limited solely to retired members whose benefits payable by the Retirement System are limited by Section 415(b). No assets directly or indirectly relating to this plan are held in trust or otherwise held or set aside for the exclusive benefit of participants and their beneficiaries. As of June 30, 2008 there were three retired members participating in the plan.

The County's actual contribution for the current year and the prior year are as follows:

<u>Fiscal Year Ended</u>	<u>Contribution</u>
6/30/2007	\$23
6/30/2008	\$38

**19. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Plan Description

The Retirement System administers a defined benefit postemployment healthcare plan. Members of the plan include retirees of the County and other employer plan sponsors as well as their eligible dependents. Other employer plan sponsors include the Carpinteria-Summerland Fire Protection District, Santa Barbara Coastal Vector Control District, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District (APCD), the Santa Barbara County Association of Governments (SBCAG), and the Santa Barbara County Superior Court.

The County, the other employer plan sponsors, and the Retirement System have not executed a formal plan document that provides for these benefits and the plan does not have a name. Under the new accounting rules, GASB Statements 43, "*Reporting for Post Employment Benefit Plans Other Than Pension Plans*," and 45 require that the liability related to the substantive plan be determined for the Retirement System and the employers, respectively. The substantive plan is the plan as understood (whether written or unwritten) by the County (and other plan sponsors) and its employees. GASB Statements 43 and 45 are not limited to the reporting of vested benefits.

The Retirement System operates and reports the defined benefit postemployment healthcare plan as a cost-sharing multiple-employer plan. However, the County, for financial reporting purposes, has determined that the OPEB plan is a "non-qualifying" rather than a "true cost-sharing" multiple-employer plan in accordance with GASB Statement 45. From the County's perspective, the plan is "non-qualifying" because the plan is not administered within a formal trust or equivalent arrangement. Specifically, the County and other employer plan sponsors have not established an Internal Revenue Code (IRC) Section 401(h) trust or similar vehicle in which the Retirement System could administer this plan in a tax compliant manner. This determination necessitates the County disclose its participation in the OPEB plan separately from the OPEB plan as a whole. As a result, the County has implemented GASB Statement 45 as an agent multiple-employer plan and obtained a separate actuarial evaluation limited in scope to County employees and retirees.

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**19. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Plan Benefits

The County negotiates health care contracts with providers for both its active employees as well as participating retired members of the Retirement System. Retirees are offered the same health plans as active County employees as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees. As such the County does not have a retiree premium implicit rate subsidy.

Currently, retirees who elect a County sponsored health plan receive a subsidy of \$15 (whole dollars) per month per year of service. The Retirement System provides this subsidy to participating retirees and has treated the subsidy as nontaxable to the retirees. If a plan member elects to participate, the cost of the premium, after subsidy, is deducted from the retiree's monthly pension benefit payment. If the monthly premium for the health plan selected is less than \$15 per month per year of service, the subsidy is limited to the entire premium. In addition, the health plans can include coverage for eligible spouses and dependents. Retirees who choose not to participate in a County sponsored health plan receive an in-lieu cash benefit of \$4 (whole dollars) per month per year of service. The Retirement System provides this in-lieu cash benefit on a taxable basis to retirees.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 (whole dollars) per month or a subsidy of \$15 per month per year of service, which ever is greater. This subsidy is also treated as a nontaxable amount to the disabilitants.

After a member's death, a surviving spouse is eligible to continue health plan coverage. The monthly subsidy will be equal to \$15 per month per year of service multiplied by the survivor continuation percentage applicable for pension benefits. Similarly, the cash in-lieu benefit of \$4 per month per year of service will be based upon the survivor continuation percentage applicable for pension benefits.

History of Retiree Health Benefits

Retiree health benefits were initially established by the County and the Retirement System pursuant to a Stipulation for Entry of Judgment; and, Judgment ("Judgment") among the County, the Retirement System and certain retirees. In accordance with the Judgment, the County and the Retirement System agreed to provide a retiree healthcare subsidy in the amount of \$8 (whole dollars) per month per year of service for members of the Retirement System who had retired on or before June 24, 1988 and who participated in a County sponsored health plan. For those members who did not participate in a County sponsored health plan, the subsidy was continued at the amount of \$1.47 (whole dollars) per month per year of service. The Judgment also stipulated that "undistributed surplus" would be used to fund the initial benefits. Since that time, the Board of Retirement has used its interpretation of "excess earnings" (as defined in the California Government Code, County Employees' Law of 1937) to expand the scope of the Judgment by increasing the benefits to \$15 and \$4 per month per year of service, respectively. The Board of Retirement has also expanded coverage of the Judgment to provide these benefits to all retirees (i.e. those retired after June 24, 1988) meeting the eligibility requirements for the basic pension benefit. The Retirement System has paid the retiree health benefits from pension assets.

Retirement System's Annual Financial Report

The Retirement System issues a publicly available annual financial report. The Retirement System's CAFRs for the fiscal years ended June 30, 2007 and 2006, implemented GASB 43 and include financial statements, note disclosures and required supplementary information for the defined benefit post employment healthcare plan.

The Retirement System's annual financial reports may be obtained online at [www.sbcers.org](http://www.sbcers.org) or by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210, Santa Barbara, CA 93105.

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**19. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Summary of Differences between the County’s and the Retirement System’s OPEB Valuations

Differences between the County and the Retirement System regarding the OPEB plan have resulted in financial reporting presentations which disagree. These differences are due to fundamental actuarial assumptions that include (i) whether certain plan assets are recognized and/or are available for benefits and (ii) the amount of the actuarial accrued liability (AAL). These OPEB valuation differences are summarized in the table below and are discussed further in the following paragraphs.

<u>Source</u>	<u>Actuarial Valuation Date</u>	<u>OPEB Plan Assets</u>	<u>OPEB Plan AAL</u>	<u>Plan Sponsors</u>	<u>Discount Rate</u>
Retirement System GASB 43 Actuarial Valuation for plan administrators	6/30/06	\$94,235	\$90,146	All	8.16%
County GASB 45 Actuarial Valuation for employers	12/31/06	\$0	\$132,082	County only	4.50%
Retirement System GASB 43 Actuarial Valuation for plan administrators	6/30/07	\$93,530	\$111,326	All	8.16%

The Retirement System’s FY 06-07 CAFR included OPEB actuarial valuations for both 6/30/06 and 6/30/07. In contrast, the County’s December 31, 2006 OPEB valuation was performed directly in between these two valuations. As a result of the timing differences, the County has presented both of the Retirement Systems valuations for comparison.

Differences between the County’s and the Retirement System’s OPEB Plan Assets

The County maintains the OPEB plan is unfunded because of the absence of a tax compliant trust to administer the plan. The Retirement System operates a pension trust fund governed by IRC Section 401(a). Funding of retiree healthcare premiums out of pension assets violates IRC Section 401(a)(2), the “exclusive benefit rule”. This provision provides that, in order for a pension plan to be considered a qualified plan, it must be impossible “for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, purposes other than for the exclusive benefit of [the employer’s] employees or their beneficiaries”. US Treasury Department regulations specify that, pursuant to this requirement, assets of a retirement plan must only be used for traditional retirement type benefits, a category which does not include payments for medical expenses (26 CFR Section 1.401-1(b)(1)(i)). The regulation does provide an exception for the payment of medical benefits pursuant to IRC 401(h) (“Medical, etc., benefits for retired employees and their spouses and dependents”) which requires the creation of a separate trust within a retirement plan.

Differences between the County’s and the Retirement System’s OPEB Plan AAL

The County’s \$132,082 AAL as of December 31, 2006 exceeds the \$111,326 AAL included within the Retirement System’s GASB 43 Actuarial Valuation as of June 30, 2007 by \$20,756. The greater AAL reported by the County is a result of the following factors: (i) timing differences, (ii) the actuarial covered populations used, (iii) the discount rate, and (iv) other actuarial assumptions.

Concerning timing differences, the County’s and Retirement System’s latest available valuations were performed six months apart. Regarding the actuarial covered population, the County’s liability was calculated based solely on current County employees and retirees. The Retirement System, in contrast, included the employees and retirees of all employer plan participants.

Regarding the funded status of the plan, the County maintains the OPEB plan is unfunded while the Retirement System contends that the OPEB plan was historically funded through “excess earnings” and interest credited. GASB rules state that the discount rate used to value OPEB liabilities must reflect expected returns on assets used to pay benefits. Because the assets segregated by the Retirement System cannot be used to pay nontaxable retiree medical benefits, the

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**19. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

County maintains the plan is unfunded and consequently uses a discount rate of 4.50% to calculate the AAL compared to the 8.16% used by the Retirement System. This difference in discount rates is the most significant factor between the \$132,082 AAL as disclosed by the County and the \$111,326 AAL included in the June 30, 2007 Retirement System's valuation.

Regarding other actuarial assumptions, the June 30, 2007 Retirement System valuation assumed a higher percentage of retirees (75%) would choose the \$15 subsidy based on a service weighted assumption when compared to the June 30, 2006 Retirement System valuation (60%). This change in the health participation assumption is the most significant factor that caused the difference between the Retirement System's \$90,146 AAL in the June 30, 2006 valuation, and the \$111,326 AAL in the June 30, 2007 valuation.

Funding Policy

The County and other participating employer plan sponsors have made no direct contributions to the Retirement System to fund the post employment healthcare plan. In place of employer contributions, the Retirement System has funded the OPEB plan initially via the transfer of funds (identified by the Retirement System as "excess earnings") from the pension trust to non-valuation reserve accounts. "Excess earnings" are defined as investment earnings of a particular year in excess of the long-term investment earnings assumption used for actuarial valuation purposes less 1% of total assets for contingencies. However, the County disagrees with the Retirement System's interpretation of "excess earnings" as a matter of state law. In addition, the Retirement System has funded the OPEB plan by its interest crediting policy and practice. This practice has been to credit these non-valuation reserves with the actuarial assumed rate of approximately 8.16%, irrespective of the actual rate of return.

These funding practices by the Retirement System transfer assets away from the vested core pension benefits. As a result of the Retirement System treating certain reserves as non-valuation assets, the County and other employer plan sponsors have paid an inflated basic pension contribution rate on the unfunded actuarial accrued liability (UAAL) portion of the rate. Cumulatively, from FYs 89-90 to 07-08, the County and other employer plan sponsors have contributed approximately \$120,000 in excess of the otherwise required basic pension ARC compared to approximately \$64,000 in retiree healthcare premium payments. The difference of \$56,000 represents the amount overpaid by the County and other plan sponsors.

The Retirement System has established and historically used a Health Coverage Reserve and a Supplemental Health Coverage Reserve to pay for these postemployment healthcare benefits. These reserves have been established in the Retirement System trust fund and not in a tax compliant trust. The value of the reserve assets at June 30, 2006 was \$94,235 and at June 30, 2007 was \$93,530.

The Board of Retirement has historically increased retiree healthcare benefit levels from time to time. However, there is no statutory authority under which the Board of Retirement can establish or amend direct contributions to the plan for these retiree medical benefits.

The County is required to calculate and record the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years. The current OPEB ARC rate of 5.27% percent of the County's annual covered payroll has been reflected in these financial statements.

Annual OPEB Cost

For FY 07-08, the County's annual OPEB cost (expense) of \$12,434 for the OPEB plan was equal to the ARC. The ARC includes (a) the normal cost for the year for current active employees of \$2,921 and (b) a component for amortization of the total UAAL of the plan consisting of current retirees of \$5,775, current vested terminated of \$562, and current active employees of \$3,176. However, the County made no direct contributions during this same period as a result of the absence of a tax compliant trust to administer the plan. The net OPEB obligation was comprised of the

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**19. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

following components: the ARC of \$12,434, interest expense on the beginning balance of the net OPEB obligation of \$0, less an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of past contribution deficiencies of \$0. The net OPEB obligation increased \$12,434 resulting in an ending net OPEB obligation balance of \$12,434. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 07-08 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 12,434	0%	\$ 12,434

The quantification of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the County’s reporting obligations under GASB 45, as the County understands these obligations.

Funded Status and Funding Progress

The funded status of the OPEB plan as of June 30, 2008 is as follows:

Actuarial accrued liability (AAL)	\$ 132,082
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$ 132,082
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 235,810
UAAL as percentage of covered payroll	56.01%

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the County’s Other Post Employment Benefits, is presented as required supplementary information (RSI) following the notes to the financial statements. This schedule will, in subsequent fiscal years, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations.

In the County’s December 31, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of investment expenses) and separate annual healthcare cost trend rates for medical/prescription drug, dental and vision. The medical/prescription drug cost trend rate starts at 11% and declines to 5% over nine years. The dental cost trend rate starts at 6.5% and declines to 5% over four years. The vision cost trend rate is flat at 5%. These rates include an inflation assumption of 4%. The OPEB plan’s unfunded AAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was fifteen years.

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**19. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Additional Disclosure

The County implemented GASB Statement 45 prospectively as of the fiscal year ended June 30, 2008.

Related Litigation

On June 13, 2008, the County filed a writ of mandamus and complaint for declaratory relief against the Retirement System. The purpose of obtaining Court intervention was to ensure the implementation of a viable and legal solution for funding of the retiree medical program. Since the filing, the County's outside attorneys have continued to communicate with the Retirement System's attorneys in an effort to resolve the tax compliance issues and to continue to urge the Board of Retirement to adopt a 401(h) plan proposed by the County. See Subsequent Events Note 23 for information related to the September 19, 2008 Agreement between the County to establish and the Retirement System to administer a 401(h) plan.

Request for Internal Revenue Service Determination on the Continued Qualified Status of Plan and Submission to the Voluntary Correction Program

See Subsequent Event (Note 23) for information related to the County's submission to the Internal Revenue Service (IRS). On July 2, 2008 the County requested a determination on the continued qualified status of the Santa Barbara County Employees' Retirement System Plan (Plan) in its entirety under Section 401(a) of the Internal Revenue Code of 1986. In addition, the Plan has been submitted to the IRS's Voluntary Compliance Program. The purpose of the submission was to correct both plan document and operational compliance issues stemming from practices related to the funding of retiree health benefits.

**20. DEFERRED COMPENSATION PLANS**

Santa Barbara County Supplemental Retirement Plan

The Santa Barbara County Supplemental Retirement Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employer-only annual contributions are calculated based upon a percentage of employee compensation under annual agreements with employee bargaining groups and unions.

This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

The County's actual contributions for the current year and each of the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Contributions</u>
6/30/2006	\$ 149
6/30/2007	158
6/30/2008	200

County of Santa Barbara Employee Contribution Deferred Compensation Plan

The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$15,500 (in whole dollars) per calendar year, so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**20. DEFERRED COMPENSATION PLANS - CONTINUED**

This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

County of Santa Barbara Social Security Compliance Deferred Compensation Plan

The Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular Retirement System are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.0% and the County's contribution equals 1.5% for a combined total of 7.5%.

This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

The County's actual contributions for the current year and each of the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Contributions</u>
6/30/2006	\$ 108
6/30/2007	100
6/30/2008	108

**21. VOLUNTARY TERMINATION BENEFITS**

In May 2008, the Board of Supervisors adopted a resolution as part of an Early Retirement Incentive Program, authorizing two (2) years additional retirement service credit, to certain employee classifications in the County Counsel Department. This offer was effective from June 1 to June 30, 2008. Three employees accepted the program and, as a result, termination benefits of \$215 were incurred. These benefits consist of payments to the Retirement System for the two years additional retirement service credit for the three employees who accepted the voluntary Early Retirement Incentive Program.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**22. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$14,203 due to under accrued settlement liabilities mostly related to Medi-Cal cost reimbursements (see Note 12) was made to decrease the beginning fund balance of Alcohol, Drug and Mental Health Services (ADMHS), and to decrease the beginning net assets of governmental activities on the Statement of Net Assets. The restatement of ADMHS beginning fund balance and net assets of the governmental activities is summarized as follows:

	<b>ADMHS</b>
Fund balance at July 1, 2007, as previously stated	\$ 5,570
Prior period adjustment	(14,203)
Fund balance at July 1, 2007, as restated	\$ (8,633)
<b>Governmental</b>	
	<b>Activities</b>
Net assets at July 1, 2007, as previously stated	\$ 616,803
Prior period adjustment	(14,203)
Net assets at July 1, 2007, as restated	\$ 602,600

**23. SUBSEQUENT EVENTS**

Agreement for County to Establish and Retirement System to Administer a 401(h) Plan Which Resulted in the Suspension of Related Litigation

On September 16, 2008 the County Board of Supervisors passed a resolution: (i) adopting regulations and an administrative agreement to establish an account for the provision of retiree medical benefits to be funded by the County (and other plan sponsors) and administered by the Retirement System, in accordance with section 401(h) of the Internal Revenue Code; and (ii) authorizing execution of a further agreement between the County and the Retirement System that, in effect, provides for litigation to be suspended and for a defined status quo to be preserved once the 401(h) Account was in place. On September 19, 2008, the Retirement System’s Board of Retirement likewise approved the 401(h) regulations, administrative agreement and status quo agreement described above. On or about September 26, 2008, the County and Retirement System plan on submitting a joint stipulation to the Superior Court assigned to hear the related litigation, which advised the Court of the existence and terms of the Agreement and requested that the Court schedule a status conference for early next year.

Request for Internal Revenue Service Determination on the Continued Qualified Status of Plan and Submission to the Voluntary Correction Program

On July 2, 2008 the County requested from the Internal Revenue Service (IRS) a determination on the continued qualified status of the Santa Barbara County Employees’ Retirement System Plan (Plan) in its entirety under Section 401(a) of the Internal Revenue Code of 1986. In conjunction with this determination the Plan has been submitted for a correction through the IRS’s Voluntary Compliance Program. The purpose of the submission was to correct both plan document and operational compliance issues stemming from practices related to the funding of retiree health benefits.

The submission identified the problem area, the cause of the problem, and proposed solution(s) for IRS approval; the County’s proposed solution included a 401(h) plan. At this time, the County is unable to predict the exact timing of any guidance that may be obtained from the IRS or the results or impact of such guidance. In order for the County and the Retirement System to maintain the qualified status of the Retirement System, the IRS may request that the County restore any pension funds used to pay retiree health benefits (plus interest), pay fees, pay interest, and/or request that the Retirement System reallocate assets between pension liabilities and retiree health liabilities. The amount of any additional fees, interest, reallocation, and contributions is unknown at this time.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**June 30, 2008**  
**(in thousands)**

Santa Barbara County Employees' Retirement System - Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) ÷ (5)
12/31/2002	1,295,956	1,363,605	95.00%	67,649	251,834	26.90%
6/30/2003 *	1,346,665	1,454,864	92.60%	108,199	257,237	42.10%
6/30/2004	1,379,170	1,578,769	87.40%	199,599	266,960	74.80%
6/30/2005	1,443,824	1,687,632	85.60%	243,808	267,785	91.00%
6/30/2006	1,552,776	1,809,656	85.80%	256,880	287,382	89.40%
6/30/2007 **	1,620,338	1,956,834	82.80%	336,496	294,163	114.39%

Source: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2007.

\* The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.

\*\* Information beginning in 2007 was provided by a new actuary. Prior to 2007, certain non-valuation asset reserves were included with the actuarial value of plan assets (AVA) and non-valuation plan assets were added to the actuarial accrued liabilities (AAL). Beginning in 2007, non-valuation assets are excluded from AVA and AAL.

See accompanying independent auditor's report.

Notes to Required Supplementary Information

1. This information is intended to help users assess the Retirement System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
2. The information presented relates to the entire Santa Barbara County Employees' Retirement System, of which the County is one participating employer, and should provide data helpful for understanding the scale of the information presented relative to the employer.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**June 30, 2008**  
**(in thousands)**

Other Post Employment Benefits (OPEB) Plan - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)—Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
12/31/2006	\$0	\$132,082	\$132,082	0%	\$235,810	56.01%

Source: Mercer Human Resource Consulting “County of Santa Barbara Healthcare Valuation Report Under GASB 45 as of January 1, 2007”

See accompanying independent auditor’s report.

Notes to Required Supplementary Information

1. This information is intended to help users assess the County’s OPEB plan’s status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.
2. The information presented relates solely to the County and not Santa Barbara County Employees’ Retirement System as a whole.
3. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds are established to finance particular governmental activities and are financed by specific taxes or other revenues. Such funds are authorized by statutory provisions to pay for certain activities of a continuing nature. Included in the Special Revenue classification are the following funds:

### **First 5 Children and Families Commission**

The First 5 Children and Families Commission Fund, as required by Proposition 10, accounts for the revenues generated by a tax increase on cigarettes and tobacco products. The Proposition 10 revenues are deposited into the First 5 Children and Families Commission Fund, and used to promote, support and improve the early development of children from the prenatal stage to five years of age. The funds are not to be used for projects or expenditures outside the scope of Proposition 10 objectives. This fund was established during fiscal year 1998-99. These activities were not accounted for previously in another fund; Proposition 10 became effective January 1, 1999.

### **Fish and Game**

The Fish and Game Fund is used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Board of Supervisors authorizes expenditures on advice of the Fish and Game Commission.

### **Petroleum**

The Petroleum Fund, established pursuant to Chapter 25 of the County Code, is used to account for the revenues and expenditures associated with administering the Petroleum Ordinance. The Petroleum Ordinance regulates the issuing of oil well drilling permits; regulates drilling, operating and abandoning petroleum wells, pipelines, tanks and associated petroleum equipment for prevention of erosion, pollution and fire hazards and for safety controls.

### **Public and Educational Access**

The fund for Public and Educational Access was established in December of 2001 by the Board of Supervisors to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund shall be the support of education and public information through programs aimed at expanding public access and educational access to telecommunication services.

### **Special Aviation**

The Special Aviation Fund is used to account for activity related to the Santa Ynez Airport.

### **Child Support Services**

AB 196, AB 150, and SB 542 established the Child Support Services Fund during fiscal year 2000-01 to provide separate fund accountability as required. These legislative bills mandated that all Family Support Divisions located in the District Attorney's Offices become separate and independent departments. Child Support Services establishes paternity, obtains and enforces court orders for child support, collects and distributes payments, and provides community outreach about those services for the benefit of minor children.

### **Fishermen Assistance**

#### **Fisheries Enhancement**

The Fisheries Enhancement Fund (FEF) was established to mitigate impacts to the commercial fishing industry from offshore oil and gas development. Impact fees paid by offshore energy producers, pursuant to permit conditions, supports FEF. In early 1993, the Planning Commission approved a supplemental needs assessment that, pursuant to Board-adopted FEF Guidelines, recommends specific projects to be pursued for FEF awards.

# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## **Local Fishermen's Contingency**

The Local Fishermen's Contingency Fund is financed by county permit conditions placed upon energy projects to mitigate impacts to the commercial fishing industry. The intent of the fund is to provide an interest-free loan program to fishermen awaiting payment of claims from the Federal Fishermen's Contingency Fund. The claims are for damage or loss resulting from outer continental shelf development or production, and to reimburse fishermen for damage or loss of gear, not covered under the Federal fund, which occurs in State waters because of Federal or State oil and gas development, or because of oil production activities such as transport.

## **Coastal Resources Enhancement**

The Coastal Resources Enhancement Fund was established on May 10, 1988 to account for revenues received from offshore oil and gas projects pursuant to permit conditions and expanded by the Board of Supervisors to projects that mitigate impacts to coastal recreation, aesthetics, tourism, and/or sensitive environmental resources.

## **Affordable Housing**

### **Affordable Housing**

The Affordable Housing Trust Fund was established to account for the various affordable housing programs administered by the County and provides local match to leverage Federal funding for the creation of affordable housing.

### **HOME Program**

The HOME Program Fund was established in fiscal year 1993-94 to qualify for Federal affordable housing funds for the consortium which currently includes the cities of Buellton, Carpinteria, Goleta, Lompoc, Santa Maria, and Solvang.

## **Court Activities**

AB 2544 in fiscal year 1994-95 established the Court Activities Fund to account for the State's portion of Trial Court Funding. AB Bill 233, adopted in fiscal year 1997-98, transferred State funding out of the County entity. This fund represents the portion of Trial Court Operations under the County's control.

## **Criminal Justice Construction**

The Criminal Justice Temporary Construction Fund was established to account for State authorized surcharges on criminal fines, which are statutorily designated for the establishment of adequate criminal justice facilities in the County.

## **Courthouse Construction**

The Courthouse Temporary Construction Fund was established to account for State authorized surcharges on fines for non-parking and other criminal cases, which are statutorily designated for renovation and/or construction of courtroom facilities.

## **Inmate Welfare**

The Inmate Welfare Fund was established to account for profits from the County jail store and any money attributable to the use of pay telephones. The funds are expended primarily for the benefit, education, and welfare of the inmates confined within the jail.

# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## **Redevelopment Agency**

The Santa Barbara County Redevelopment Agency was formed on September 12, 1989 under Section 33200 of the State of California Health and Safety Code. The Isla Vista Redevelopment Project Area, which was established by ordinance November 27, 1990, was formed to eliminate blight in the Project Area.

## **SPECIAL DISTRICTS UNDER THE BOARD OF SUPERVISORS**

Separate special districts have been established for the purpose of providing specific services to distinct geographical areas within the County. Those special districts that are under the jurisdiction of the Board of Supervisors are included within the Special Revenue Fund classification. These are financed principally from property taxes and benefit assessments, and are comprised of the following:

### **County Service Areas (CSA's)**

#### **County Service Area #3**

This service area serves part of the Goleta Valley, providing extended park and open space maintenance, library services and street lighting. It provides 1,430 streetlights and maintains approximately 535 acres of open space and 148 acres of parks. This fund also made payments for the Goleta Valley Community Center and the Santa Barbara Shores property prior to the transfer of these assets to the City of Goleta.

#### **County Service Area #4**

This service area is located north of the City of Lompoc and serves the communities of Mission Hills and Vandenberg Village. It provides 702 streetlights and maintains approximately 52 acres of open space.

#### **County Service Area #5**

This service area serves the Orcutt area south of Santa Maria, providing extended park and open space activities. Extending from Waller Park, to just south of Rice Ranch Road, CSA #5 provides 1,737 streetlights and encompasses approximately 68 acres of parkland (Waller Park) and 11 acres of open space.

#### **County Service Area #11**

This service area embraces the unincorporated urbanized area of Carpinteria Valley and Summerland. The service area provides the community with 77 streetlights.

#### **County Service Area #12 – Mission Canyon Sewer Service Charge**

This fund was established for the purpose of assessing property owners for the ongoing maintenance of the sewer system and septic tank inspection services for those properties in the prohibition area but not on public sewers. A separate assessment is charged to properties remaining on septic systems in order to provide septic performance tracking.

#### **County Service Area #31**

This service area embraces the unincorporated community of Isla Vista, located west of the University of California at Santa Barbara, and provides 277 streetlights.

#### **County Service Area #32**

This district was established to provide financing of sheriff patrols, from non-property tax sources, in the unincorporated areas of the County.

#### **County Service Area #41**

This district was established to assess property owners of the Rancho Santa Rita Subdivision, located outside the City of Lompoc, for road repairs, maintenance and improvements.

# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## Community Facilities Districts

### **Orcutt Community Facilities District**

In October 2002, qualified landowners approved the formation of a Community Facilities District (CFD) within the Orcutt Planning Area, located south of the City of Santa Maria. The CFD levied a special tax that may be used to finance infrastructure construction, fire and sheriff protection services, maintenance of parks, parkways and open space, and flood and storm protection services.

### **Providence Landing Community Facilities District**

This Mello-Roos district encompasses the Providence Landing subdivision in South Vandenberg Village and provides funding for the maintenance of a public park.

## **Fire Protection District**

This district finances the majority of the cost of the Santa Barbara County Fire Department utilizing property tax revenues, which are collected within the District's boundaries. The Fire Department provides a full range of emergency services for most of the unincorporated territory of Santa Barbara County, the City of Buellton, City of Solvang, City of Goleta and private lands within the National Forest. The National Forest and military installations provide their own fire protection.

## Lighting Districts

### **Mission Lighting District**

This district provides 19 streetlights in the unincorporated area of Mission Canyon, located east of the City of Santa Barbara.

### **North County Lighting District**

Casmalia, Los Alamos, and Orcutt Lighting Districts and the lighting function of CSA #4 and #5 were consolidated in fiscal year 1994-95 to form the North County Lighting District which provides 2,764 streetlights in the north county.

## **Sandyland Seawall Maintenance**

This district provides for the maintenance of a seawall constructed in the Sandyland Cove area, and is financed through benefit assessments levied against those properties adjacent to that beachfront area.

## **Water Agency**

This agency prepares investigations and reports on the County's water requirements, project development, and efficient use of water. The agency provides technical assistance to other County departments, water districts, and the public concerning water availability and water well locations and design. The agency also administers the Cachuma Project and Twitchell Dam Project contracts with the U.S. Bureau of Reclamation.



# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt.

### **Santa Barbara County Finance Corporation**

The Santa Barbara County Finance Corporation Debt Service Fund accounts for the accumulation of resources for, and payment of, principal and interest incurred by the sale of Certificates of Participation issued to finance various County capital projects.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF June 30, 2008 (in thousands)

	Special Revenue							
	First 5 Children and Families Commission	Fish and Game	Petroleum	Public & Educational Access	Special Aviation	Child Support Services	Fishermen Assistance	Coastal Resources Enhancement
<b>ASSETS</b>								
Cash and investments	\$ 8,048	\$ 44	\$ 129	\$ 2,007	\$ 272	\$ 589	\$ 438	\$ 2,327
Accounts receivable, net:								
Fines, forfeitures, and penalties	--	--	--	--	--	--	--	--
Use of money and property	74	--	1	18	1	10	4	19
Intergovernmental	995	--	--	--	22	280	--	--
Charges for services	--	--	--	--	--	--	--	--
Other	344	--	--	--	--	--	--	--
Due from other funds	1	--	--	--	--	--	--	--
Other receivables	4	--	--	--	--	--	--	--
Property held for resale	--	--	--	--	--	--	--	--
Restricted cash and investments	--	--	--	--	--	--	--	--
Total assets	<u>\$ 9,466</u>	<u>\$ 44</u>	<u>\$ 130</u>	<u>\$ 2,025</u>	<u>\$ 295</u>	<u>\$ 879</u>	<u>\$ 442</u>	<u>\$ 2,346</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 1,243	\$ --	\$ --	\$ --	\$ --	\$ 38	\$ 2	\$ --
Salaries and benefits payable	65	--	8	--	--	305	--	--
Interest payable	--	--	--	--	--	--	--	--
Other payables	--	--	--	--	79	26	--	--
Unearned revenues	--	--	--	--	--	213	--	--
Total liabilities	<u>1,308</u>	<u>--</u>	<u>8</u>	<u>--</u>	<u>79</u>	<u>582</u>	<u>2</u>	<u>--</u>
<b>FUND BALANCES</b>								
Reserved for:								
Receivables	4	--	--	--	--	--	--	--
Imprest cash	--	--	--	--	--	1	--	--
Debt service	--	--	--	--	--	--	--	--
Inventories: property held for resale	--	--	--	--	--	--	--	--
Unreserved:								
Designated	7,569	--	--	1,107	--	11	--	62
Undesignated	585	44	122	918	216	285	440	2,284
Total fund balances	<u>8,158</u>	<u>44</u>	<u>122</u>	<u>2,025</u>	<u>216</u>	<u>297</u>	<u>440</u>	<u>2,346</u>
Total liabilities and fund balances	<u>\$ 9,466</u>	<u>\$ 44</u>	<u>\$ 130</u>	<u>\$ 2,025</u>	<u>\$ 295</u>	<u>\$ 879</u>	<u>\$ 442</u>	<u>\$ 2,346</u>

The notes to the financial statements are an integral part of this statement.

**Special  
Revenue**

<b>Affordable Housing</b>	<b>Court Activities</b>	<b>Criminal Justice Construction</b>	<b>Courthouse Construction</b>	<b>Inmate Welfare</b>	<b>Redevelop- ment Agency</b>	
\$ 7,678	\$ 228	\$ 601	\$ 316	\$ 1,301	\$ 16,514	<b>ASSETS</b>
--	204	94	94	--	--	Cash and investments
61	--	6	1	9	43	Accounts receivable, net:
226	--	--	--	--	--	Fines, forfeitures, and penalties
--	327	--	--	--	--	Use of money and property
--	213	--	--	--	--	Intergovernmental
--	--	--	--	--	--	Charges for services
585	--	--	--	--	4,210	Other
--	--	--	--	--	2,600	Due from other funds
--	--	--	--	--	--	Other receivables
<u>\$ 8,550</u>	<u>\$ 972</u>	<u>\$ 701</u>	<u>\$ 411</u>	<u>\$ 1,310</u>	<u>\$ 23,367</u>	Property held for resale
						Restricted cash and investments
						Total assets
\$ 3,394	\$ 844	\$ --	\$ --	\$ 1	\$ 104	<b>LIABILITIES</b>
--	--	--	--	30	--	Accounts payable
--	7	--	--	--	--	Salaries and benefits payable
--	--	1	1	--	--	Interest payable
631	--	--	--	--	4,210	Other payables
<u>4,025</u>	<u>851</u>	<u>1</u>	<u>1</u>	<u>31</u>	<u>4,314</u>	Unearned revenues
						Total liabilities
						<b>FUND BALANCES</b>
--	--	--	--	--	--	Reserved for:
--	--	--	--	--	--	Receivables
--	--	--	--	--	--	Imprest cash
--	--	--	--	--	2,600	Debt service
8	101	699	--	1	6	Inventories: property held for resale
4,517	20	1	410	1,278	16,447	Unreserved:
<u>4,525</u>	<u>121</u>	<u>700</u>	<u>410</u>	<u>1,279</u>	<u>19,053</u>	Designated
						Undesignated
						Total fund balances
<u>\$ 8,550</u>	<u>\$ 972</u>	<u>\$ 701</u>	<u>\$ 411</u>	<u>\$ 1,310</u>	<u>\$ 23,367</u>	Total liabilities and fund balances

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING BALANCE SHEET (Continued)  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF June 30, 2008 (in thousands)

	Special Revenue						Special Revenue Total
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	
<b>ASSETS</b>							
Cash and investments	\$ 1,725	\$ 199	\$ 10,315	\$ 502	\$ 347	\$ 5,884	\$ 59,464
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	--	--	--	--	--	392
Use of money and property	17	2	91	4	3	48	412
Intergovernmental	--	--	--	--	--	--	1,523
Charges for services	--	--	--	--	--	--	327
Other	--	--	--	--	--	--	557
Due from other funds	--	--	--	--	--	--	1
Other receivables	--	--	--	--	--	--	4,799
Property held for resale	--	--	--	--	--	--	2,600
Restricted cash and investments	--	--	--	--	--	7	7
Total assets	<u>\$ 1,742</u>	<u>\$ 201</u>	<u>\$ 10,406</u>	<u>\$ 506</u>	<u>\$ 350</u>	<u>\$ 5,939</u>	<u>\$ 70,082</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 3	\$ 3	\$ --	\$ --	\$ --	\$ 5	\$ 5,637
Salaries and benefits payable	--	--	--	--	--	26	434
Interest payable	--	--	--	--	--	--	7
Other payables	--	--	--	--	--	7	114
Unearned revenues	--	--	299	--	--	--	5,353
Total liabilities	<u>3</u>	<u>3</u>	<u>299</u>	<u>--</u>	<u>--</u>	<u>38</u>	<u>11,545</u>
<b>FUND BALANCES</b>							
Reserved for:							
Receivables	--	--	--	--	--	--	4
Imprest cash	--	--	--	--	--	--	1
Debt service	--	--	--	--	--	--	--
Inventories: property held for resale	--	--	--	--	--	--	2,600
Unreserved:							
Designated	478	68	4,579	1	--	119	14,809
Undesignated	1,261	130	5,528	505	350	5,782	41,123
Total fund balances	<u>1,739</u>	<u>198</u>	<u>10,107</u>	<u>506</u>	<u>350</u>	<u>5,901</u>	<u>58,537</u>
Total liabilities and fund balances	<u>\$ 1,742</u>	<u>\$ 201</u>	<u>\$ 10,406</u>	<u>\$ 506</u>	<u>\$ 350</u>	<u>\$ 5,939</u>	<u>\$ 70,082</u>

The notes to the financial statements are an integral part of this statement.

<u>Debt Service</u>			
Santa Barbara County Finance Corporation	Total Nonmajor Governmental Funds		
\$ 382	\$ 59,846	<b>ASSETS</b>	
--	392	Cash and investments	
2	414	Accounts receivable, net:	
--	1,523	Fines, forfeitures, and penalties	
--	327	Use of money and property	
--	557	Intergovernmental	
--	1	Charges for services	
--	4,799	Other	
--	2,600	Due from other funds	
7,749	7,756	Other receivables	
<u>\$ 8,133</u>	<u>\$ 78,215</u>	Property held for resale	
		Restricted cash and investments	
		Total assets	
		<b>LIABILITIES</b>	
\$ --	\$ 5,637	Accounts payable	
--	434	Salaries and benefits payable	
--	7	Interest payable	
--	114	Other payables	
--	5,353	Unearned revenues	
<u>--</u>	<u>11,545</u>	Total liabilities	
		<b>FUND BALANCES</b>	
		Reserved for:	
--	4	Receivables	
--	1	Imprest cash	
7,903	7,903	Debt service	
--	2,600	Inventories: property held for resale	
		Unreserved:	
230	15,039	Designated	
--	41,123	Undesignated	
<u>8,133</u>	<u>66,670</u>	Total fund balances	
<u>\$ 8,133</u>	<u>\$ 78,215</u>	Total liabilities and fund balances	

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Special Revenue							
	First 5 Children and Families Commission	Fish and Game	Petroleum	Public & Educational Access	Special Aviation	Child Support Services	Fishermen Assistance	Coastal Resources Enhancement
<b>Revenues</b>								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits, and franchises	--	--	8	--	--	--	--	--
Fines, forfeitures, and penalties	--	6	--	--	--	--	--	--
Use of money and property	416	2	4	94	11	45	20	95
Intergovernmental	5,257	--	--	--	924	9,756	--	--
Charges for services	--	--	234	--	--	2	--	--
Other	1,045	--	--	--	--	--	9	638
Total revenues	<u>6,718</u>	<u>8</u>	<u>246</u>	<u>94</u>	<u>935</u>	<u>9,803</u>	<u>29</u>	<u>733</u>
<b>Expenditures</b>								
Current:								
Law & justice	--	--	--	--	--	--	--	--
Public safety	--	--	--	--	--	--	--	--
Health & public assistance	--	--	--	--	--	9,672	--	--
Community resources & public facilities	--	7	223	--	--	--	19	706
General government & support services	--	--	--	--	922	--	--	--
General county programs	7,404	--	--	224	--	--	--	--
Debt service:								
Principal	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--
Total expenditures	<u>7,404</u>	<u>7</u>	<u>223</u>	<u>224</u>	<u>922</u>	<u>9,672</u>	<u>19</u>	<u>706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(686)</u>	<u>1</u>	<u>23</u>	<u>(130)</u>	<u>13</u>	<u>131</u>	<u>10</u>	<u>27</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	34	--	--	--	--	31	--	--
Transfers out	(67)	--	--	--	--	(12)	--	--
Proceeds from sale of capital assets	--	--	--	--	--	--	--	--
Total other financing sources (uses)	<u>(33)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>19</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(719)	1	23	(130)	13	150	10	27
Fund balances - beginning	8,877	43	99	2,155	203	147	430	2,319
Fund balances - ending	<u>\$ 8,158</u>	<u>\$ 44</u>	<u>\$ 122</u>	<u>\$ 2,025</u>	<u>\$ 216</u>	<u>\$ 297</u>	<u>\$ 440</u>	<u>\$ 2,346</u>

The notes to the financial statements are an integral part of this statement.

**Special  
Revenue**

<b>Affordable Housing</b>	<b>Court Activities</b>	<b>Criminal Justice Construction</b>	<b>Courthouse Construction</b>	<b>Inmate Welfare</b>	<b>Redevelop- ment Agency</b>	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,989	<b>Revenues</b>
--	--	--	--	--	--	Taxes
--	2,299	1,135	1,138	--	--	Licenses, permits, and franchises
311	56	31	16	640	170	Fines, forfeitures, and penalties
2,436	27	--	--	--	--	Use of money and property
199	3,583	--	--	--	--	Intergovernmental
622	1,061	--	--	466	1,064	Charges for services
<u>3,568</u>	<u>7,026</u>	<u>1,166</u>	<u>1,154</u>	<u>1,106</u>	<u>5,223</u>	Other
						Total revenues
						<b>Expenditures</b>
						Current:
--	14,718	--	--	--	--	Law & justice
--	49	--	--	909	--	Public safety
--	--	--	--	--	--	Health & public assistance
4,560	--	--	--	--	--	Community resources & public facilities
--	--	--	--	--	--	General government & support services
--	--	--	--	--	1,744	General county programs
--	--	--	--	--	--	Debt service:
--	--	--	--	--	--	Principal
--	--	--	--	--	--	Interest
<u>4,560</u>	<u>14,767</u>	<u>--</u>	<u>--</u>	<u>909</u>	<u>1,744</u>	Total expenditures
						Excess (deficiency) of revenues over (under) expenditures
<u>(992)</u>	<u>(7,741)</u>	<u>1,166</u>	<u>1,154</u>	<u>197</u>	<u>3,479</u>	
						<b>Other Financing Sources (Uses)</b>
20	7,754	--	--	--	13,401	Transfers in
(1,076)	--	(1,331)	(1,168)	(145)	(407)	Transfers out
--	--	--	--	--	--	Proceeds from sale of capital assets
<u>(1,056)</u>	<u>7,754</u>	<u>(1,331)</u>	<u>(1,168)</u>	<u>(145)</u>	<u>12,994</u>	Total other financing sources (uses)
(2,048)	13	(165)	(14)	52	16,473	Net change in fund balances
<u>6,573</u>	<u>108</u>	<u>865</u>	<u>424</u>	<u>1,227</u>	<u>2,580</u>	Fund balances - beginning
<u>\$ 4,525</u>	<u>\$ 121</u>	<u>\$ 700</u>	<u>\$ 410</u>	<u>\$ 1,279</u>	<u>\$ 19,053</u>	Fund balances - ending

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Special Revenue						Special Revenue Total
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	
<b>Revenues</b>							
Taxes	\$ 1,096	\$ 194	\$ 26,521	\$ 423	\$ --	\$ 2,104	\$ 34,327
Licenses, permits, and franchises	--	--	--	--	--	--	8
Fines, forfeitures, and penalties	--	--	--	--	--	--	4,578
Use of money and property	89	10	482	17	6	252	2,767
Intergovernmental	8	--	275	3	--	844	19,530
Charges for services	573	--	--	142	400	71	5,204
Other	--	--	31	--	--	--	4,936
Total revenues	<u>1,766</u>	<u>204</u>	<u>27,309</u>	<u>585</u>	<u>406</u>	<u>3,271</u>	<u>71,350</u>
<b>Expenditures</b>							
Current:							
Law & justice	--	--	--	--	--	--	14,718
Public safety	--	--	238	--	--	--	1,196
Health & public assistance	--	--	--	--	--	--	9,672
Community resources & public facilities	876	11	--	398	60	2,846	9,706
General government & support services	--	--	--	--	--	--	922
General county programs	--	--	--	--	--	--	9,372
Debt service:							
Principal	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Total expenditures	<u>876</u>	<u>11</u>	<u>238</u>	<u>398</u>	<u>60</u>	<u>2,846</u>	<u>45,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>890</u>	<u>193</u>	<u>27,071</u>	<u>187</u>	<u>346</u>	<u>425</u>	<u>25,764</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	25,235	--	--	--	--	565	47,040
Transfers out	(26,393)	(223)	(25,193)	--	--	(40)	(56,055)
Proceeds from sale of capital assets	--	--	--	--	--	1	1
Total other financing sources (uses)	<u>(1,158)</u>	<u>(223)</u>	<u>(25,193)</u>	<u>--</u>	<u>--</u>	<u>526</u>	<u>(9,014)</u>
Net change in fund balances	(268)	(30)	1,878	187	346	951	16,750
Fund balances - beginning	<u>2,007</u>	<u>228</u>	<u>8,229</u>	<u>319</u>	<u>4</u>	<u>4,950</u>	<u>41,787</u>
Fund balances - ending	<u>\$ 1,739</u>	<u>\$ 198</u>	<u>\$ 10,107</u>	<u>\$ 506</u>	<u>\$ 350</u>	<u>\$ 5,901</u>	<u>\$ 58,537</u>

The notes to the financial statements are an integral part of this statement.



<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>	
<u>Santa Barbara County Finance Corporation</u>		
\$ --	\$ 34,327	<b>Revenues</b>
--	8	Taxes
--	4,578	Licenses, permits, and franchises
629	3,396	Fines, forfeitures, and penalties
383	19,913	Use of money and property
--	5,204	Intergovernmental
--	4,936	Charges for services
<u>1,012</u>	<u>72,362</u>	Other
		Total revenues
		<b>Expenditures</b>
		Current:
--	14,718	Law & justice
--	1,196	Public safety
--	9,672	Health & public assistance
--	9,706	Community resources & public facilities
--	922	General government & support services
20	9,392	General county programs
		Debt service:
6,421	6,421	Principal
<u>2,636</u>	<u>2,636</u>	Interest
<u>9,077</u>	<u>54,663</u>	Total expenditures
		Excess (deficiency) of revenues over (under) expenditures
<u>(8,065)</u>	<u>17,699</u>	
		<b>Other Financing Sources (Uses)</b>
8,282	55,322	Transfers in
--	(56,055)	Transfers out
--	1	Proceeds from sale of capital assets
<u>8,282</u>	<u>(732)</u>	Total other financing sources (uses)
217	16,967	Net change in fund balances
<u>7,916</u>	<u>49,703</u>	Fund balances - beginning
<u>\$ 8,133</u>	<u>\$ 66,670</u>	Fund balances - ending

COUNTY OF SANTA BARBARA, CALIFORNIA  
**FIRST 5 CHILDREN AND FAMILIES COMMISSION SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)**

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	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Use of money and property	\$ 250	\$ 258	\$ 416	\$ 158
Intergovernmental	5,081	5,081	5,257	176
Other	851	1,075	1,045	(30)
Total revenues	<u>6,182</u>	<u>6,414</u>	<u>6,718</u>	<u>304</u>
<b>Expenditures</b>				
Current:				
General county programs	<u>7,313</u>	<u>7,671</u>	<u>7,404</u>	<u>267</u>
Total expenditures	<u>7,313</u>	<u>7,671</u>	<u>7,404</u>	<u>267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,131)</u>	<u>(1,257)</u>	<u>(686)</u>	<u>571</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	31	34	34	--
Transfers out	<u>(3)</u>	<u>(67)</u>	<u>(67)</u>	<u>--</u>
Total other financing sources (uses)	<u>28</u>	<u>(33)</u>	<u>(33)</u>	<u>--</u>
Net change in fund balances	(1,103)	(1,290)	(719)	571
Fund balances - beginning	<u>8,877</u>	<u>8,877</u>	<u>8,877</u>	<u>--</u>
Fund balances - ending	<u>\$ 7,774</u>	<u>\$ 7,587</u>	<u>\$ 8,158</u>	<u>\$ 571</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FISH AND GAME SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 9	\$ 9	\$ 6	\$ (3)
Use of money and property	2	2	2	--
Total revenues	11	11	8	(3)
<b>Expenditures</b>				
Current:				
Community resources & public facilities	21	21	7	14
Total expenditures	21	21	7	14
Excess (deficiency) of revenues over (under) expenditures	(10)	(10)	1	11
Net change in fund balances	(10)	(10)	1	11
Fund balances - beginning	43	43	43	--
Fund balances - ending	\$ 33	\$ 33	\$ 44	\$ 11

COUNTY OF SANTA BARBARA, CALIFORNIA  
 PETROLEUM SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses, permits, and franchises	\$ 18	\$ 18	\$ 8	\$ (10)
Use of money and property	3	3	4	1
Charges for services	235	235	234	(1)
Total revenues	<u>256</u>	<u>256</u>	<u>246</u>	<u>(10)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	359	359	223	136
Total expenditures	<u>359</u>	<u>359</u>	<u>223</u>	<u>136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103)</u>	<u>(103)</u>	<u>23</u>	<u>126</u>
Net change in fund balances	(103)	(103)	23	126
Fund balances - beginning	99	99	99	--
Fund balances - ending	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ 122</u>	<u>\$ 126</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 PUBLIC AND EDUCATIONAL ACCESS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

---

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 40	\$ 89	\$ 94	\$ 5
Total revenues	<u>40</u>	<u>89</u>	<u>94</u>	<u>5</u>
<b>Expenditures</b>				
Current:				
General county programs	225	225	224	1
Total expenditures	<u>225</u>	<u>225</u>	<u>224</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(185)</u>	<u>(136)</u>	<u>(130)</u>	<u>6</u>
Net change in fund balances	(185)	(136)	(130)	6
Fund balances - beginning	2,155	2,155	2,155	--
Fund balances - ending	<u>\$ 1,970</u>	<u>\$ 2,019</u>	<u>\$ 2,025</u>	<u>\$ 6</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
SPECIAL AVIATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 3	\$ 3	\$ 11	\$ 8
Intergovernmental	1,214	1,214	924	(290)
Other	32	8	--	(8)
Total revenues	<u>1,249</u>	<u>1,225</u>	<u>935</u>	<u>(290)</u>
<b>Expenditures</b>				
Current:				
General government & support services	1,128	1,222	922	300
Total expenditures	<u>1,128</u>	<u>1,222</u>	<u>922</u>	<u>300</u>
Excess of revenues over expenditures	121	3	13	10
Net change in fund balances	121	3	13	10
Fund balances - beginning	203	203	203	--
Fund balances - ending	<u>\$ 324</u>	<u>\$ 206</u>	<u>\$ 216</u>	<u>\$ 10</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
CHILD SUPPORT SERVICES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 40	\$ 41	\$ 45	\$ 4
Intergovernmental	9,848	9,848	9,756	(92)
Charges for services	--	--	2	2
Other	2	2	--	(2)
Total revenues	<u>9,890</u>	<u>9,891</u>	<u>9,803</u>	<u>(88)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	<u>9,877</u>	<u>9,877</u>	<u>9,672</u>	<u>205</u>
Total expenditures	<u>9,877</u>	<u>9,877</u>	<u>9,672</u>	<u>205</u>
Excess of revenues over expenditures	<u>13</u>	<u>14</u>	<u>131</u>	<u>117</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	--	31	31	--
Transfers out	<u>(12)</u>	<u>(12)</u>	<u>(12)</u>	<u>--</u>
Total other financing sources (uses)	<u>(12)</u>	<u>19</u>	<u>19</u>	<u>--</u>
Net change in fund balances	1	33	150	117
Fund balances - beginning	147	147	147	--
Fund balances - ending	<u>\$ 148</u>	<u>\$ 180</u>	<u>\$ 297</u>	<u>\$ 117</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FISHERMEN ASSISTANCE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 14	\$ 15	\$ 20	\$ 5
Other	7	7	9	2
Total revenues	<u>21</u>	<u>22</u>	<u>29</u>	<u>7</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>46</u>	<u>46</u>	<u>19</u>	<u>27</u>
Total expenditures	<u>46</u>	<u>46</u>	<u>19</u>	<u>27</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25)</u>	<u>(24)</u>	<u>10</u>	<u>34</u>
Net change in fund balances	(25)	(24)	10	34
Fund balances - beginning	<u>430</u>	<u>430</u>	<u>430</u>	<u>--</u>
Fund balances - ending	<u>\$ 405</u>	<u>\$ 406</u>	<u>\$ 440</u>	<u>\$ 34</u>



COUNTY OF SANTA BARBARA, CALIFORNIA  
 COASTAL RESOURCES ENHANCEMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 40	\$ 42	\$ 95	\$ 53
Other	566	566	638	72
Total revenues	<u>606</u>	<u>608</u>	<u>733</u>	<u>125</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>2,035</u>	<u>2,035</u>	<u>706</u>	<u>1,329</u>
Total expenditures	<u>2,035</u>	<u>2,035</u>	<u>706</u>	<u>1,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,429)</u>	<u>(1,427)</u>	<u>27</u>	<u>1,454</u>
Net change in fund balances	(1,429)	(1,427)	27	1,454
Fund balances - beginning	<u>2,319</u>	<u>2,319</u>	<u>2,319</u>	<u>--</u>
Fund balances - ending	<u>\$ 890</u>	<u>\$ 892</u>	<u>\$ 2,346</u>	<u>\$ 1,454</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**AFFORDABLE HOUSING SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Use of money and property	\$ 120	\$ 128	\$ 311	\$ 183
Intergovernmental	2,384	5,333	2,436	(2,897)
Charges for services	150	150	199	49
Other	124	124	622	498
Total revenues	<u>2,778</u>	<u>5,735</u>	<u>3,568</u>	<u>(2,167)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>2,743</u>	<u>8,570</u>	<u>4,560</u>	<u>4,010</u>
Total expenditures	<u>2,743</u>	<u>8,570</u>	<u>4,560</u>	<u>4,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35</u>	<u>(2,835)</u>	<u>(992)</u>	<u>1,843</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	--	20	20	--
Transfers out	<u>(1,168)</u>	<u>(1,729)</u>	<u>(1,076)</u>	<u>653</u>
Total other financing sources (uses)	<u>(1,168)</u>	<u>(1,709)</u>	<u>(1,056)</u>	<u>653</u>
Net change in fund balances	(1,133)	(4,544)	(2,048)	2,496
Fund balances - beginning	6,573	6,573	6,573	--
Fund balances - ending	<u>\$ 5,440</u>	<u>\$ 2,029</u>	<u>\$ 4,525</u>	<u>\$ 2,496</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COURT ACTIVITIES SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 2,468	\$ 2,468	\$ 2,299	\$ (169)
Use of money and property	37	42	56	14
Intergovernmental	--	--	27	27
Charges for services	3,452	3,522	3,583	61
Other	1,054	1,055	1,061	6
Total revenues	<u>7,011</u>	<u>7,087</u>	<u>7,026</u>	<u>(61)</u>
<b>Expenditures</b>				
Current:				
Law & justice	14,547	14,764	14,718	46
Public safety	56	56	49	7
Total expenditures	<u>14,603</u>	<u>14,820</u>	<u>14,767</u>	<u>53</u>
Deficiency of revenues under expenditures	<u>(7,592)</u>	<u>(7,733)</u>	<u>(7,741)</u>	<u>(8)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>7,606</u>	<u>7,754</u>	<u>7,754</u>	<u>--</u>
Total other financing sources	<u>7,606</u>	<u>7,754</u>	<u>7,754</u>	<u>--</u>
Net change in fund balances	14	21	13	(8)
Fund balances - beginning	108	108	108	--
Fund balances - ending	<u>\$ 122</u>	<u>\$ 129</u>	<u>\$ 121</u>	<u>\$ (8)</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CRIMINAL JUSTICE CONSTRUCTION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 1,279	\$ 1,164	\$ 1,135	\$ (29)
Use of money and property	40	41	31	(10)
Total revenues	<u>1,319</u>	<u>1,205</u>	<u>1,166</u>	<u>(39)</u>
<b>Expenditures</b>				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,319</u>	<u>1,205</u>	<u>1,166</u>	<u>(39)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(1,371)</u>	<u>(1,371)</u>	<u>(1,331)</u>	<u>40</u>
Total other financing sources (uses)	<u>(1,371)</u>	<u>(1,371)</u>	<u>(1,331)</u>	<u>40</u>
Net change in fund balances	(52)	(166)	(165)	1
Fund balances - beginning	865	865	865	--
Fund balances - ending	<u>\$ 813</u>	<u>\$ 699</u>	<u>\$ 700</u>	<u>\$ 1</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COURTHOUSE CONSTRUCTION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 1,200	\$ 1,188	\$ 1,138	\$ (50)
Use of money and property	20	20	16	(4)
Total revenues	<u>1,220</u>	<u>1,208</u>	<u>1,154</u>	<u>(54)</u>
<b>Expenditures</b>				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,220</u>	<u>1,208</u>	<u>1,154</u>	<u>(54)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(1,216)</u>	<u>(1,216)</u>	<u>(1,168)</u>	<u>48</u>
Total other financing sources (uses)	<u>(1,216)</u>	<u>(1,216)</u>	<u>(1,168)</u>	<u>48</u>
Net change in fund balances	4	(8)	(14)	(6)
Fund balances - beginning	424	424	424	--
Fund balances - ending	<u>\$ 428</u>	<u>\$ 416</u>	<u>\$ 410</u>	<u>\$ (6)</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 INMATE WELFARE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 550	\$ 571	\$ 640	\$ 69
Other	446	446	466	20
Total revenues	<u>996</u>	<u>1,017</u>	<u>1,106</u>	<u>89</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>852</u>	<u>949</u>	<u>909</u>	<u>40</u>
Total expenditures	<u>852</u>	<u>949</u>	<u>909</u>	<u>40</u>
Excess of revenues over expenditures	<u>144</u>	<u>68</u>	<u>197</u>	<u>129</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(145)</u>	<u>(145)</u>	<u>(145)</u>	<u>--</u>
Total other financing uses	<u>(145)</u>	<u>(145)</u>	<u>(145)</u>	<u>--</u>
Net change in fund balances	(1)	(77)	52	129
Fund balances - beginning	<u>1,227</u>	<u>1,227</u>	<u>1,227</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,226</u>	<u>\$ 1,150</u>	<u>\$ 1,279</u>	<u>\$ 129</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 REDEVELOPMENT AGENCY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,545	\$ 2,545	\$ 3,989	\$ 1,444
Use of money and property	60	66	170	104
Other	17	17	1,064	1,047
Total revenues	<u>2,622</u>	<u>2,628</u>	<u>5,223</u>	<u>2,595</u>
<b>Expenditures</b>				
Current:				
General county programs	1,605	15,368	1,744	13,624
Total expenditures	<u>1,605</u>	<u>15,368</u>	<u>1,744</u>	<u>13,624</u>
Excess (deficiency) of revenues over (under) expenditures	1,017	(12,740)	3,479	16,219
<b>Other Financing Sources (Uses)</b>				
Transfers in	--	13,401	13,401	--
Transfers out	(424)	(424)	(407)	17
Total other financing sources (uses)	<u>(424)</u>	<u>12,977</u>	<u>12,994</u>	<u>17</u>
Net change in fund balances	593	237	16,473	16,236
Fund balances - beginning	2,580	2,580	2,580	--
Fund balances - ending	<u>\$ 3,173</u>	<u>\$ 2,817</u>	<u>\$ 19,053</u>	<u>\$ 16,236</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
COUNTY SERVICE AREAS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,100	\$ 1,100	\$ 1,096	\$ (4)
Use of money and property	71	73	89	16
Intergovernmental	12	12	8	(4)
Charges for services	567	567	573	6
Total revenues	<u>1,750</u>	<u>1,752</u>	<u>1,766</u>	<u>14</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	<u>687</u>	<u>894</u>	<u>876</u>	<u>18</u>
Total expenditures	<u>687</u>	<u>894</u>	<u>876</u>	<u>18</u>
Excess of revenues over expenditures	<u>1,063</u>	<u>858</u>	<u>890</u>	<u>32</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	25,235	25,235	25,235	--
Transfers out	<u>(26,339)</u>	<u>(26,450)</u>	<u>(26,393)</u>	<u>57</u>
Total other financing sources (uses)	<u>(1,104)</u>	<u>(1,215)</u>	<u>(1,158)</u>	<u>57</u>
Net change in fund balances	(41)	(357)	(268)	89
Fund balances - beginning	2,007	2,007	2,007	--
Fund balances - ending	<u>\$ 1,966</u>	<u>\$ 1,650</u>	<u>\$ 1,739</u>	<u>\$ 89</u>



COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMMUNITY FACILITIES DISTRICTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 185	\$ 185	\$ 194	\$ 9
Use of money and property	4	4	10	6
Total revenues	<u>189</u>	<u>189</u>	<u>204</u>	<u>15</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	11	11	11	--
Total expenditures	<u>11</u>	<u>11</u>	<u>11</u>	<u>--</u>
Excess of revenues over expenditures	<u>178</u>	<u>178</u>	<u>193</u>	<u>15</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(105)	(319)	(223)	96
Total other financing sources (uses)	<u>(105)</u>	<u>(319)</u>	<u>(223)</u>	<u>96</u>
Net change in fund balances	73	(141)	(30)	111
Fund balances - beginning	228	228	228	--
Fund balances - ending	<u>\$ 301</u>	<u>\$ 87</u>	<u>\$ 198</u>	<u>\$ 111</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 FIRE PROTECTION DISTRICT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 26,270	\$ 26,270	\$ 26,521	\$ 251
Use of money and property	291	443	482	39
Intergovernmental	422	422	275	(147)
Charges for services	150	150	--	(150)
Other	60	60	31	(29)
Total revenues	<u>27,193</u>	<u>27,345</u>	<u>27,309</u>	<u>(36)</u>
<b>Expenditures</b>				
Current:				
Public safety	355	355	238	117
Total expenditures	<u>355</u>	<u>355</u>	<u>238</u>	<u>117</u>
Excess of revenues over expenditures	<u>26,838</u>	<u>26,990</u>	<u>27,071</u>	<u>81</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(27,709)</u>	<u>(28,079)</u>	<u>(25,193)</u>	<u>2,886</u>
Total other financing sources (uses)	<u>(27,709)</u>	<u>(28,079)</u>	<u>(25,193)</u>	<u>2,886</u>
Net change in fund balances	(871)	(1,089)	1,878	2,967
Fund balances - beginning	8,229	8,229	8,229	--
Fund balances - ending	<u>\$ 7,358</u>	<u>\$ 7,140</u>	<u>\$ 10,107</u>	<u>\$ 2,967</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 LIGHTING DISTRICTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 418	\$ 418	\$ 423	\$ 5
Use of money and property	9	10	17	7
Intergovernmental	4	4	3	(1)
Charges for services	130	130	142	12
Total revenues	<u>561</u>	<u>562</u>	<u>585</u>	<u>23</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	400	409	398	11
Total expenditures	<u>400</u>	<u>409</u>	<u>398</u>	<u>11</u>
Excess of revenues over expenditures	<u>161</u>	<u>153</u>	<u>187</u>	<u>34</u>
Net change in fund balances	161	153	187	34
Fund balances - beginning	319	319	319	--
Fund balances - ending	<u>\$ 480</u>	<u>\$ 472</u>	<u>\$ 506</u>	<u>\$ 34</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 SANDYLAND SEAWALL MAINTENANCE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 13	\$ 13	\$ 6	\$ (7)
Charges for services	2,000	400	400	--
Total revenues	<u>2,013</u>	<u>413</u>	<u>406</u>	<u>(7)</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	600	150	60	90
Total expenditures	<u>600</u>	<u>150</u>	<u>60</u>	<u>90</u>
Excess of revenues over expenditures	<u>1,413</u>	<u>263</u>	<u>346</u>	<u>83</u>
Net change in fund balances	1,413	263	346	83
Fund balances - beginning	4	4	4	--
Fund balances - ending	<u>\$ 1,417</u>	<u>\$ 267</u>	<u>\$ 350</u>	<u>\$ 83</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
WATER AGENCY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,902	\$ 1,902	\$ 2,104	\$ 202
Use of money and property	160	166	252	86
Intergovernmental	254	462	844	382
Charges for services	77	77	71	(6)
Total revenues	<u>2,393</u>	<u>2,607</u>	<u>3,271</u>	<u>664</u>
<b>Expenditures</b>				
Current:				
Community resources & public facilities	2,679	3,101	2,846	255
Total expenditures	<u>2,679</u>	<u>3,101</u>	<u>2,846</u>	<u>255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(286)</u>	<u>(494)</u>	<u>425</u>	<u>919</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,017	680	565	(115)
Transfers out	(494)	(155)	(40)	115
Proceeds from sale of capital assets	--	--	1	1
Total other financing sources	<u>523</u>	<u>525</u>	<u>526</u>	<u>1</u>
Net change in fund balances	237	31	951	920
Fund balances - beginning	4,950	4,950	4,950	--
Fund balances - ending	<u>\$ 5,187</u>	<u>\$ 4,981</u>	<u>\$ 5,901</u>	<u>\$ 920</u>

COUNTY OF SANTA BARBARA, CALIFORNIA  
 SANTA BARBARA COUNTY FINANCE CORPORATION DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 160	\$ 160	\$ 629	\$ 469
Intergovernmental	383	383	383	--
Total revenues	<u>543</u>	<u>543</u>	<u>1,012</u>	<u>469</u>
<b>Expenditures</b>				
Current:				
General county programs	27	27	20	7
Debt service:				
Principal	6,423	6,423	6,421	2
Interest	<u>2,636</u>	<u>2,636</u>	<u>2,636</u>	<u>--</u>
Total expenditures	<u>9,086</u>	<u>9,086</u>	<u>9,077</u>	<u>9</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,543)</u>	<u>(8,543)</u>	<u>(8,065)</u>	<u>478</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>8,640</u>	<u>8,640</u>	<u>8,282</u>	<u>(358)</u>
Total other financing sources (uses)	<u>8,640</u>	<u>8,640</u>	<u>8,282</u>	<u>(358)</u>
Net change in fund balances	97	97	217	120
Fund balances - beginning	<u>7,916</u>	<u>7,916</u>	<u>7,916</u>	<u>--</u>
Fund balances - ending	<u>\$ 8,013</u>	<u>\$ 8,013</u>	<u>\$ 8,133</u>	<u>\$ 120</u>

# INTERNAL SERVICE FUNDS

The following funds are established to account for services furnished to the County and various other governmental agencies. They are exempt from legal compliance for budgetary control and follow commercial accounting principles for a determination of operating, rather than budgetary, results. Their major source of revenue consists of charges to user departments for services rendered. These charges are based upon standard rates calculated on an estimated cost recovery basis. A more detailed description of the funds established and used by the County follows:

## **INFORMATION TECHNOLOGY SERVICES**

This fund provides information technology and reprographic services to County departments and various other governmental agencies. Rates charged to all users are designed to recover costs of each system and are billed from a standard price schedule which is periodically adjusted to reflect cost changes. Profits or losses are carried forward and used to adjust price schedules of subsequent billing rates. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

## **VEHICLE OPERATIONS AND MAINTENANCE**

This fund provides for the maintenance, servicing and repair of County vehicles. Rental rates, which include the cost of gas, oil, maintenance, replacement of equipment and personnel costs, are charged to the user department to support the vehicle program. Vehicles are replaced based on mileage and age criteria which varies per class of vehicle; new additions to the vehicle fleet are provided through the Garage Equipment and Motor Pool budgets of the General Fund and through contributions from other funds.

## **RISK MANAGEMENT AND INSURANCE**

This column combines the County's five self-insurance funds: Dental, Unemployment, Workers' Compensation, General Liability, and Medical Malpractice.

### **Dental Self-Insurance**

This fund provides for the payment of dental expenses incurred by County employees, eligible dependents and retirees who are part of the self-funded plan. This fund does not account for employees or retirees on the Dental Net, Prudential or Firefighter health plans. Professional administrators process all claims and make payments to claimants based on a payment schedule of medical and dental benefits. The fund reimburses the claims administrator for the payment of claims plus a fee for administration and participation in a prescription drug program. Additionally, the County contracts with a preferred provider organization for reduced fees from member dental service providers, physicians, and other specialists. The County contributes towards the cost of employee coverage through departmental budgets; the employee pays any remaining employee or dependent coverage.

### **Unemployment Self-Insurance**

State law requires the County to maintain unemployment insurance. The County has elected to be self-insured and has established this fund for the payment of unemployment insurance claims by County employees, which have been processed and approved by the State Employment Development Department. Each department has been charged a percentage of its gross payroll for the establishment of a general reserve for this program and to provide for claim payments.

### **Workers' Compensation Self-Insurance**

This fund provides for investigation services, temporary disability and medical payments, excess insurance, permanent disability awards, administrative services, litigation costs, and safety services. Premiums based on employee worker classifications are charged to each department to maintain actuarially recommended reserves for claims proportionate to current industry rates applicable to job functions.

# INTERNAL SERVICE FUNDS

## **General Liability Self-Insurance**

This fund provides for payment of self-insured general liability and automobile liability claims, excess insurance, claims adjusting services, litigation costs, and administrative services. Contributions are made by participating County departments and funds based on past claims experience and appropriate risk factors.

## **Medical Malpractice Self-Insurance**

This fund provides for the payment of self-insured medical malpractice and general liability claims, excess insurance, claim investigation services, and litigation costs. Contributions are made by covered participating County departments and are based on allocation of expenses by past claims experience and appropriate risk factor.

## **COMMUNICATIONS**

This fund was established to provide centralized coordination of all County radio and communications activity. User departments are charged a monthly fee for maintenance and engineering services on the equipment in their possession. Fees include depreciation to provide for the eventual replacement of all radio equipment. Telephone Services, formerly a General Fund program, was transferred into this fund effective July 1, 1995. Rates charged to users are designed to recover the cost of the program and are periodically updated to reflect cost changes. No funds are being collected for equipment replacement.

## **UTILITIES**

This fund provides for payment of County-wide utility costs. Utility costs are allocated to various County departments based on their energy consumption. Charging County departments for their energy usage fosters awareness and accountability related to energy costs and savings.



COUNTY OF SANTA BARBARA, CALIFORNIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF June 30, 2008 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations	Utilities	Total
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 3,992	\$ 13,193	\$ 37,612	\$ 7,642	\$ 246	\$ 62,685
Accounts receivable:						
Use of money and property	32	111	310	64	--	517
Charges for services	9	--	5	25	--	39
Other	--	--	788	--	--	788
Inventories	--	311	--	102	--	413
Total current assets	<u>4,033</u>	<u>13,615</u>	<u>38,715</u>	<u>7,833</u>	<u>246</u>	<u>64,442</u>
Noncurrent assets:						
Restricted cash and investments	--	10	--	--	--	10
Capital assets, net of accumulated depreciation (Note 6)	1,987	15,580	29	2,527	--	20,123
Total noncurrent assets	<u>1,987</u>	<u>15,590</u>	<u>29</u>	<u>2,527</u>	<u>--</u>	<u>20,133</u>
Total assets	<u>6,020</u>	<u>29,205</u>	<u>38,744</u>	<u>10,360</u>	<u>246</u>	<u>84,575</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	381	348	612	14	239	1,594
Salaries and benefits payable	155	66	65	43	5	334
Capital lease obligations, current	60	--	2	1	--	63
Compensated absences, current	248	112	99	75	--	534
Liability for self-insurance claims, current	--	--	10,566	--	--	10,566
Total current liabilities	<u>844</u>	<u>526</u>	<u>11,344</u>	<u>133</u>	<u>244</u>	<u>13,091</u>
Noncurrent liabilities:						
Capital lease obligations	128	--	3	3	--	134
Compensated absences	12	33	9	10	1	65
Liability for self-insurance claims	--	--	26,138	--	--	26,138
OPEB obligation	108	43	51	33	--	235
Total noncurrent liabilities	<u>248</u>	<u>76</u>	<u>26,201</u>	<u>46</u>	<u>1</u>	<u>26,572</u>
Total liabilities	<u>1,092</u>	<u>602</u>	<u>37,545</u>	<u>179</u>	<u>245</u>	<u>39,663</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,798	15,579	24	2,523	--	19,924
Unrestricted	3,130	13,024	1,175	7,658	1	24,988
Total net assets	<u>\$ 4,928</u>	<u>\$ 28,603</u>	<u>\$ 1,199</u>	<u>\$ 10,181</u>	<u>\$ 1</u>	<u>\$ 44,912</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations	Utilities	Total
<b>Operating revenues:</b>						
Charges for sales and services	\$ 7,020	\$ 9,076	\$ 25,943	\$ 4,032	\$ 5,521	\$ 51,592
Self-insurance recovery	--	--	1,077	--	--	1,077
Other operating revenues	--	107	154	121	--	382
Total operating revenues	<u>7,020</u>	<u>9,183</u>	<u>27,174</u>	<u>4,153</u>	<u>5,521</u>	<u>53,051</u>
<b>Operating expenses:</b>						
Salaries and benefits	3,605	1,499	1,609	1,065	31	7,809
Services and supplies	2,212	5,304	5,686	1,788	5,525	20,515
Self-insurance claims	--	--	18,339	--	--	18,339
Contractual services	67	65	258	423	--	813
Depreciation and amortization	544	2,367	6	618	--	3,535
County overhead allocation	327	99	333	74	--	833
Other charges	333	22	--	--	--	355
Total operating expenses	<u>7,088</u>	<u>9,356</u>	<u>26,231</u>	<u>3,968</u>	<u>5,556</u>	<u>52,199</u>
Operating income (loss)	<u>(68)</u>	<u>(173)</u>	<u>943</u>	<u>185</u>	<u>(35)</u>	<u>852</u>
<b>Non-operating revenues (expenses):</b>						
Use of money and property	199	582	1,552	331	1	2,665
Interest expense	(9)	--	--	--	--	(9)
Gain (loss) on sale of capital assets	8	(18)	--	--	--	(10)
Other non-operating revenues	196	--	496	3	35	730
Total non-operating revenues	<u>394</u>	<u>564</u>	<u>2,048</u>	<u>334</u>	<u>36</u>	<u>3,376</u>
Income before transfers	<u>326</u>	<u>391</u>	<u>2,991</u>	<u>519</u>	<u>1</u>	<u>4,228</u>
Transfers in	--	439	9	2	--	450
Transfers out	<u>(656)</u>	<u>(307)</u>	<u>--</u>	<u>(50)</u>	<u>--</u>	<u>(1,013)</u>
Transfers in (out), net	<u>(656)</u>	<u>132</u>	<u>9</u>	<u>(48)</u>	<u>--</u>	<u>(563)</u>
Change in net assets	(330)	523	3,000	471	1	3,665
Total net assets (deficit) - beginning	<u>5,258</u>	<u>28,080</u>	<u>(1,801)</u>	<u>9,710</u>	<u>--</u>	<u>41,247</u>
Total net assets - ending	<u>\$ 4,928</u>	<u>\$ 28,603</u>	<u>\$ 1,199</u>	<u>\$ 10,181</u>	<u>\$ 1</u>	<u>\$ 44,912</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations	Utilities	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from interfund services provided	\$ 7,016	\$ 9,183	\$ 25,309	\$ 4,133	\$ 5,521	\$ 51,162
Receipts from self-insurance recovery	--	--	1,077	--	--	1,077
Payments to employees	(3,134)	(1,432)	(1,550)	(1,026)	(25)	(7,167)
Payments to suppliers	(2,321)	(5,341)	(3,761)	(2,230)	(5,285)	(18,938)
Payments for self-insurance claims	--	--	(18,339)	--	--	(18,339)
County overhead allocation payments to the General Fund	(327)	(99)	(333)	(74)	--	(833)
Other receipts (payments), net	(137)	(22)	496	3	35	375
Net cash provided by operating activities	<u>1,097</u>	<u>2,289</u>	<u>2,899</u>	<u>806</u>	<u>246</u>	<u>7,337</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	--	3	9	2	--	14
Transfers to other funds	(656)	(307)	--	(50)	--	(1,013)
Net cash provided (used) by noncapital and related financing activities	<u>(656)</u>	<u>(304)</u>	<u>9</u>	<u>(48)</u>	<u>--</u>	<u>(999)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(894)	(2,172)	(8)	(110)	--	(3,184)
Proceeds from sales of capital assets	(18)	72	--	--	--	54
Principal paid on capital lease obligations	(58)	--	(2)	(1)	--	(61)
Interest paid on capital lease obligations	(9)	--	--	--	--	(9)
Transfers from other funds	--	436	--	--	--	436
Net cash used by capital and related financing activities	<u>(979)</u>	<u>(1,664)</u>	<u>(10)</u>	<u>(111)</u>	<u>--</u>	<u>(2,764)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Use of money and property received	223	637	1,641	354	--	2,855
Net cash provided by investing activities	<u>223</u>	<u>637</u>	<u>1,641</u>	<u>354</u>	<u>--</u>	<u>2,855</u>
Net increase (decrease) in cash and cash equivalents	(315)	958	4,539	1,001	246	6,429
Cash and cash equivalents - beginning	4,307	12,245	33,073	6,641	--	56,266
Cash and cash equivalents - ending	<u>\$ 3,992</u>	<u>\$ 13,203</u>	<u>\$ 37,612</u>	<u>\$ 7,642</u>	<u>\$ 246</u>	<u>\$ 62,695</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets</b>						
Cash and investments per Statement of Net Assets	\$ 3,992	\$ 13,193	\$ 37,612	\$ 7,642	\$ 246	\$ 62,685
Restricted cash and investments per Statement of Net Assets	--	10	--	--	--	10
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 3,992</u>	<u>\$ 13,203</u>	<u>\$ 37,612</u>	<u>\$ 7,642</u>	<u>\$ 246</u>	<u>\$ 62,695</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (68)	\$ (173)	\$ 943	\$ 185	\$ (35)	\$ 852
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	544	2,367	6	618	--	3,535
Other non-operating revenues	196	--	496	3	35	730
Changes in assets and liabilities:						
Accounts receivable	(4)	--	(788)	(20)	--	(812)
Inventories	--	(81)	--	--	--	(81)
Accounts payable	(42)	109	2,183	(19)	240	2,471
Salaries and benefits payable	471	67	59	39	6	642
Net cash provided by operating activities	<u>\$ 1,097</u>	<u>\$ 2,289</u>	<u>\$ 2,899</u>	<u>\$ 806</u>	<u>\$ 246</u>	<u>\$ 7,337</u>
<b>Noncash investing, capital, and financing activities</b>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

The notes to the financial statements are an integral part of this statement.



# AGENCY FUNDS

Agency funds are custodial in nature and do not involve the measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals and entities at some future time.

**CLEARING AND REVOLVING FUNDS** provide clearing facilities for items such as payroll withholdings and warrant redemption. These funds are used to temporarily accumulate and hold resources for distribution to third parties.

**DEPOSITS FUNDS** account for deposits under the control of the County departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

**OTHER AGENCY FUNDS** account for assets held by the County in a fiduciary capacity for other entities.

**STATE AND CITY REVENUE FUNDS** temporarily hold various fees, fines, and penalties collected by the County departments for the State of California or various cities in Santa Barbara County, which are passed through to these entities.

**TAX COLLECTION FUNDS** account for monies received for current and delinquent taxes, which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. These funds also account for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are dispersed as directed by the courts or by parties to the dispute.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

	July 1, 2007	Additions	Deductions	June 30, 2008
<b>CLEARING AND REVOLVING FUNDS</b>				
Assets:				
Cash and investments	\$ 8,642	\$ 944,318	\$ 945,828	\$ 7,132
Interest receivable	(1)	--	--	(1)
Total assets	<u>\$ 8,641</u>	<u>\$ 944,318</u>	<u>\$ 945,828</u>	<u>\$ 7,131</u>
Liabilities:				
Accounts payable	\$ 8,492	\$ 230,481	\$ 233,732	\$ 5,241
Funds held for others	149	1,178,050	1,176,309	1,890
Total liabilities	<u>\$ 8,641</u>	<u>\$ 1,408,531</u>	<u>\$ 1,410,041</u>	<u>\$ 7,131</u>
<b>DEPOSITS FUNDS</b>				
Assets:				
Cash and investments	\$ 4,132	\$ 18,115	\$ 20,503	\$ 1,744
Total assets	<u>\$ 4,132</u>	<u>\$ 18,115</u>	<u>\$ 20,503</u>	<u>\$ 1,744</u>
Liabilities:				
Accounts payable	\$ 1	\$ 741	\$ 741	\$ 1
Funds held for others	4,131	18,856	21,244	1,743
Total liabilities	<u>\$ 4,132</u>	<u>\$ 19,597</u>	<u>\$ 21,985</u>	<u>\$ 1,744</u>
<b>OTHER AGENCY FUNDS</b>				
Assets:				
Cash and investments	\$ 5,216	\$ 138,177	\$ 138,701	\$ 4,692
Interest receivable	52	359	382	29
Total assets	<u>\$ 5,268</u>	<u>\$ 138,536</u>	<u>\$ 139,083</u>	<u>\$ 4,721</u>
Liabilities:				
Accounts payable	\$ -	\$ 55,240	\$ 55,179	\$ 61
Funds held for others	5,268	193,715	194,323	4,660
Total liabilities	<u>\$ 5,268</u>	<u>\$ 248,955</u>	<u>\$ 249,502</u>	<u>\$ 4,721</u>
<b>STATE AND CITY REVENUE FUNDS</b>				
Assets:				
Cash and investments	\$ 4,613	\$ 126,859	\$ 124,214	\$ 7,258
Interest receivable	122	370	374	118
Total assets	<u>\$ 4,735</u>	<u>\$ 127,229</u>	<u>\$ 124,588</u>	<u>\$ 7,376</u>
Liabilities:				
Accounts payable	\$ 132	\$ 112,182	\$ 112,206	\$ 108
Funds held for others	4,603	239,435	236,770	7,268
Total liabilities	<u>\$ 4,735</u>	<u>\$ 351,617</u>	<u>\$ 348,976</u>	<u>\$ 7,376</u>
<b>TAX COLLECTION FUNDS</b>				
Assets:				
Cash and investments	\$ 9,563	\$ 1,445,894	\$ 1,444,165	\$ 11,292
Interest receivable	541	1,845	2,007	379
Total assets	<u>\$ 10,104</u>	<u>\$ 1,447,739</u>	<u>\$ 1,446,172</u>	<u>\$ 11,671</u>
Liabilities:				
Accounts payable	\$ 1	\$ 19,970	\$ 19,970	\$ 1
Funds held for others	10,103	1,467,709	1,466,142	11,670
Total liabilities	<u>\$ 10,104</u>	<u>\$ 1,487,679</u>	<u>\$ 1,486,112</u>	<u>\$ 11,671</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
Assets:				
Cash and investments	\$ 32,166	\$ 2,673,363	\$ 2,673,411	\$ 32,118
Interest receivable	714	2,574	2,763	525
Total assets	<u>\$ 32,880</u>	<u>\$ 2,675,937</u>	<u>\$ 2,676,174</u>	<u>\$ 32,643</u>
Liabilities:				
Accounts payable	\$ 8,626	\$ 418,614	\$ 421,828	\$ 5,412
Funds held for others	24,254	3,097,765	3,094,788	27,231
Total liabilities	<u>\$ 32,880</u>	<u>\$ 3,516,379</u>	<u>\$ 3,516,616</u>	<u>\$ 32,643</u>

See accompanying independent auditor's report.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE<sup>1</sup>  
 AS OF June 30, 2008 (in thousands)

---

	<u>Total</u>
<b>Governmental funds capital assets</b>	
Land and improvements to land	\$ 90,772
Structures and improvements	200,317
Equipment	48,330
Infrastructure	239,832
Construction in progress	42,119
Total governmental funds capital assets	<u>\$ 621,370</u>
 <b>Investments in governmental funds capital assets by source</b>	
General Fund	\$ 200,594
Special Revenue Funds	372,146
Grants	35,718
Donations	12,912
Total governmental funds capital assets	<u>\$ 621,370</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within governmental activities in the statement of net assets.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION<sup>1</sup>  
 AS OF June 30, 2008 (in thousands)

Function:	Land	Structures and Improvements	Equipment	Infra-Structure	Construction in Progress	Total
Policy & executive	\$ 517	\$ 2,624	\$ 274	\$ --	\$ --	\$ 3,415
Law & justice	1,310	27,262	557	--	518	29,647
Public safety	2,346	71,030	15,672	--	16,846	105,894
Health & public assistance	14,336	62,689	7,732	--	1,642	86,399
Community resources & public facilities	64,810	9,975	14,556	239,832	22,115	351,288
General government & support services	6,444	17,722	6,475	--	767	31,408
General county programs	1,009	9,015	3,064	--	231	13,319
Total governmental funds capital assets	<u>\$ 90,772</u>	<u>\$ 200,317</u>	<u>\$ 48,330</u>	<u>\$ 239,832</u>	<u>\$ 42,119</u>	<u>\$ 621,370</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within governmental activities in the statement of net assets.



COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION<sup>1</sup>  
 FOR THE FISCAL YEAR ENDED June 30, 2008 (in thousands)

Function:	Balance	Additions	Deletions	Balance
	July 1, 2007			June 30, 2008
Policy & executive	\$ 3,442	\$ --	\$ 27	\$ 3,415
Law & justice	35,133	1,392	6,878	29,647
Public safety	96,308	14,697	5,111	105,894
Health & public assistance	83,950	6,692	4,243	86,399
Community resources & public facilities	328,430	43,164	20,306	351,288
General government & support services	26,851	4,696	139	31,408
General county programs	14,079	2,742	3,502	13,319
Total governmental funds capital assets	<u>\$ 588,193</u>	<u>\$ 73,383</u>	<u>\$ 40,206</u>	<u>\$ 621,370</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within governmental activities in the statement of net assets.



# STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor’s Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government’s economic condition.

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>FINANCIAL TRENDS</b> These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.	<b>142</b>
<b>REVENUE CAPACITY</b> These schedules contain trend information to help the reader assess the County’s most significant local revenue source, the property tax.	<b>147</b>
<b>DEBT CAPACITY</b> These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	<b>151</b>
<b>ECONOMIC AND DEMOGRAPHIC INFORMATION</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the County’s financial activities take place.	<b>154</b>
<b>OPERATING INFORMATION</b> Theses schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs.	<b>156</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF SANTA BARBARA, CALIFORNIA  
NET ASSETS BY CATEGORY (UNAUDITED)  
LAST TEN FISCAL YEARS (in thousands)  
(accrual basis of accounting)

	1998-99	1999-00	2000-01	2001-02	2002-03 as restated	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Governmental activities</b>										
Invested in capital asset, net of related debt	\$ --	\$ --	\$ --	\$ 176,024	\$ 326,836	\$ 343,596	\$ 366,246	\$ 381,435	\$ 399,800	\$ 408,831
Restricted for:										
Public safety	--	--	--	10,973	9,599	8,193	10,017	10,152	12,990	13,695
Health and public assistance	--	--	--	19,014	20,595	16,129	18,188	15,992	19,237	12,987
Community resources & public facilities	--	--	--	56,055	49,864	52,899	51,453	59,649	60,486	87,145
General government & support services	--	--	--	7,715	10,368	10,520	10,854	8,589	9,913	8,082
General county programs	--	--	--	20,846	13,222	13,413	14,009	13,485	12,469	21,878
Debt service	--	--	--	9,768	9,271	6,997	8,630	8,652	8,484	10,088
Unrestricted	--	--	--	49,047	51,563	62,673	64,827	81,386	93,424	61,080
Total governmental activities net assets	\$ --	\$ --	\$ --	\$ 349,442	\$ 491,318	\$ 514,420	\$ 544,224	\$ 579,340	\$ 616,803	\$ 623,786
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	--	--	--	32,216	34,219	36,339	40,539	45,006	47,611	47,604
Restricted for:										
Debt service	--	--	--	933	933	933	1,043	1,023	717	1,307
Unrestricted	--	--	--	5,312	4,824	6,016	7,345	8,750	10,922	15,321
Total business-type activities net assets	\$ --	\$ --	\$ --	\$ 38,461	\$ 39,976	\$ 43,288	\$ 48,927	\$ 54,779	\$ 59,250	\$ 64,232
<b>Primary government</b>										
Invested in capital assets, net of related debt	--	--	--	208,240	361,055	379,935	406,785	426,441	447,411	456,435
Restricted for:										
Public safety	--	--	--	10,973	9,599	8,193	10,017	10,152	12,990	13,695
Health and public assistance	--	--	--	19,014	20,595	16,129	18,188	15,992	19,237	12,987
Community resources & public facilities	--	--	--	56,055	49,864	52,899	51,453	59,649	60,486	87,145
General government & support services	--	--	--	7,715	10,368	10,520	10,854	8,589	9,913	8,082
General county programs	--	--	--	20,846	13,222	13,413	14,009	13,485	12,469	21,878
Debt service	--	--	--	10,701	10,204	7,930	9,673	9,675	9,201	11,395
Unrestricted	--	--	--	54,359	56,387	68,689	72,172	90,136	104,346	76,401
Total primary government net assets, restated	\$ --	\$ --	\$ --	\$ 387,903	\$ 531,294	\$ 557,708	\$ 593,151	\$ 634,119	\$ 676,053	\$ 688,018

**Notes:**

- (1) Trend data is only available for the last seven fiscal years due to the implementation of GASB 34.
- (2) FY 2002-03 net assets 'invested in capital assets, net of related debt' was restated in FY 2003-04 from \$243,671 to \$361,055.
- (3) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CHANGES IN NET ASSETS (UNAUDITED)  
 LAST TEN FISCAL YEARS (in thousands)  
 (accrual basis of accounting)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Expenses</b>										
Governmental activities:										
Policy & executive	\$ --	\$ --	\$ --	\$ 6,960	\$ 7,235	\$ 6,242	\$ 5,204	\$ 7,353	\$ 8,569	\$ 9,069
Law & justice	--	--	--	36,843	36,850	38,088	39,158	39,592	41,186	44,586
Public safety	--	--	--	135,606	142,190	149,819	158,460	169,497	181,566	201,511
Health & public assistance	--	--	--	215,182	221,988	230,432	237,144	258,369	271,806	292,094
Community resources & public facilities	--	--	--	68,528	65,268	68,780	88,165	71,200	84,785	83,293
General government & support services	--	--	--	29,843	26,927	26,942	25,224	30,818	36,771	35,743
General county programs	--	--	--	11,241	15,644	13,050	9,673	15,530	14,734	14,461
Interest on long-term debt	--	--	--	4,541	4,610	4,172	4,151	4,880	2,889	2,626
Subtotal governmental activities expenses	--	--	--	508,744	520,712	537,525	567,179	597,239	642,306	683,383
Business-type activities:										
Resource Recovery	--	--	--	20,265	18,295	17,394	17,790	19,356	21,857	22,042
Laguna Sanitation	--	--	--	2,043	3,825	3,495	4,495	4,870	5,066	5,113
Transit	--	--	--	36	27	16	59	57	62	384
Subtotal business-type activities expenses	--	--	--	22,344	22,147	20,905	22,344	24,283	26,985	27,539
Total primary government expenses	\$ --	\$ --	\$ --	\$ 531,088	\$ 542,859	\$ 558,430	\$ 589,523	\$ 621,522	\$ 669,291	\$ 710,922
<b>Program revenues</b>										
Governmental activities:										
Charges for services										
Health & public assistance	--	--	--	51,549	55,539	58,603	67,917	70,292	80,546	78,555
Public safety	--	--	--	19,510	27,134	27,890	30,619	30,152	34,767	40,125
Other	--	--	--	66,538	58,110	56,949	56,343	58,320	58,950	63,894
Operating grants & contributions	--	--	--	252,572	236,391	238,621	255,317	260,905	274,169	281,421
Capital grants & contributions	--	--	--	272	131	1,144	1,256	754	476	229
Subtotal governmental activities revenues	--	--	--	390,441	377,305	383,207	411,452	420,423	448,908	464,224
Business-type activities:										
Charges for services										
Resource Recovery	--	--	--	16,388	18,170	19,183	20,971	21,743	21,511	22,454
Laguna Sanitation	--	--	--	2,582	3,463	3,377	5,050	5,513	5,950	6,276
Other	--	--	--	37	8	7	9	9	9	52
Operating grants & contributions	--	--	--	1,573	1,344	1,308	1,232	1,410	854	1,745
Capital grants & contributions	--	--	--	--	--	--	--	--	--	--
Subtotal business-type activities revenues	--	--	--	20,580	22,985	23,875	27,262	28,675	28,324	30,527
Total primary government program revenue	\$ --	\$ --	\$ --	\$ 411,021	\$ 400,290	\$ 407,082	\$ 438,714	\$ 449,098	\$ 477,232	\$ 494,751
<b>Net (expense) / revenue</b>										
Governmental activities	--	--	--	(118,303)	(143,407)	(154,318)	(155,727)	(176,816)	(193,398)	(219,159)
Business-type activities	--	--	--	(1,764)	838	2,970	4,918	4,392	1,339	2,988
Total primary government net expense	\$ --	\$ --	\$ --	\$ (120,067)	\$ (142,569)	\$ (151,348)	\$ (150,809)	\$ (172,424)	\$ (192,059)	\$ (216,171)

(Continued)

**Note:**

(1) Trend data is only available for the last seven fiscal years due to the implementation of GASB 34.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CHANGES IN NET ASSETS - CONTINUED (UNAUDITED)  
 LAST TEN FISCAL YEARS (in thousands)  
 (accrual basis of accounting)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>General revenue and other changes in net assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ --	--	--	105,922	107,279	119,973	155,057	176,748	195,001	205,822
Motor vehicle in-lieu tax	--	--	--	26,078	26,932	29,923	3,818	3,745	271	--
Sales taxes	--	--	--	21,674	16,134	16,359	14,935	15,743	17,286	16,362
Transient occupancy tax	--	--	--	5,877	4,423	5,448	4,815	5,631	6,591	7,174
Unrestricted investment earnings	--	--	--	4,670	3,420	1,087	3,373	4,308	2,867	2,926
Extraordinary item and special item	--	--	--	(22,992)	5,433	--	--	--	--	--
Other	--	--	--	5,404	4,278	4,630	3,533	5,757	8,845	8,061
Subtotal governmental activities	--	--	--	146,633	167,899	177,420	185,531	211,932	230,861	240,345
Business-type activities:										
Unrestricted investment earnings	--	--	--	1,414	971	270	828	942	2,089	1,796
Transfers	--	--	--	133	(17)	34	(174)	(55)	(3)	5
Other	--	--	--	96	(277)	38	67	573	1,046	193
Subtotal business-type activities	--	--	--	1,643	677	342	721	1,460	3,132	1,994
Total primary government	\$ --	\$ --	\$ --	\$ 148,276	\$ 168,576	\$ 177,762	\$ 186,252	\$ 213,392	\$ 233,993	\$ 242,339
<b>Changes in net assets</b>										
Governmental activities	--	--	--	28,330	24,492	23,102	29,804	35,116	37,463	21,186
Business-type activities	--	--	--	(121)	1,515	3,312	5,639	5,852	4,471	4,982
Total primary government	\$ --	\$ --	\$ --	\$ 28,209	\$ 26,007	\$ 26,414	\$ 35,443	\$ 40,968	\$ 41,934	\$ 26,168

**Note:**

(1) Trend data is only available for the last seven fiscal years due to the implementation of GASB 34.

COUNTY OF SANTA BARBARA, CALIFORNIA  
**FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)**  
**LAST TEN FISCAL YEARS (in thousands)**  
*(modified accrual basis of accounting)*

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>General Fund</b>										
Reserved for:										
Receivables and prepaids	\$ --	\$ --	\$ --	\$ 11,433	\$ 5,039	\$ 5,094	\$ 4,663	\$ 4,094	\$ 3,309	\$ 20,309
Imprest cash	--	--	--	14	17	18	18	15	15	15
Property tax loss reserve	--	--	--	3,591	3,845	4,138	4,515	5,044	5,632	6,057
Unreserved:										
Designated	--	--	--	26,387	28,723	28,359	33,538	43,481	58,488	56,447
Undesignated	--	--	--	7,546	12,050	9,953	8,564	16,206	11,484	5,311
Subtotal General Fund	<u>--</u>	<u>--</u>	<u>--</u>	<u>\$ 48,971</u>	<u>\$ 49,674</u>	<u>\$ 47,562</u>	<u>\$ 51,298</u>	<u>\$ 68,840</u>	<u>\$ 78,928</u>	<u>\$ 88,139</u>
<b>All Other Governmental Funds</b>										
Reserved for:										
Receivables and prepaids	--	--	--	4,249	379	261	226	2,378	390	503
Imprest cash	--	--	--	24	24	23	23	24	22	23
Debt service	--	--	--	8,071	8,251	6,697	7,701	7,592	7,601	9,333
Inventories: property held for resale	--	--	--	--	--	--	--	--	--	2,600
Unreserved:										
Designated, reported in:										
Special revenue funds	--	--	--	54,485	60,264	53,920	50,792	52,041	54,569	51,745
Capital projects fund	--	--	--	28,760	22,019	14,015	26,992	24,370	22,854	15,985
Debt service funds	--	--	--	--	--	--	--	--	315	230
Undesignated, reported in:										
Special revenue funds	--	--	--	61,626	55,716	58,221	59,261	66,358	70,799	80,838
Capital projects fund	--	--	--	6,243	7,323	5,217	4,043	3,868	6,411	4,988
Debt service funds	--	--	--	--	--	--	--	--	--	(15,134)
Subtotal all other governmental funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>163,458</u>	<u>153,976</u>	<u>138,354</u>	<u>149,038</u>	<u>156,631</u>	<u>162,961</u>	<u>151,111</u>
Total governmental fund balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 212,429</u>	<u>\$ 203,650</u>	<u>\$ 185,916</u>	<u>\$ 200,336</u>	<u>\$ 225,471</u>	<u>\$ 241,889</u>	<u>\$ 239,250</u>

**Notes:**

- (1) Trend data is only available for the last seven fiscal years due to the implementation of GASB 34.  
(2) The substantial increase or decrease in fund balance reserved, or unreserved is explained in Management's Discussion and Analysis (MD&A).

COUNTY OF SANTA BARBARA, CALIFORNIA  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)**  
**LAST TEN FISCAL YEARS (in thousands)**  
*(modified accrual basis of accounting)*

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Revenues (by source):</b>										
Taxes	\$ --	\$ --	\$ --	\$ 132,298	\$ 126,636	\$ 140,594	\$ 176,747	\$ 202,078	\$ 220,583	\$ 231,955
Licenses, permits, and franchises	--	--	--	13,521	12,258	14,407	13,712	14,094	14,336	14,294
Fines, forfeitures, and penalties	--	--	--	10,809	12,162	9,554	9,675	12,020	11,020	12,333
Use of money and property	--	--	--	14,013	10,735	5,532	9,489	10,783	13,025	12,173
Intergovernmental	--	--	--	270,384	260,779	260,609	253,104	263,025	266,953	271,211
Charges for service	--	--	--	117,468	117,061	123,739	134,276	134,664	148,311	156,648
Other	--	--	--	16,830	13,479	13,058	15,751	15,255	13,414	13,637
Total revenues	--	--	--	575,323	553,110	567,493	612,754	651,919	687,642	712,251
<b>Expenditures (by function):</b>										
Policy & executive	--	--	--	9,925	10,334	10,024	10,229	10,824	11,846	13,290
Law & justice	--	--	--	34,970	35,500	36,802	37,361	38,083	39,247	41,875
Public safety	--	--	--	122,754	130,996	140,458	148,978	160,249	175,500	189,364
Health & public assistance	--	--	--	215,452	223,913	232,782	241,023	260,562	273,314	287,957
Community resources & public facilities	--	--	--	68,271	64,104	67,161	85,219	78,085	90,994	89,859
General government & support services	--	--	--	39,390	38,049	39,828	40,007	46,686	47,380	48,356
General County programs	--	--	--	14,781	15,224	13,918	9,731	12,574	14,552	18,452
Debt service										
Principal	--	--	--	6,323	5,004	5,153	6,030	6,582	7,876	6,595
Interest	--	--	--	4,541	4,628	4,413	3,986	4,741	2,930	2,642
Capital outlay	--	--	--	40,164	35,404	35,862	36,155	11,029	10,620	20,055
Total expenditures	--	--	--	556,571	563,156	586,401	618,719	629,415	674,259	718,445
Excess (deficiency) of revenues over (under) expenditures	--	--	--	18,752	(10,046)	(18,908)	(5,965)	22,504	13,383	(6,194)
<b>Other Financing Sources (Uses):</b>										
Transfers in	--	--	--	102,349	94,777	102,682	108,564	118,235	128,567	149,323
Transfers out	--	--	--	(103,420)	(95,111)	(103,185)	(108,188)	(118,419)	(129,201)	(148,765)
Proceeds from sale of capital assets	--	--	--	456	145	69	46	862	1,269	288
Long-term debt issued	--	--	--	31,425	1,456	20,023	20,138	1,953	2,400	17,000
Issuance discount on long-term debt	--	--	--	--	--	--	(175)	--	--	(88)
Payment to refunded debt escrow agent	--	--	--	--	--	(18,415)	--	--	--	--
Total other financing sources (uses)	--	--	--	30,810	1,267	1,174	20,385	2,631	3,035	17,758
Net change in fund balance	\$ --	\$ --	\$ --	\$ 49,562	\$ (8,779)	\$ (17,734)	\$ 14,420	\$ 25,135	\$ 16,418	\$ 11,564
Debt service as a percentage of noncapital expenditures:	0.00%	0.00%	0.00%	2.03%	1.78%	1.74%	1.72%	1.86%	1.66%	1.36%
<b>Expenditures (2):</b>										
General government	\$ 39,373	\$ 43,254	\$ 47,090	\$ 59,857	\$ 58,434	\$ 59,228	\$ 55,274	\$ 53,409	\$ 65,106	\$ 65,271
Public protection	165,757	176,075	186,132	200,927	210,021	221,671	234,963	242,782	259,208	281,771
Public ways and facilities	29,081	27,232	30,794	43,801	36,702	24,441	32,560	31,890	30,926	23,117
Health and sanitation	81,229	87,286	103,760	106,767	110,424	117,342	130,160	139,106	149,855	160,095
Public assistance	94,675	94,921	99,982	104,726	105,933	105,203	107,408	116,916	120,572	125,547
Education	2,232	2,386	2,518	2,691	2,645	2,783	2,763	2,773	2,894	3,269
Recreational and cultural services	6,708	7,562	7,907	8,947	8,959	10,305	9,420	9,615	10,462	11,941
Debt service	9,973	9,391	9,474	8,680	9,218	9,566	10,016	11,323	10,807	9,237
Capital outlay	14,518	16,814	14,075	20,175	20,820	35,862	36,155	21,601	24,429	38,197
Total expenditures	\$ 443,546	\$ 464,921	\$ 501,732	\$ 556,571	\$ 563,156	\$ 586,401	\$ 618,719	\$ 629,415	\$ 674,259	\$ 718,445

**Notes:**

- (1) Expenditure trend data by function is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.  
(2) By State Controller function.



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**ASSESSED VALUE OF TAXABLE PROPERTY AND ACTUAL VALUE OF PROPERTY (UNAUDITED)**  
**LAST TEN FISCAL YEARS (in thousands)**

<b>Fiscal Year</b>	<b>(1) Secured</b>	<b>(2) Unsecured</b>	<b>(3) Unitary</b>	<b>(4) Exempt</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate (%)</b>
1998 - 1999	27,046,286	1,919,184	703,596	(967,844)	28,701,222	1.00000
1999 - 2000	28,767,002	1,972,146	711,158	(1,016,269)	30,434,037	1.00000
2000 - 2001	31,368,402	1,933,553	724,164	(1,021,757)	33,004,362	1.00000
2001 - 2002	34,127,745	2,070,319	774,256	(1,100,743)	35,871,577	1.00000
2002 - 2003	36,623,758	2,360,050	825,982	(1,208,338)	38,601,452	1.00000
2003 - 2004	39,518,502	2,320,621	726,740	(1,301,099)	41,264,764	1.00000
2004 - 2005	43,022,881	2,426,901	743,530	(1,372,516)	44,820,796	1.00000
2005 - 2006	47,838,453	2,458,096	737,982	(1,544,353)	49,490,178	1.00000
2006 - 2007	52,791,691	2,546,922	769,814	(1,587,094)	54,521,333	1.00000
2007 - 2008	56,836,827	2,571,180	833,438	(1,772,777)	58,468,668	1.00000

**Notes:**

- (1) Secured property is generally real property, defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines.
- (2) Unsecured property is generally personal property including machinery, equipment, office tools and supplies.
- (3) Unitary properties are railroads and utilities crossing the county and are assessed by the State Board of Equalization.
- (4) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (5) Due to 1978 passage of the property tax initiative Proposition 13 (Prop 13) the County does not track the estimated actual value of all County properties. Under Prop 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

**Source:**

Auditor-Controller, County of Santa Barbara

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)**  
**(\$1 PER \$100 OF ASSESSED VALUE)**  
**LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>County Direct Rates</b>		<b>Overlapping Rates</b>		<b>Total</b>
	<b>Santa Barbara County</b>	<b>General</b>	<b>Cities (1)</b>	<b>Schools (2)</b>	
1998 - 1999	1.00000%	0.00085%	0.01180%	1.01265%	
1999 - 2000	1.00000%	0.00047%	0.01082%	1.01129%	
2000 - 2001	1.00000%	0.00006%	0.00706%	1.00712%	
2001 - 2002	1.00000%	0.00021%	0.00968%	1.00989%	
2002 - 2003	1.00000%	0.00017%	0.00914%	1.00931%	
2003 - 2004	1.00000%	0.00017%	0.01101%	1.01118%	
2004 - 2005	1.00000%	0.00015%	0.00841%	1.00856%	
2005 - 2006	1.00000%	0.00014%	0.01053%	1.01067%	
2006 - 2007	1.00000%	0.00013%	0.01237%	1.01250%	
2007 - 2008	1.00000%	0.00012%	0.01375%	1.01387%	

**Notes:**

- (1) Rate shown represent a weighted average of the eight incorporated cities within the County of Santa Barbara for fiscal year ending 2002-2003 and thereafter. Prior years rates represents a weighted average of seven incorporated cities, excluding the City of Goleta which incorporated in 2002-2003.
- (2) Rates shown represent a weighted average of the various school district tax rate areas within the County of Santa Barbara.

**Source:**

Auditor-Controller, County of Santa Barbara

**COUNTY OF SANTA BARBARA, CALIFORNIA  
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)  
JUNE 30, 2008 AND JUNE 30, 1999 (in thousands)**

In accordance with GASB Statement No. 44, the following tables present information for the County's principal property taxpayers as of June 30, 2008 and June 30, 1999:

**June 30, 2008:**

<u>Taxpayers</u>	<u>Type of Business</u>	(1) <u>Net Assessed Secured Property Value</u>	<u>Percentage of Total Net Assessed Value</u>	(2) <u>Total Secured Tax Levy Fiscal Year 2007-08</u>	<u>Percentage of Total Secured Tax Levy Fiscal Year 2007-08</u>
Exxon Corporation	Petroleum & Gas	\$ 364,613	0.65%	\$ 3,738	0.67%
Verizon California Inc.	Utility	189,561	0.34%	2,152	0.39%
Southern California Gas Co.	Utility	183,144	0.33%	2,072	0.37%
United Launch Alliance	Aerospace	177,100	0.32%	1,833	0.33%
Biltmore Hotel	Hotel	170,000	0.30%	1,874	0.34%
Fairway BB Property	Residential	144,101	0.26%	1,464	0.26%
Bacara Spa and Resort	Hotel	130,000	0.23%	1,398	0.25%
Southern California Edison Co.	Utility	125,080	0.22%	1,416	0.25%
Pacific Offshore Pipeline Co.	Petroleum & Gas	115,960	0.21%	1,188	0.21%
Raytheon Company	Light Manufacturing	114,265	0.20%	1,386	0.25%
Ten largest taxpayers		1,713,824	3.07%	18,521	3.33%
All other taxpayers		54,183,664	96.93%	537,166	96.67%
Total		\$ 55,897,488	100.00%	\$ 555,687	100.00%

**June 30, 1999:**

<u>Taxpayers</u>	<u>Type of Business</u>	(1) <u>Net Assessed Secured Property Value</u>	<u>Percentage of Total Net Assessed Value</u>	(2) <u>Total Secured Tax Levy Fiscal Year 1998-99</u>	<u>Percentage of Total Secured Tax Levy Fiscal Year 1998-99</u>
Exxon Corporation	Oil	\$ 748,611	2.80%	\$ 7,955	3.02%
GTE California Incorporated	Utility	222,601	0.83%	2,314	0.88%
Southern California Gas Co.	Utility	152,489	0.57%	1,585	0.60%
Gaviota Gas Plant Co.	Gas	137,892	0.51%	1,465	0.56%
Pacific Offshore Pipeline Co.	Oil	132,023	0.49%	1,403	0.53%
Applied Magnetics Corporation	Electromagnetic Systems	123,159	0.46%	1,297	0.49%
Southern California Edison Co.	Utility	94,385	0.35%	980	0.37%
Raytheon Company	Electromagnetic Systems	91,538	0.34%	970	0.37%
Fess Parker Doubletree	Hotel	96,572	0.36%	960	0.36%
Pacific Gas and Electric Company	Utility	76,513	0.29%	793	0.30%
Ten largest taxpayers		1,875,783	7.00%	19,722	7.49%
All other taxpayers		24,906,255	93.00%	243,731	92.51%
Total		\$ 26,782,038	100.00%	\$ 263,453	100.00%

**Notes:**

- Net Assessed Secured amounts include Secured & Unitary less exemptions.  
See "Assessed Value of Taxable Property and Actual Value of Property" schedule for total assessed value. The 2007-08 total is based on secured \$56,836,827 plus unitary \$833,438 less exemptions of \$1,772,777. The 1998-99 total is based on secured \$27,046,286 plus unitary \$703,596 less exemptions of \$967,844.
- Includes 1%, bonds, fixed charges, late penalties and costs (Only Secured & Unitary Tax Levy amounts)

**Source:**

County of Santa Barbara Treasurer / Tax Collector

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**PROPERTY TAX LEVIES and COLLECTIONS (UNAUDITED)**  
**LAST TEN FISCAL YEARS (in thousands)**

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<b>Fiscal Year</b>	<b>(1) Taxes Levied</b>	<b>(2) Collections within the fiscal year of the levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
1998 - 1999	263,453	260,526	98.89%	2,916	263,442	100.00%
1999 - 2000	282,449	278,432	98.58%	3,996	282,428	99.99%
2000 - 2001	306,687	301,590	98.34%	5,070	306,660	99.99%
2001 - 2002	333,424	329,327	98.77%	4,063	333,390	99.99%
2002 - 2003	355,912	351,584	98.78%	4,262	355,846	99.98%
2003 - 2004	385,715	381,887	99.01%	3,712	385,599	99.97%
2004 - 2005	419,530	415,040	98.93%	4,254	419,294	99.94%
2005 - 2006	466,497	460,518	98.72%	4,760	465,278	99.74%
2006 - 2007	516,452	505,691	97.92%	6,665	512,356	99.21%
2007 - 2008	555,687	542,365	97.60%	-	542,365	97.60%

**Notes:**

- (1) Secured and Unitary tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards.
- (2) Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

**Source:**

Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA  
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)  
LAST TEN FISCAL YEARS (in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Assessed Value (1)	Per Capita (2)
	Certificates of Participation	Capital Leases	Long-Term Loans	Long-Term Settlement	Note Payable	Certificates of Participation	Capital Leases	Long-Term Settlement	Notes Payable				
1998 - 1999	47,175	701	339	2,125	62,000	8,260	1,677	--	--	122,277	0.43%	299	
1999 - 2000	43,415	1,723	254	1,850	57,000	7,280	1,299	550	--	113,371	0.37%	274	
2000 - 2001	39,650	1,421	173	3,568	47,000	6,360	884	440	--	99,496	0.30%	243	
2001 - 2002 (3)	65,935	567	104	1,438	37,000	6,955	839	385	4,933	118,156	0.33%	290	
2002 - 2003	61,635	1,753	83	1,025	45,000	6,225	408	330	9,388	125,847	0.33%	307	
2003 - 2004	58,773	1,361	67	750	45,000	7,037	210	275	8,999	122,472	0.30%	295	
2004 - 2005	71,169	1,272	1,117	475	55,000	6,886	130	220	8,620	144,889	0.32%	346	
2005 - 2006	65,173	3,301	1,030	200	47,000	5,655	83	165	8,231	130,838	0.26%	310	
2006 - 2007	59,143	5,015	11	--	--	4,321	30	110	7,833	76,463	0.14%	180	
2007 - 2008	70,209	4,301	-	--	--	9,851	23	55	7,426	91,865	0.16%	214	

**Notes:**

- (1) See the "Assessed Value of Taxable Property and Actual Value of Property" schedule for total taxable assessed value. Assessed value does not include tax exempt property.
- (2) See the "Demographic and Economic Statistics" schedule for population figures. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.
- (3) In fiscal year 2001-2002 the County reclassified Laguna Sanitation District from a special revenue to an enterprise fund.

**Source:**

Auditor-Controller, County of Santa Barbara

**COUNTY OF SANTA BARBARA, CALIFORNIA  
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)  
LAST TEN FISCAL YEARS (in thousands)**

<b>Fiscal Year</b>	<b>(1) Assessed Value</b>	<b>(2) Legal Debt Limit</b>	<b>Total net applicable debt</b>	<b>(3) Legal Debt Margin</b>	<b>Legal Debt Margin / Debt Limit</b>
1998 - 1999	\$ 28,701,222	\$ 358,766	--	\$ 358,766	100%
1999 - 2000	30,434,037	380,425	--	380,425	100%
2000 - 2001	33,004,362	412,555	--	412,555	100%
2001 - 2002	35,871,577	448,395	--	448,395	100%
2002 - 2003	38,601,452	482,518	--	482,518	100%
2003 - 2004	41,264,764	515,810	--	515,810	100%
2004 - 2005	44,820,796	560,260	--	560,260	100%
2005 - 2006	49,490,178	618,627	--	618,627	100%
2006 - 2007	54,521,333	681,517	--	681,517	100%
2007 - 2008	58,468,668	730,858	--	730,858	100%

**Notes:**

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of Property" schedule.
- (2) California Government Code Section 29909 read in conjunction with Revenue and Taxation Code Section 135 imposes a legal debt limitation for General Obligation Bond indebtedness to 1.25% of the total full cash valuation.
- (3) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

**Source:**

Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA  
DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)  
AS OF June 30, 2008 (in thousands)

<b>2007-2008 Assessed Valuation:</b>	\$ 59,252,550
<b>Redevelopment Incremental Valuation:</b>	3,092,901
<b>Adjusted Assessed Valuation:</b>	<u>\$ 56,159,649</u>

<b><u>Overlapping Tax and Assessment Debt:</u></b>	<b>Percent Applicable (1)</b>	<b>Debt (3)</b>
Allan Hancock Joint Community College District	99.762%	\$ 66,586
High School Districts	99.998-100%	125,764
Unified School Districts	100%	52,996
Goleta Union School Districts	100%	22,120
Orcutt School District	100%	13,955
Santa Barbara School District	100%	27,657
Other School District	100%	36,960
Lompoc Healthcare District	100%	74,500
Santa Ynez River Water Conservation District ID No.1	100%	910
Solvang Assessment District	100%	95
Special District 1915 Act Bonds	100%	3,825
Total Overlapping Tax and Assessment Debt		<u>\$ 425,368</u>

<b><u>Direct and Overlapping General Fund Obligation Debt:</u></b>		
Santa Barbara County General Fund Obligations	100%	\$ 56,460
Allan Hancock Joint Community College District Certificates of Participation	99.762%	7,198
Santa Maria Joint Union High School District Certificates of Participation	99.998%	25,369
Santa Maria-Bonita School District Certificates of Participation	99.996%	23,194
Santa Ynez Valley Union High School District Certificates of Participation	100%	3,920
Buellton School District Certificates of Participation	100%	3,300
College School District Certificates of Participation	100%	7,295
Solvang School District Certificates of Participation	100%	1,570
City of Carpinteria Certificates of Participation	100%	1,375
City of Santa Barbara Certificates of Participation	100%	4,300
City of Santa Maria General Fund Obligations	100%	15,255
Carpinteria Sanitary District General Fund Obligations	100%	15,000
Santa Maria Cemetery District Certificates of Participation	100%	1,320
Total Gross Direct and Overlapping General Fund Obligation Debt		<u>165,556</u>
Less: Carpinteria Sanitary District (100% self-supporting)		<u>(15,000)</u>
Total Net Direct and Overlapping General Fund Obligation Debt		<u>\$ 150,556</u>

Gross Combined Total Debt	\$ 590,924 (2)
Net Combined Total Debt	\$ 575,924

<b><u>Ratio to 2007-08 Assessed Valuation:</u></b>	
Total Overlapping Tax and Assessment Debt	0.72%

<b><u>Ratios to Adjusted Assessed Valuation:</u></b>	
Combined Direct Debt (\$56,460)	0.10%
Gross Combined Total Debt	1.05%
Net Combined Total Debt	1.03%

**Notes:**

- (1) Percentage of overlapping agency's assessed valuation located within the boundaries of the County.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and state contractual obligations within the Department of Water Resources.
- (3) Debt as of May 22, 2008.

**Source:**

California Municipal Statistics, Incorporated

**COUNTY OF SANTA BARBARA, CALIFORNIA  
 DEMOGRAPHICS AND ECONOMIC STATISTICS (UNAUDITED)  
 LAST TEN YEARS (in thousands)**

<b>(1) Year</b>	<b>(2) Population</b>	<b>(4) Personal Income</b>	<b>Per Capita Personal Income</b>	<b>(5) School Enrollment</b>	<b>(6) Unemployment Rate</b>
1999	409	11,301,000	27.6	65	3.4%
2000	414	11,890,000	28.7	65	3.2%
2001	409	12,911,000	31.6	66	2.8%
2002	408	13,107,000	32.1	67	3.7%
2003	410	13,017,000	31.7	67	3.5%
2004	415	13,544,000	32.6	68	3.4%
2005	419	14,384,000 (3)	34.3 (3)	68	4.0%
2006	422	15,211,000 (3)	36.1 (3)	67	3.5%
2007	424	16,314,000 (3)	38.5 (3)	67	3.8%
2008	429	17,700,000 (3)	41.3 (3)	66	5.2%

**Detail of estimated population, as of January 1, 2008 (whole numbers):**

Incorporated Cities	
Buellton	4,700
Carpinteria	14,271
Goleta	30,400
Guadalupe	6,541
Lompoc	42,957
Santa Barbara	90,305
Santa Maria	91,110
Solvang	5,555
Total of Incorporated	285,839
Total of Unincorporated Areas	142,816
<b>Total Population</b>	<b>428,655</b>

**Notes:**

- (1) Calendar year
- (2) Population as of January 1
- (3) Estimated amounts
- (7) Prior year personal income was adjusted to reflect actual data.

**Sources:**

- (2) California Department of Finance
- (4) University of California, Santa Barbara Economic Forecast Project
- (5) Santa Barbara County Schools Administrative Office
- (6) Employment Development Department Research Center



**COUNTY OF SANTA BARBARA, CALIFORNIA  
 PRINCIPAL EMPLOYERS (UNAUDITED)  
 June 30, 2008 AND June 30, 1999**

<b>June 30, 2008</b>			<b>June 30, 1999</b>		
<b>Company or Organization</b>	<b>Jobs (1)</b>	<b>Percent of Total County Employment</b>	<b>Company or Organization</b>	<b>Jobs (2)</b>	<b>Percent of Total County Employment</b>
University of California at Santa Barbara	9,723	5.13%	University of California at Santa Barbara	8,912	5.31%
Vandenberg Air Force Base	4,374	2.31%	Vandenberg Air Force Base	5,011	2.99%
County of Santa Barbara	4,269	2.25%	County of Santa Barbara	4,484	2.67%
Santa Barbara Cottage Hospital	2,762	1.46%	Santa Barbara Cottage Hospital	1,818	1.08%
Santa Barbara City College	2,157	1.14%	Santa Barbara High School District	1,645	0.98%
Santa Barbara School District Admin.	1,618	0.85%	Lompoc Unified School District	1,561	0.93%
Raytheon Electronic Systems	1,613	0.85%	Santa Barbara City College	1,500	0.89%
Santa Maria-Bonita School District	1,600	0.84%	Santa Maria-Bonita School District	1,400	0.83%
City of Santa Barbara	1,539	0.81%	Allan Hancock College	1,200	0.72%
Lompoc Unified School District	1,452	0.77%	U.S. Postal Service	1,100	0.66%
Total ten largest	31,107	16.42%	Total ten largest	28,631	17.06%
Total all other	158,385	83.58%	Total all other	139,194	82.94%
Total companies or organizations	189,492	100.00%	Total companies or organizations	167,825	100.00%

**Notes:**

- (1) As of April 2008
- (2) As of March 1999

**Source:**

State Employment Development Department, Labor Market Information Division and University of California, Santa Barbara Economic Forecast Project

**COUNTY OF SANTA BARBARA, CALIFORNIA  
COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)  
LAST TEN FISCAL YEARS**

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>Paid employees</b>										
Policy & executive	--	--	--	98	94	93	95	88	98	99
Law & justice	--	--	--	236	213	211	208	217	221	223
Public safety	--	--	--	1,389	1,383	1,367	1,357	1,415	1,425	1,443
Health & public assistance	--	--	--	1,685	1,667	1,652	1,660	1,706	1,688	1,704
Community resources & public facilities	--	--	--	583	556	552	519	524	502	506
General government & support services	--	--	--	464	441	432	425	436	432	438
General county programs	--	--	--	19	29	19	14	34	40	34
Resource Recovery	--	--	--	94	93	91	91	91	90	90
Laguna Sanitation	--	--	--	14	14	13	13	15	15	15
Total County employees	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,582</u>	<u>4,490</u>	<u>4,430</u>	<u>4,382</u>	<u>4,526</u>	<u>4,511</u>	<u>4,552</u>
<b>Actual full-time equivalent employees</b>										
Policy & executive	--	--	--	92	88	87	88	87	91	90
Law & justice	--	--	--	227	209	207	205	206	214	216
Public safety	--	--	--	1,319	1,321	1,298	1,287	1,331	1,365	1,394
Health & public assistance	--	--	--	1,595	1,589	1,560	1,563	1,596	1,598	1,615
Community resources & public facilities	--	--	--	556	536	527	498	473	476	473
General government & support services	--	--	--	435	422	413	405	410	408	414
General county programs	--	--	--	18	28	18	14	28	38	34
Resource Recovery	--	--	--	91	88	86	87	86	85	86
Laguna Sanitation	--	--	--	14	14	13	13	16	15	15
Total County employees	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,347</u>	<u>4,295</u>	<u>4,209</u>	<u>4,160</u>	<u>4,233</u>	<u>4,290</u>	<u>4,337</u>

**Note:**

- (1) County employees by function/program is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.
- (2) Paid employees: Count of employees paid, including terminated employees. Employees with more than one job will be counted once for each job for which the employee was paid.
- (3) Actual full-time equivalent employees: Count of number of full-time equivalents paid. For full-time and part-time, the full-time equivalent (FTE) used is from the employee's assigned work schedule. For extra help and contractors, the FTE is calculated as the number of hours worked this pay period divided by 80.
- (4) Superior Court and Employee Retirement removed from entity - employee counts reduced by 270 and 259, respectively for Superior Court and by 9 and 9, respectively for Employee Retirement.

**Summary of County Employees  
Last Ten Fiscal Years (5):**

<u>Fiscal Year</u>	<u>Employees Paid</u>	<u>Full-Time Equivalents</u>
1998-1999	4,507	4,265
1999-2000	4,746	4,386
2000-2001 (4)	4,652	4,239
2001-2002	4,582	4,347
2002-2003	4,490	4,295
2003-2004	4,430	4,209
2004-2005	4,382	4,160
2005-2006	4,526	4,233
2006-2007	4,511	4,290
2007-2008	4,553	4,337

**Source:**

- (5) Santa Barbara County payroll records as of June 30.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)  
 LAST TEN FISCAL YEARS

Function/Program	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Law &amp; justice</b>										
Filed felonies-District Attorney	--	--	--	2,249	2,287	2,389	2,799	3,040	3,040	2,610
Filed misdemeanors-District Attorney	--	--	--	11,771	12,071	13,558	13,691	13,195	14,781	14,622
Public Defender's total new caseload	--	--	--	22,700	23,400	25,600	26,700	22,900	25,302	24,939
<b>Public safety</b>										
Fire emergency responses	--	--	--	8,400	8,750	9,400	9,500	9,700	10,163	11,090
Total miles patrolled by Sheriffs	--	--	--	1,580,000	1,410,000	1,277,615	1,518,166	1,504,057	1,546,905	1,572,795
Processed and booked adult offenders-Sheriff	--	--	--	16,967	17,496	17,535	19,582	17,747	18,403	17,915
Juvenile referrals processed- Probation	--	--	--	6,000	6,000	6,300	6,400	6,589	6,822	6,287
Cases supervised-Probation	--	--	--	7,100	7,400	10,550	10,579	10,191	11,678	11,986
Institutional care for minors-Probation (days)	--	--	--	63,100	63,400	58,300	52,280	62,375	67,154	68,730
Prepared adult sentencing reports-Probation	--	--	--	2,500	2,500	11,300	11,900	12,264	12,551	12,458
<b>Health &amp; public assistance</b>										
ADMHS clients served	--	--	--	12,357	12,568	13,253	14,807	13,059	13,629	14,565
Processed child support payments	--	--	--	151,000	153,000	156,000	160,000	153,900	157,867	153,000
Assistance claims paid to eligible recipients	--	--	--	n/a	60,000	62,500	64,500	64,200	65,405	65,686
Patient treatments at Public Health clinics	--	--	--	100,000	100,000	112,000	116,100	118,400	123,000	126,200
<b>Community resources &amp; public facilities</b>										
Building inspections	--	--	--	39,500	28,700	27,800	34,900	34,000	40,034	33,800
Enhanced or maintained road lanes (miles)	--	--	--	124	190	150	117	117	246	102
Flood control work requests	--	--	--	169	234	145	200	185	112	110
<b>General government &amp; support services</b>										
Clerk-Recorder-Assessor										
Recorded Documents	--	--	--	110,000	139,000	170,000	131,000	123,700	135,000	108,000
<b>Resource Recovery</b>										
Waste recycled (tons per month)	--	--	--	5,900	10,000	10,200	8,857	8,177	8,270	7,692
Landfill waste disposal (tons per month)	--	--	--	17,200	18,345	19,910	20,510	19,679	18,483	17,964

**Note:**

Operating Indicators by function/program is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)  
 LAST TEN FISCAL YEARS

Function/Program	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Policy & executive										
Buildings				Occupied with general government and support services.						
Law & justice										
Court buildings	--	--	--	9	9	9	9	9	9	7
Other buildings	--	--	--	4	4	4	5	5	5	5
Public safety										
Fire stations	--	--	--	15	15	15	15	15	16	16
Fire trucks	--	--	--	39	39	39	41	41	42	41
Ambulances	--	--	--	4	4	4	4	4	4	4
Sheriff sub stations	--	--	--	2	2	2	2	2	2	2
Patrol units	--	--	--	49	49	49	49	49	49	49
Aircrafts	--	--	--	5	5	5	5	5	5	5
Jail and detention facilities	--	--	--	6	6	6	6	6	6	6
Administration buildings	--	--	--	8	8	8	8	8	8	9
Health & public assistance										
Clinics	--	--	--	5	5	5	5	6	7	7
Administration buildings	--	--	--	5	5	5	5	5	5	5
Community resources & public facilities										
Public parks & open space acreage	--	--	--	2,617	2,617	2,617	2,617	2,243	2,243	2,455
Day use & camping parks	--	--	--	24	24	24	24	21	21	22
Open space areas (County developed)	--	--	--	29	29	29	29	17	17	17
Outdoor events center	--	--	--	1	1	1	1	1	1	1
Veterans buildings	--	--	--	3	3	3	3	3	3	3
Seawalls	--	--	--	2	2	2	2	2	2	2
Road lane miles	--	--	--	1,839 (3)	1,668	1,668	1,668	1,668	1,668	1,668
Bridges	--	--	--	43	44	44	44	112	112	112
Traffic signals	--	--	--	25	25	25	25	25	25	25
Roads heavy equipment	--	--	--	36	40	43	43	43	48	51
Sanitary sewers (miles of collection)	--	--	--	160	160	160	160	160	160	111
Treatment capacity (million gallons per day)	--	--	--	2	4	4	4	4	4	4
Resource Recovery heavy equipment	--	--	--	53	55	60	65	65	69	69
General government & support services										
Buildings	--	--	--	4	4	4	5	5	5	5

Notes:

- (1) Capital assets and infrastructure statistics by function/program is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.
- (2) Buildings include those that are capitalized but exclude real property that is leased.
- (3) Includes City of Goleta.

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**ACCOUNTS PAYABLE** - A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

**ACCOUNTS RECEIVABLE** - An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

**ACCRUAL BASIS** - The recording of the financial effects of a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

**ACCUMULATED DEPRECIATION** - A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

**ADVANCE FROM OTHER FUNDS** - A liability account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE TO OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

**ADVANCE TO OTHER FUNDS** - An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE FROM OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

**AGENCY FUND** - A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

**AGENT MULTIPLE-EMPLOYER PLAN** - Group of single-employer plans with pooled administrative and investment functions but separate actuarial valuations and contribution rates.

**AMORTIZATION** - (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

**ANNUAL OPEB COST** - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

**ANNUAL REQUIRED CONTRIBUTIONS (ARC)** - Term used in connection with defined benefit pension and other postemployment benefit plans to describe the amount an employer must contribute in a given year.

**APPROPRIATION** - A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

**ASSESSED VALUATION** - A valuation set upon real estate or other property by a government as a basis for levying taxes.

**AUDITOR'S REPORT** - In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

**BALANCE SHEET** - The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

**BASIC FINANCIAL STATEMENTS (BFS)** - The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements and notes to the financial statements.

**BASIS OF ACCOUNTING** - A term used to refer to *when* revenues, expenditures, expenses, and transfers - and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

**BUDGET** - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

**BUDGETARY CONTROL** - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**BUSINESS-TYPE ACTIVITIES** - One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds.

**CAPITAL ASSETS** - Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant and equipment.

**CAPITAL EXPENDITURES** - Expenditures resulting in the acquisition of or addition to the government's general capital assets.

**CAPITALIZATION POLICY** - The criteria used by a government to determine which outlays should be reported as capital assets.

**CAPITAL LEASE** - An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS**.

**CAPITAL PROJECTS FUND** - A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CASH BASIS** - A basis of accounting under which transactions are recognized only when cash is received or disbursed.

**CASH WITH FISCAL AGENT** - An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM** - A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs/CUFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

**CHANGE IN THE FAIR VALUE OF INVESTMENTS** - The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

**CLOSED AMORTIZATION PERIOD** - Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth

**COMPENSATED ABSENCES** - Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)** - A CAFR is a financial report that encompasses all funds and component units of the government. It contains (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

**CONTINGENT LIABILITY** - Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**CONTRIBUTION DEFICIENCIES** - The difference between the annual required contributions of the employer(s) (ARC) and the employer's actual contributions in relation to the ARC.

**COST-SHARING MULTIPLE-EMPLOYER PLAN** - A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

**COVERED PAYROLL** - Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

**CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS** - Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

**DEBT** - An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes.

**DEBT SERVICE FUND** - A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**DEFERRED CHARGES** - Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g. bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

**DEFERRED REVENUE** - Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

**DEFICIT** - (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**DEFINED BENEFIT OPEB PLAN** - Plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of

service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

**DEFINED BENEFIT PENSION PLAN** - A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

**DEPRECIATION** - (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**DESIGNATED FUND BALANCE** - A portion of an unreserved fund balance that has been "earmarked" by the chief executive officer or the legislative body for specified purposes.

**DUE FROM OTHER FUNDS** - An asset account reflecting amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**DUE TO OTHER FUNDS** - A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**ECONOMIC RESOURCES MEASUREMENT FOCUS** - Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

**EMPLOYER'S CONTRIBUTIONS** - Term used in the context of pension and other postemployment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer. (Only amounts paid to trustees and outside parties qualify.)

**ENCUMBRANCES** - Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

**ENTERPRISE FUND** - Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

**EXCHANGE-LIKE TRANSACTION** - Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

**EXPENDITURES** - Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlement and shared revenues.

**EXPENDITURE-DRIVEN GRANTS** - Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

**EXPENSES** - Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

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**EXTERNAL AUDITORS** - Independent auditors typically engaged to conduct an audit of a government's financial statements.

**EXTERNAL INVESTMENT POOL** - An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

**FAIR VALUE** - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FIDUCIARY FUNDS** - The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

**FINANCIAL RESOURCES** - Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g. receivables or investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

**FISCAL AGENT** - A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**FUND** - A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

**FUND BALANCE** - The difference between fund assets and fund liabilities of governmental and similar trust funds.

**FUND FINANCIAL STATEMENTS** - Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

**FUND TYPE** - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

**GENERAL FUND** - The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL REVENUES** - All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g. property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** - The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*.

**GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)** - An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

**GOVERNMENTAL ACCOUNTING** - The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** - The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

**GOVERNMENTAL ACTIVITIES** - Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

**GOVERNMENTAL FUNDS** - Funds generally used to account for tax-supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**IMPROVEMENT** - An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

**INDIRECT EXPENSES** - Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

**INFRASTRUCTURE** - Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

**INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT** - One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

**INTERFUND RECEIVABLE/PAYABLE** - Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

**INTERFUND TRANSFERS** - Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

**INTERNAL SERVICE FUND** - A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

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**JOINT VENTURE** - A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

**LAPSE** - As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**LEASE-PURCHASE AGREEMENTS** - Contractual agreements that are termed leases, but that in substance are purchase contracts.

**LEGAL LEVEL OF BUDGETARY CONTROL** - The level at which spending in excess of budgeted amounts would be a violation of law.

**LEVEL OF BUDGETARY CONTROL** - The level at which a government's management may not reallocate resources without special approval from the legislative body.

**LEVEL PERCENTAGE OF PROJECTED PAYROLL AMORTIZATION METHOD** - Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

**LIABILITIES** - Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**LOANS RECEIVABLE** - An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

**MAJOR FUND** - A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets or liabilities are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)** - A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

**MEASUREMENT FOCUS** - A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**MODIFIED ACCRUAL BASIS** - The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g. bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

**NET OPEB OBLIGATION** - In the context of defined benefit pension and other postemployment benefit plans, the cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension/OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related/OPEB-related debt.

**OTHER FINANCING SOURCES** - An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

**OTHER FINANCING USES** - A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)** - Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries.

**OVERLAPPING DEBT** - The proportionate share that property within a government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

**PAY-AS-YOU-GO** - a method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

**PAYROLL GROWTH RATE** - an actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

**PENSION BENEFITS** - "retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan."

**POSTEMPLOYMENT** - Period following termination of employment, including the time between termination and retirement Post employment healthcare benefits

**PROGRAM REVENUES** - Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**PROPRIETARY FUNDS** - Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**REBATABLE ARBITRAGE** - A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.



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**REPORTING ENTITY** - The oversight unit and all of its component units, if any that are combined in the CAFR/BFS.

**REQUIRED SUPPLEMENTARY INFORMATION** - Consists of statements, schedules, statistical data or other information that according to the GASB is necessary to supplement, although not required to be a part of the basic financial statements.

**RESERVED FUND BALANCE** - The portion of a governmental fund's net assets that is not available for appropriation.

**RESTRICTED ASSETS** - Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**RESTRICTED NET ASSETS** - A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**RETAINED EARNINGS** - An equity account reflecting the accumulated earnings of an enterprise or internal service fund.

**REVENUE BONDS** - Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

**RISK MANAGEMENT** - All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**SELF-INSURANCE** - A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**SINGLE AUDIT** - An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit*

*Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

**SPECIAL DISTRICT** - An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of Special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, cemetery districts, transit authorities, port authorities and electric power authorities.

**SPECIAL REVENUE FUND** - A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**SUBSTANTIVE PLAN** - Terms of an OPEB plan as understood by the employer(s) and plan members

**TAX AND REVENUE ANTICIPATION NOTES (TRANS)** - Notes issued in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenue levy whose collection they anticipate.

**TRUST FUNDS** - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

**UNRESERVED UNDESIGNATED FUND BALANCE** - That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body.

**UNQUALIFIED OPINION** - An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**UNRESERVED FUND BALANCE** - That portion of a fund balance available for spending or appropriation in the future.

**UNRESTRICTED NET ASSETS** - That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

