

**SANTABARBARACOUNTY
BOARD AGENDALETTER**

Agenda Number:



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

Prepared on: 7/10/06
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 7/25/06
Placement:
Estimate Time: 0
Continued Item:
If Yes, date from:

TO: Board of Supervisors
FROM: Robert W. Geis C.P.A.
Auditor-Controller
STAFF CONTACT: Christa Coski, Cost Analyst
Ext. 2133
SUBJECT: Independent Special Districts

Recommendation(s):

That the Board of Supervisors:

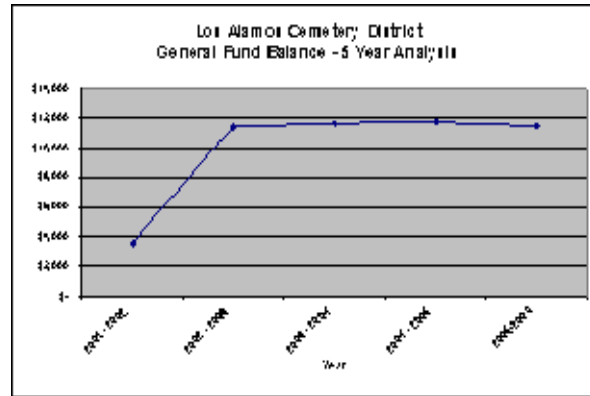
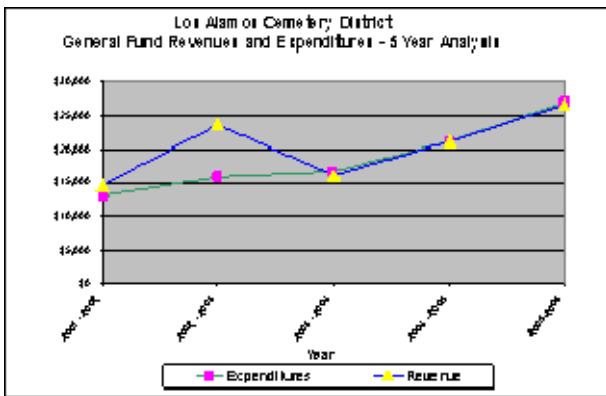
Accept and file Santa Barbara County Independent Special Districts Compliance Report for the completion of annual audits and annual budgets for the current and prior fiscal years. In addition, receive and file a research report on the Districts' current fiscal strengths and vulnerabilities for the fiscal year ended June 30, 2004.

Executive Summary and Discussion:

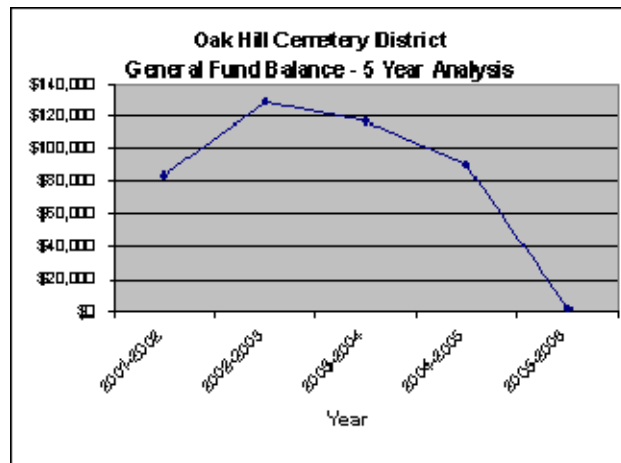
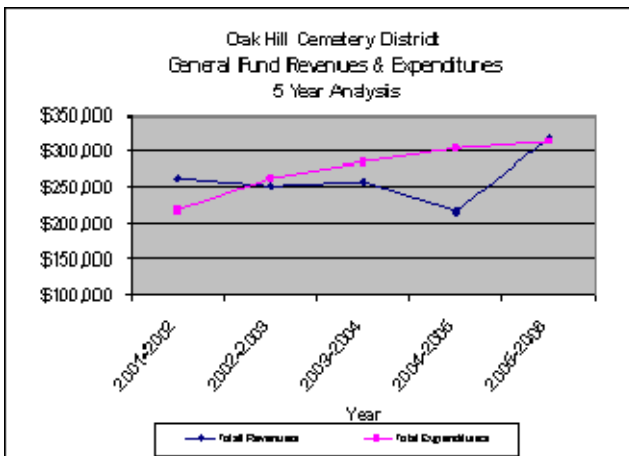
The Santa Barbara County Grand Jury in Fiscal Year 99-00 recommended that the Auditor-Controller improve the compliance effort concerning completion and filing of annual budgets and annual financial reports by independent special districts. The timely filing of the reports is an internal control that can assist the districts with the management of their financial affairs. The same Grand Jury requested that the Auditor-Controller conduct a financial analysis of the 36 independent districts. We issued a report in April 2001 and informally agreed to update this report every three years. In that report we analyze and report on the Districts' current fiscal strengths and vulnerabilities and make recommendations for improvements. See our recommendations on page four of our summary report.

The County Internal Audit division conducts audits of ten of the thirty-six districts, the remainder are audited by other CPA firms. A number of our audits are for small districts like Los Alamos Cemetery District, Guadalupe Cemetery, Oak Hill Cemetery and Casmalia Community Services District. These four districts warrant some particular attention. These districts have small fund balances and with a poor financial year could find themselves unable to continue operations. In the case of the Cemetery Districts they would default to the County. The Auditor-Controller recommendation is that the County should consider consolidation of the smaller cemetery districts with districts that have larger operations. The districts could share equipment, staff and management resources. The Auditor-Controller does not have a solution for the Casmalia Community Service District that has a small customer base, aging plant and equipment and a problematic water source.

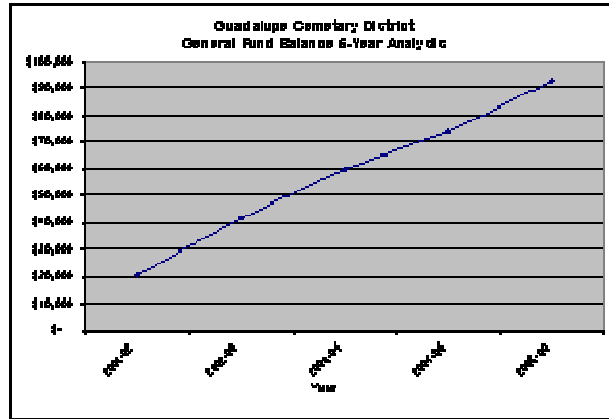
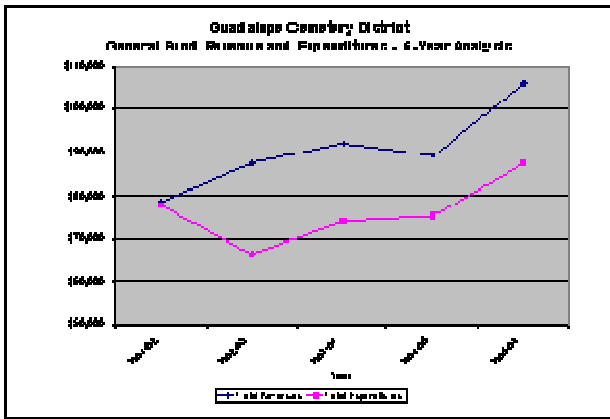
Following are five year analysis graphs for the four districts mentioned above.



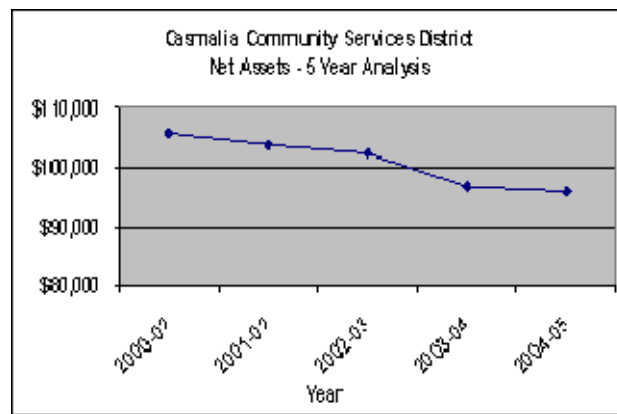
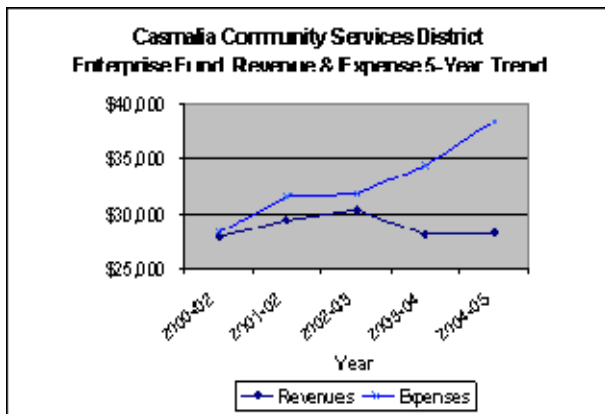
General fund balance of Los Alamos Cemetery District is relatively small. The balance has remained materially unchanged the past four years. Fiscal year 2005-06 revenues exceeded normal average revenues due to higher than normal burial activity. However, a year of below average revenues could result in District expenditures exceeding revenues causing a General Fund deficit.



In fiscal year 2005-06, Oak Hill Cemetery District General Fund revenues slightly exceeded expenditures. Current fund balance is nearing zero. District revenues for fiscal year 2005-06 exceeded expectations due to increased burial activity. However, if revenue trends return to a normal level, the district is at risk of creating a net fund deficit. Additionally, the District is spending accumulated earnings from the Endowment Fund at a rapid pace to fund current operations. At current levels of spending, the District may be forced to invade the principal of the Endowment Fund which would be in violation of California Health and Safety Code.



In fiscal year 2005-06, Guadalupe Cemetery District General Fund revenues exceeded expenditures. In the past five years, the District has successfully accumulated fund balance, reversing a negative trend seen in the previous decade. The District, however, remains at risk due to its relatively small fund balance. A recurring decline in normal revenues would quickly erode the accumulated fund balance.



Casmalia Community Services District continues to operate at a loss. This trend will eventually result in an erosion of net assets. The District has a small unrestricted fund balance and limited cash. Funds are not available to replace or upgrade existing infrastructure; a catastrophic failure of equipment will cease operations.

Mandates and Service Levels:

Government Code section 26909 requires the completion of audits by special districts and Government Code section 53901 requires the completion of annual budgets. Both reports must be filed with the County Auditor-Controller.

Fiscal and Facilities Impacts:

As you can see in the attached report, the our local districts are successful and most are in good or strong financial position. In general each district has a distinct mission which enables them to focus on service delivery. In addition, they remain close to the communities they serve because of the nature of the geographic boundaries of the district.

Special Instructions:

None

Concurrence:

We did provide a draft report to all the special districts for their input and comment.