



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: 9/11/07
Placement: Set Hearing
Estimated Tme: 30 minutes on 9/18/07
Continued Item: No
If Yes, date from:
Vote Required: No Vote Required

TO: Board of Supervisors
Board of Directors, Redevelopment Agency

FROM: Department Robert W. Geis, CPA (x2100)
Director(s)
Contact Info: Robilyn Eggertsen, CPA (x2134)

SUBJECT: Annual County Financial Audit for fiscal year ended June 30, 2007
Annual Redevelopment Agency Audit for fiscal year ended June 30, 2007

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form:

Recommended Actions:

Set a 30 minute hearing for September 18, 2007 that:

1. Board of Supervisors receive a presentation and file the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR) and Financial Highlights for the fiscal year ended June 30, 2007.
2. Redevelopment Agency Board of Directors receive a presentation and file the Agency's Annual Financial Report for the fiscal year ended June 30, 2007.

Summary Text:

Government code §§ 25250 and 25253 require every board of supervisors to have their financial accounts and records audited and to publish the financial transactions and condition of the county. This CAFR is presented to fulfill these requirements for the fiscal year ended June 20, 2007.

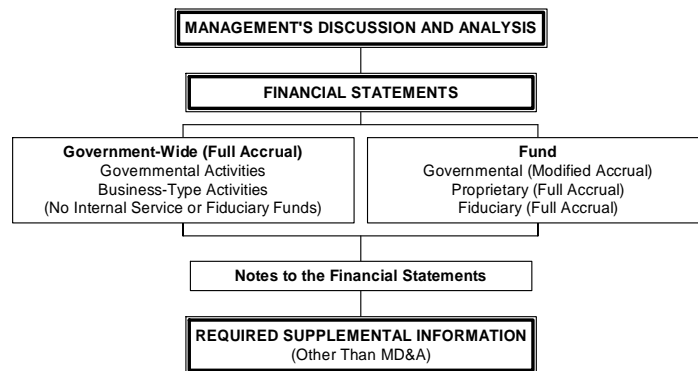
Health & Safety Code § 33080.1 requires that every redevelopment agency present an annual report to its legislative body within six months of the end of the agency's fiscal year. This report is presented to fulfill this requirement for the fiscal year ended June 20, 2007.

Your Board contracts for the annual audits of these financial reports. The independent auditing firm of Brown Armstrong CPA's issued unqualified opinions on both reports. When the auditor has formed the opinion that the financial statements present fairly the financial position, results of operations, and changes in financial position in conformity with generally accepted accounting

principles applied on the basis consistent with that of the preceding period, an unqualified opinion is issued.

Background:

Comprehensive Annual Financial Report (CAFR) of the County of Santa Barbara Accounting and financial reporting for state and local governments focused originally on funds, which were designed to enhance and demonstrate fiscal accountability. Gradually, however a consensus developed that fund-based presentations needed to be accompanied by government-wide financial statements to meet the equally important objective of operational accountability. The result is today's comprehensive, integrated financial reporting model, which was especially designed to ensure and demonstrate both fiscal and operational accountability. Its intended users are the rating agencies, investors, financial institutions, management and the public.



Along with the reporting enhancements came significant added complexity due to the dual reporting. The report is an increasingly technical report more useful to financial analysts and accountants than management and the public. Though complex, the report reveals the County's financial position, results of operations and detailed disclosures. It is prepared in accordance with government accounting standards for consistency among governmental entities.

Financial Statement Overview

In our fourth quarter budget report to the Board we discussed the County's financial performance and focused on the Statement of Revenues, Expenditures, and Changes in Fund Balances (page 27). We discussed that the County's financial performance for 2006-07 was very positive overall and also positive for most individual funds. Detailed analysis is included in the management discussion and analysis section of the report (pages 11 – 22).

Other areas of interest include detailed note disclosures (pages 41–77) that include cash and investments, long-term debt, reserved and designated fund balances, retirement plans and other post employment benefits. Supplementary information related to the Schedule of Funding progress for the Retirement System is also included but is one year in arrears (page 79). The report also includes a variety of statistical information generally related to the last ten years of financial activities (pages 129 – 146).

Financial Highlights Report of the County of Santa Barbara

The Financial Highlights Report translates the technically complex CAFR into a more easily understandable overview of the County's finances, economic prospects and achievements. This report focuses on the significant financial and economic activity of Santa Barbara County for the fiscal year ended June 30, 2007. The overall theme of this year's report is that the County's strong growth of the past several years is beginning to slow down. By making this report available to the general public, we hope to stimulate an interest in County government finances and promote the County's accountability to the citizens of Santa Barbara County.

Annual Financial Report of the Santa Barbara County Redevelopment Agency

The Redevelopment Agency of the County is included in the CAFR as a component unit of the County. However, a separate Annual Financial Report is required by the Health and Safety Code. This publication is broken down into four sections: Introductory Section (pages 1-8), Financial Section (pages 9-33), Statistical Section (pages 34-41), and Compliance Section (pages 42-44). Over the years we continue to make improvements to this report to make it comprehensive for the agency. This year we enhanced the report by including the Goals and Accomplishments of the agency (pages 31-44) and last year we significantly improved the statistical section (pages 45-51).

Certificates of Achievement

We are submitting the CAFR and Highlights publications to the Certificate of Achievement for Excellence programs, sponsored by the Government Finance Officers Association (GFOA). The Certificates of Achievement are prestigious awards, recognizing conformance with the highest standards for preparation of state and local governmental financial reports. We have received the CAFR award for the last sixteen years, and the popular report award for the Financial Highlights for the last ten years. We believe that this year's reports will also qualify.

Schedule of Federal Financial Assistance and Management Letter

The annual audit process also covers the *Single Audit Report* (Schedule of Federal Financial Assistance) and generally includes a Management Letter, i.e., *Findings and Recommendations*. Test work for the 2006-07 Single Audit began June 2007 and we anticipate a completion date of October 31, 2007 (required completion is March 31, 2008.) Upon completion the report will be filed with the Board. As of the date of this letter our prior audit firm KPMG is still completing the FY 05-06 audit which is now almost six months late.

Performance Measure:

1. Receive unqualified opinion and the Government Finance Officers Association Award for Excellence on the County's CAFR.
2. Publish the County's CAFR within 60 days of the fiscal year end.
3. Issue a reader-friendly Financial Highlights report within 60 days of fiscal year-end.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Contract Scope:</u>	<u>FY 06/07</u>	<u>FY 07/08</u>	<u>FY 08/09</u>
General Fund:			
County Financial Audit	\$ 62,000.00	\$ 62,000.00	\$ 62,000.00
County Single Audit	36,840.00	36,840.00	36,840.00
Redevelopment Agency	18,100.00	18,100.00	18,100.00
First 5	<u>11,460.00</u>	<u>11,460.00</u>	<u>11,460.00</u>
Total	\$ 128,400.00	\$ 128,400.00	\$ 128,400.00

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

Staffing Impacts:

Legal Positions:

FTEs:

Special Instructions:

None

Attachments:

1. Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007
2. Financial Highlights for the fiscal year ended June 30, 2007
3. Redevelopment Agency Annual Financial Report for the fiscal year ended June 30, 2007

Authored by:

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cc: