

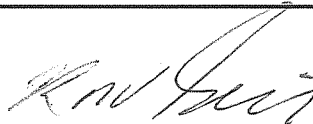


BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: 10/07/14
Placement: Departmental
Estimated Tme: 10 minutes
Continued Item: No
If Yes, date from:
Vote Required: No Vote Required

TO: Board of Supervisors
FROM: Department Robert W. Geis, CPA CPFO 
Director(s)
Contact Info: Betsy Schaffer, (568-2134)
SUBJECT: Receive and File the County of Santa Barbara's Comprehensive Annual Financial Report and Financial Highlights for the Fiscal Year Ended June 30, 2014

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: No

Recommended Actions: That the Board of Supervisors:

Receive and file the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR) and Financial Highlights for the fiscal year ended June 30, 2014.

Summary Text:

Government Codes §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. The attached CAFR is being presented to your Board to fulfill these requirements for the fiscal year ended June 30, 2014.

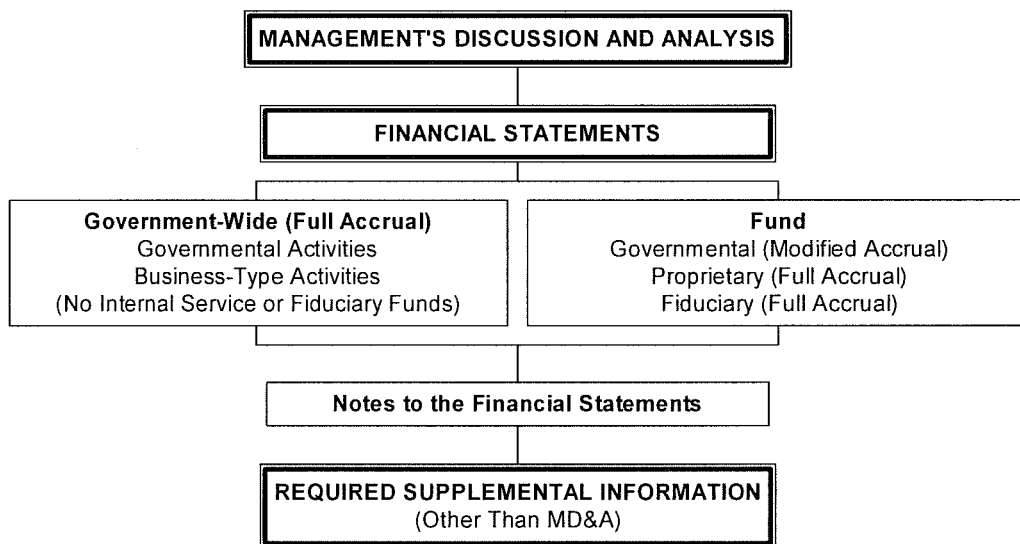
The County contracts for the annual audit of the financial statements. The independent auditing firm of Brown Armstrong Certified Public Accountants issued an unmodified opinion on the CAFR for the fiscal year ended June 30, 2014. An unmodified opinion is issued when the auditor has formed the opinion that the financial statements present fairly the financial position, results of operations, and changes in financial position for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the County, in conformity with generally accepted accounting principles.

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 using a modified accrual (short-term) basis of accounting. Gradually, however, a consensus developed that fund-based presentations needed to be accompanied by governmentwide financial statements using a full accrual basis of accounting, 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, and financial institutions, in addition to management and the public.

However, along with these reporting enhancements came significant added complexity due to the dual reporting model. The CAFR has become and is an increasingly technical report more useful to financial analysts and accountants than to 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 generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB) for consistency among governmental entities.

CAFR Reporting Model



Financial Statement Overview

The following four key financial statements provide the information necessary to assess the County’s financial performance for the fiscal year. Detailed and summary narrative analysis is included in the Management’s Discussion and Analysis (pages 11–26), which precede these statements.

- Statement of Net Position – Governmentwide (page 28)
- Statement of Activities – Governmentwide (page 29)
- Balance Sheet – Governmental Funds (pages 30-32)
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (pages 34-36)

Other areas of interest in the CAFR include:

- Detailed note disclosures that expand on certain amounts shown in the financial statement (pages 56–111), such as cash and investments, long-term debt, fund balances, retirement plans* and other postemployment benefits. One item of particular interest may be Note 18 (pages 98-99), which presents detailed fund balances for governmental funds.
- Required Supplementary Information related to the Schedule of Funding progress for the Retirement System, but is one year in arrears (page 113). An additional Schedule of Funding progress is provided for the Other Post Employment Benefits Plan (page 114).
- A variety of statistical information generally related to the last ten years of financial and some operational activities (pages 155–172).
- An introductory transmittal letter that provides a profile of the County, some economic trends, major initiatives that occurred during the fiscal year, and highlighted financial policies.

** Of specific interest for fiscal year 2014-15 will be that some of the past disclosures for pensions will change with the implementation of GASB 68 – Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 that will require the County to record pension liabilities on the governmentwide financial statements.*

Audit Finding

During the FY 2013-14 CAFR audit, the auditors found a “significant deficiency” in internal controls related to accounting for capital assets by the County. A significant deficiency is less severe than a material weakness, which could modify the auditor’s opinion on the financial statements, yet important enough to merit attention by those charged with governance. In the finding, the auditors noted several required adjustments** to correctly reflect capital asset balances on the County’s Statement of Net Position. The auditors recommended that the County review its policies and practices, and provide training to departments to avoid such adjustments in the future. The County’s management response concurs with the auditor’s recommendation.

***The net amount of the adjustments was \$756 thousand, .00% of total net County capital assets of \$750 million.*

Financial Highlights

The Financial Highlights publication translates the technically complex CAFR into a more easily understandable overview of the County’s finances, economic prospects, and achievements. This report focuses on summarizing the significant financial and economic activity of Santa Barbara County for the fiscal year ended June 30, 2014. The overall theme of this year’s Financial Highlights is that the County’s financial condition experienced sustained moderate growth due to the continuing economic recovery and is expected to continue to experience moderate growth for fiscal year 2014-15. 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.

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 twenty-three

(23) years and the popular report award for the Financial Highlights for the last nineteen (19) years. We believe that this year’s reports will also qualify for these awards.

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 fiscal year 2013-14 Single Audit began in June 2014, and we anticipate a completion date of September 30, 2014 (required completion is March 31, 2015). Upon completion, the Single Audit report will be filed with the Board.

Fiscal Analysis:

In February 2014, the County executed a contract, including a 1-year option to renew, with Brown Armstrong CPA’s to audit the County’s Comprehensive Annual Financial Report and Single Audit, the Annual Financial Report for the First 5 Children & Families Commission, and the annual Treasury financial and compliance reports for fiscal year 2013-14. The County General fund pays for the County’s audit and is partially reimbursed from cost allocation charges to the other funds. First 5 Children & Families Commission and the Treasurer pay for their own audits.

<u>Funding Sources</u>	<u>Audit</u>	<u>FY 2013-14</u>
General Fund	Annual Financial Audit	\$ 65,000.00
General Fund	Single Audit	64,260.00
General Fund	Treasury Audit	10,000.00
First 5 Fund	First 5 Audit	11,460.00
Total		<u>\$ 150,720.00</u>

Performance Measure:

1. Receive an unmodified audit 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.

Special Instructions:

None

Attachments:

- A. Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014
- B. Financial Highlights for the fiscal year ended June 30, 2014
- C. Required Communication Letter Pursuant to Statements on Auditing Standards (SAS) No. 114
- D. Schedule of Findings and Recommendations Pursuant to (SAS) No. 115

Authored by:

Betsy Schaffer, CPA, Financial Reporting Division Chief, 568-2134

cc: Mona Miyasato, County Executive Officer