

COUNTY OF SANTA BARBARA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009



*SMUGGLERS COVE
SANTA CRUZ ISLAND*

ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER



Santa Cruz Island, located in Santa Barbara County, resembles a miniature California. At over 96 square miles in size and California's largest island, Santa Cruz contains two rugged mountain ranges, the highest peaks on the islands (rising above 2,000 feet), a large central valley/fault system, deep canyons with year-round springs and streams, and 77 miles of craggy coastline cliffs, giant sea caves, pristine tide pools, and expansive beaches.

California's Channel Islands are often called "the Galapagos Islands of North America" due to their unique and diverse array of plants and animals, 145 of which are found nowhere else on earth. It is highly unusual to have such an assemblage of "one of a kind" species located in such a small area, a product of evolution in isolation on the islands. Unfortunately this isolation has also made some of these species vulnerable. One of these is the diminutive island fox. Once on the verge of extinction, the restoration of the Santa Cruz Island fox has been a resounding success and allows thousands of visiting boaters and hikers each year, to enjoy them in their natural habitat.

Front Cover
Santa Cruz Island, California
Photograph by Jennifer C. Christensen

COUNTY OF SANTA BARBARA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2009



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

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COUNTY OF SANTA BARBARA

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OFFICE OF THE AUDITOR-CONTROLLER

August 28, 2009

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, 2009, 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.

The independent auditor's report is located at the front of the financial section of this report. Brown Armstrong Certified Public Accountants has issued an unqualified ("clean") opinion on the County's financial statements for the year ended June 30, 2009.

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 431,312. 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, and appointing committees, the County Executive Officer (CEO) and non-elected department directors. 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 directors 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
First District Supervisor



Janet Wolf, Vice-Chair
Second District Supervisor



Doreen Farr
Third District Supervisor



Joni Gray
Fourth District Supervisor



Joe Centeno, 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	Michael Dyer 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 McInnes, interim 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	Daniel Hernandez Parks	Robert Nisbet General Services
		Kathy Gallagher Social Services	Glenn Russell Planning & Development	Susan Paul Human Resources
			Scott McGolpin Public Works	Sally Nagy Information Technology
				Bernice James Treasurer-Tax Collector & Public Administrator

The County, with an average of 4,208 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, Public and Educational Access, the Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Sanitation and Sewer Maintenance Districts, Community Facilities Districts, Sandyland Seawall Maintenance District, the Water Agency, the In-Home Supportive Services Public Authority, the County Redevelopment Agency, and the Santa Barbara County Finance Corporation. 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 in accordance with Generally Accepted Accounting Principles (GAAP). 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 large declines in key economic areas during fiscal year (FY) 08-09 particularly during the second half of the year. Indicators for next year show a decline in the local economic base. The following highlights are evidence of the changing economy.

"It's Bleak Right Now: Northern Santa Barbara County and California are in for a Long Difficult Recovery"

Santa Maria Times April 30, 2009

Employment

- The County's unemployment rate increased from 4.4% to 5.4% through April 2009. This is slightly lower than the national unemployment rate of 5.8%.
- Job growth was basically nonexistent in Santa Barbara County, with an increase of 0% in 2008. Though certain industries like agriculture generated a few more jobs in the County, this small increase was offset by decreases throughout almost every other sector.
- By June 2009, the economic conditions worsened and unemployment nearly doubled to 8.2% in Santa Barbara County. Though this exemplifies the deteriorated state of the economy, Santa Barbara has managed to stay below a state unemployment rate of 11.6% and a national unemployment rate of 9.7%

Income

- The average annual salary had a slight increase of 0.5% to \$42,201 in 2008 from \$41,990 in 2007.

Retail Sales

- Retail sales decreased 5.1% to \$5.6 billion for the 2008 calendar year from \$5.9 billion in 2007, and plummeted even further during the first two quarters of 2009.
- California retail sales tax dropped 13% and the County unincorporated area local retail sales tax dropped 11% for FY 08-09.

Real Estate

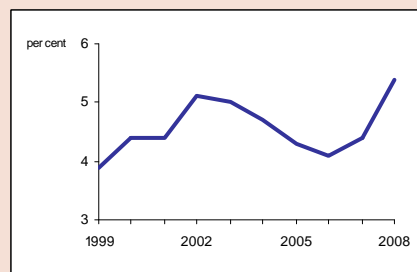
- The County-wide nominal median home price decreased a significant 52.1% to \$388 thousand, compared to a statewide home price of \$360 thousand. This sudden drop in the median home price supported a sharp increase in the number of home sales, which saw a 20.4% increase from the prior year.
- Non-residential valuations decreased 8.3% to \$191.5 million.

Tourism

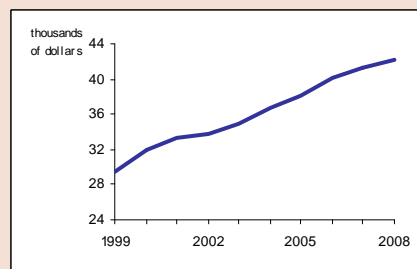
- The South Coast's 2008 hotel and motel occupancy rate was estimated at 72%, a rate slightly lower than the 10-year average of 75%.
- Beginning in October 2008, and accelerating in early 2009 the County experienced a significant drop in tourism and TOT tax.

Most of the information about the local economy is derived from the 2009 Santa Barbara County *Economic Outlook* produced April 2009 and based on the 2008 calendar year (with permission from the UCSB Economic Forecast Project).

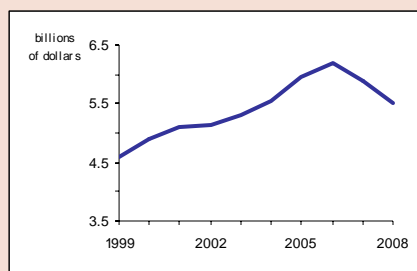
Unemployment Rate



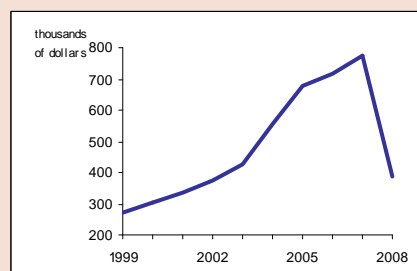
Average Salary



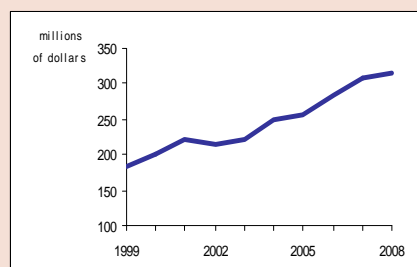
Retail Sales



Median Home Price



Hotel/Motel Room Sales



Factors Affecting Economic Condition – Continued

Economic Indicators

The economy is in a recession throughout most of the United States, California and Santa Barbara County. California has been hard hit by the real estate collapse, is losing jobs at a significant rate and is experiencing a decline in economic output. Home prices have been significantly affected, especially in northern Santa Barbara County. Retail sales have been declining for two years. In early 2009, tourism was negatively affected particularly at Santa Barbara's premier resort destinations. California has an acute budget crisis and government pension funds including Santa Barbara County's incurred significant losses in the investment market. However, the energy crisis of the prior year has been stabilized with a drop in oil prices. The indicators for an upturn are elusive. Mixed signals exist about whether we expect to see the bottom of the downturn later this fall or next spring. The unknowns in the economy include rising unemployment, prime mortgage defaults, consumer spending, and tourism resulting in potential continued decreases in the County tax base.

Financial Indicators

In FY 08-09 the County voters approved a ½-cent sales tax for another 30 years of road transportation and improvement funding. The County had three major fires in the mountains and foothills above Santa Barbara. The fire fighting response was effective and the large cost of suppression was generally funded by the State and Federal government. County tax revenues were under stress with significant declines in local sales tax (7%), public safety sales tax (13%), realignment sales tax (13%), transient occupancy tax (11%), and investment earnings (28%). Secured property tax, the County's largest revenue source, had positive growth of 5%. On the expenditure side the County decreased the actual employees paid by 129, or 3%. The County enacted an employee furlough program for non-public safety employees, and negotiated wage concessions on previously adopted labor agreements.

In FY 09-10, the secured property tax revenue will drop to an estimated 1% growth rate which, unlike many counties, is still positive. An additional 6% decline in sales tax revenue and a 10% decline in transient occupancy tax is projected, along with a modest 2% decline in our total discretionary tax revenues. Many County departments cut 10% of their General Fund contributions for expenditures. The lingering California budget crisis resulted in State program reductions, shifts of revenue from County government, and a borrowing of local property taxes. However, the Federal government has stepped in with stimulus money that is helping to mitigate some of the negative effects of the State budget crisis. Pension and retiree medical costs increases were flat for FY 09-10, after a 9% increase for FY 08-09. In future years significant increases to pension costs appear inevitable due to investment market losses.

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>.

Measure A - Road Repair/Traffic Relief/Transportation Improvements

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 provided for ½-cent sales tax revenue over 20 years until April 2010.

A ½-cent reauthorization measure was developed and placed on the 2008 General election ballot as Measure A. In November 2008, the County voters approved Measure A to, in effect, extend the ½-cent sales tax for road maintenance for an additional 30 years.

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.

Factors Affecting Economic Condition – Continued

Major Initiatives—continued

Wildland Fires Threaten and Infiltrate Populated Areas

The County battled three major wildfires during the fiscal year: the Gap Fire in July, the Tea Fire in November, and the Jesusita Fire in May. All three fires were located near populated areas and collectively resulted in the damage or destruction of hundreds of homes in the Santa Barbara area.



The Gap Fire started on July 1, 2008 in the foothills above Goleta, and burned more than 9,544 acres of private and National Forest land before it was declared contained on July 28. The estimated cost of suppressing the fire exceeded \$20 million.

The Tea Fire began on November 13, 2008 when embers ignited brush near the historic Tea House located in the hills of Montecito. Driven by sundowner winds, the fire burned approximately 1,940 acres, destroyed over 230 homes, and damaged 18 residential structures. The estimated cost of fighting the Tea fire was \$5.7 million.

On May 5, 2009 another wind-driven fire began near the popular Jesusita trail in the Santa Barbara foothills above the San Roque and Mission Canyon neighborhoods. This fire burned more than 8,700 acres, required the mandatory evacuation of 30,000 residents, and destroyed 80 homes, 79 outbuildings, and one commercial property before it was fully contained on May 18. The estimated cost to fight this fire was \$17 million.

The County Fire and Sheriff Departments were joined by numerous cooperative agencies to contain the fires, and were able to implement plans and strategies developed over the years for this type of emergency. The fires highlight the need for public preparation for this type of event. Although they may be extinguished, the impact of these fires is expected to linger for years to come.

Santa Barbara County Redevelopment Agency

The Santa Barbara County Redevelopment Agency (RDA) manages efforts to rehabilitate and revitalize the community of Isla Vista. The RDA 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 RDA'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; to improve deficient public infrastructure and to eliminate blight.

Factors Affecting Economic Condition – Continued

Major Initiatives—continued

A number of important projects were undertaken in FY 08-09 including: acquisition of key sites in downtown Isla Vista for redevelopment; securing planning permits for public/private partnership at 909 Embarcadero Del Mar; construction of the downtown parking lot; provision of permanent funding for the purchase and rehabilitation of 20 affordable housing units at the Parkview Apartments in partnership with the County Housing Authority; and completion of the Pardall Road streetscape.

The adopted work program for FY 09-10 includes: development of public/private partnerships to redevelop key sites in downtown Isla Vista; completion of the downtown parking lot; installation of new sidewalks; acquisition of additional sites for redevelopment; and support for the Isla Vista Master Plan certification with the Coastal Commission.

Retirement Costs

Over the last decade, the amount of money the county must pay each year into the retirement system, formally known as the Santa Barbara County Employees Retirement System (SBCERS), has nearly doubled from roughly 12% to 23% of the County's covered payroll. The total retirement portfolio had an aggregate value of \$1.4 billion as of June 30, 2009. For FY 08-09, the portfolio's market value decreased by \$339 million, following a loss of \$137 million in the prior fiscal year. At June 30, 2009, the unfunded accrued actuarial liability for the pension plan exceeded \$1 billion. These losses in conjunction with SBCERS' adopted practice of smoothing gains and losses over a 5-year period may result in significant increases in employer contribution rates over that period.

Public pension plans such as SBCERS assume that the investment growth of the employer and employee contributions will provide the agreed on pension benefits. When the investment growth is less than the expected amount, as has occurred in Santa Barbara, the County is responsible for funding the difference. As a result of the recent market losses sustained by the SBCERS investment portfolio, the County will experience a substantial increase in the required contribution for retirement costs in future years. Although the payment may be spread over a period of years, the size of recent losses will result in an increasing burden to the County budget that has already been impacted by poor economic conditions.

Significant Capital Projects and Operating Impacts

The County completed \$29.7 million in capital projects in the current year and has approved \$54.3 million in capital projects for FY 09-10 as described in Section E of the Proposed Budget. The largest of the ongoing projects relate to transportation improvements.

Long-term financial planning:

Local assessed property values for FY 09-10 grew 1% over FY 08-09 values; this will increase secured and unsecured property tax revenues by an equal percentage. The FY 09-10 budget was adopted reflecting a 1% increase in these revenues. Additionally, in response to the continuing downturn in real property sales, conservative estimates for the leading indicators were adopted: a 21% decrease in property transfer taxes and an 12% decrease in supplemental property taxes.

The County remains committed to building and maintaining a strategic reserve of \$34 million, or 30 days of working capital. Current economic conditions, however, have required the County to use a portion of this designation in order to maintain services, thereby reducing this reserve to \$22 million at June 30, 2009.

The County's Five-Year Capital Improvement Plan (CIP) identifies capital needs as well as funding sources and funding shortfalls. The CIP includes \$117.9 million in projected spending on capital projects for FY 09-10. Only \$54.3 million of this planned amount has current funding, and is included in the proposed budget. Significant funded projects include \$20.3 million for transportation projects, \$7.1 million for Santa Maria Levee reinforcement, \$3.0 million for the Mission Creek Flood Control project, \$2.3 million for Point Sal coastal access improvements, and \$2.0 million for an integrated Help America Vote Act (HAVA) compliant voting system.

Factors Affecting Economic Condition – Continued

Relevant financial policies:

Santa Barbara County benchmarks its financial policies to a set of Best Financial Management Practices for Governmental Issuers of Municipal Debt published by Fitch Ratings.

Fund Balance Reserve

The County is committed to building a strategic reserve 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's 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 eighteen consecutive years and the Certificate of Achievement in Popular Annual Reporting for twelve 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.

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

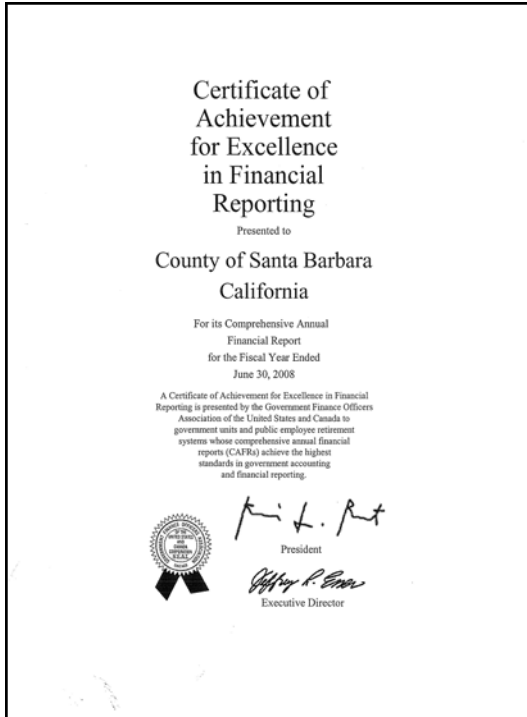
The County's Five-Year Capital Improvement Plan provides for an integration of capital projects and operating impacts in the proposed operating budget each budget cycle.

Budgeting Awards

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

Awards and Acknowledgments

Financial Reporting 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, 2008. This was the eighteenth 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 GAAP 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.

Budget Presentation Award: The County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2008. 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.

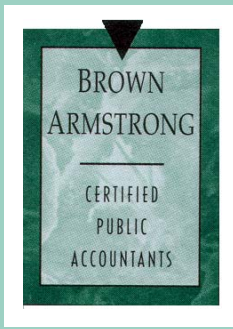
Popular Financial Reporting Award: The County received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2008. This award is a prestigious national award that recognizes conformance with the highest 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.

Performance Measurement Certificate of Distinction: In September 2008, 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



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INDEPENDENT AUDITOR'S REPORT

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

Harvey J. McCown, MBA, CPA
Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Dias, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan L. Nielsen, CPA
Jian Ou-Yang, CPA
Amanda Dickerson, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Kenneth J. Witham, CPA
Clint W. Baird, CPA
Adrian Rich, CPA
Craig Rickett, 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, 2009 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, 2009, 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 August 28, 2009, 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 25, 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



Bakersfield, California
August 28, 2009

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, 2009. 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 \$719,930 (*net assets*):

- \$486,969 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*).
- \$163,264 is available for the County's ongoing obligations related to programs with external restrictions (*restricted net assets*).
- \$69,697 is available to fund County programs for citizens and debt obligations to creditors (*unrestricted net assets*).

The County's total net assets increased by \$31,912 over the prior year:

- The \$30,534 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. See further discussion of capital assets and long-term debt on page 21.
- The \$12,464 increase in restricted net assets represents the change in resources that are subject to external restrictions on their use, and is detailed in the government-wide financial analysis section on page 15.
- The \$11,086 decrease in unrestricted net assets is the change in resources available to fund County programs to citizens and debt obligations to creditors. This change is further discussed on page 15.

Financial analysis of the County's funds:

The County's governmental funds combined ending fund balance of \$242,909 was an increase of \$778, from the prior year ending fund balance of \$242,131. Of this amount approximately 82%, or \$198,704, is available for spending (*unreserved fund balance*). Unreserved fund balance for the General Fund decreased \$3,867 to \$57,891, which equates to 17% of total General Fund expenditures for the year.

Capital assets and debt administration:

The County's investment in capital assets (net of accumulated depreciation) increased by \$25,408, or 5%, to \$560,716. During the current fiscal year, the County completed several capital improvement projects, among them were the Isla Vista Foot Patrol building at a cost of \$4,629, Summerland circulation and parking improvements at a cost of \$2,626, and the County Administration building HVAC replacement at a cost of \$2,374. The County recorded depreciation of \$19,011 against its assets. The County's total long-term debt outstanding related to general obligations and revenue bonds decreased \$7,821, or 9%, to \$84,044.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the County's basic financial statements. The County's basic 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 in 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 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 services, and transit operations.

Component units are included in the financial statements and are legally separate entities for which the County is financially accountable. These have substantially the same governing board as the County or provide services entirely to the County. They include First 5 Children and Families First Commission, County Service Areas, Public and Educational Access, Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Sanitation and Sewer Maintenance Districts, Community Facilities Districts, Sandyland Seawall Maintenance District, the Water Agency, In-Home Supportive Services Public Authority, the Santa Barbara County Redevelopment Agency, and the Santa Barbara County Finance Corporation.

Pages 28-29 of this report display the government-wide financial statements.

Fund Financial Statements:

A fund is a grouping of 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.

The County's 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS – CONTINUED

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, it is useful to 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 67 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, Roads, Public Health, Social Services, Alcohol, Drug and Mental Health Services (ADMHS), Flood Control District, Capital Projects, and Redevelopment Agency (RDA) Debt Service funds, all considered major funds. Data for the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor government funds is provided in the form of *combining statements* elsewhere in this report.

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 30-39 of this report display the governmental funds financial statements.

Proprietary funds: The County maintains two different types of proprietary funds: enterprise funds and internal service 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, communications services, utilities, and reprographics and digital imaging services. 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 six 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 45-92 of this report display the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net assets may serve as useful indicators of a government's financial position. In the case of the County, assets exceeded liabilities by \$719,930 at the close of the current fiscal year.

A summary of net assets is as follows:

Summary of Net Assets (in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>Change</u>	<u>Change</u>
Assets:								
Current and other assets	\$ 407,747	\$ 418,830	\$ 44,463	\$ 38,696	\$ 452,210	\$ 457,526	\$ 5,316	1%
Capital assets	470,354	488,902	64,954	71,814	535,308	560,716	25,408	5%
Total assets	878,101	907,732	109,417	110,510	987,518	1,018,242	30,724	3%
Liabilities:								
Current and other liabilities	102,301	99,366	2,542	1,291	104,843	100,657	(4,186)	(4%)
Long-term liabilities	152,014	155,334	42,643	42,321	194,657	197,655	2,998	2%
Total liabilities	254,315	254,700	45,185	43,612	299,500	298,312	(1,188)	0%
Net assets:								
Invested in capital assets, net of related debt	408,831	431,027	47,604	55,942	456,435	486,969	30,534	7%
Restricted	149,493 *	161,949	1,307	1,315	150,800	163,264	12,464	8%
Unrestricted	65,462 *	60,056	15,321	9,641	80,783	69,697	(11,086)	(14%)
Total net assets	\$ 623,786	\$ 653,032	\$ 64,232	\$ 66,898	\$ 688,018	\$ 719,930	\$ 31,912	5%

*As restated

Analysis of Net Assets:

The County's total net assets increased by \$31,912, or 5%, during the fiscal year. As described below, the County experienced increases in only two of the three categories of net assets. In the prior year, the County reported increases in all three categories of net assets.

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, is the largest portion of the County's net assets. 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.

Invested in capital assets, net of related debt was \$486,969 at fiscal year end, and was made up of the following: investment in capital assets (net of accumulated depreciation) of \$560,716, and the related debt of \$84,044 less \$10,297 in unspent debt proceeds. The increase in net assets that are invested in capital assets, net of related debt, of \$30,534 represents capital acquisitions and deletions, less current year depreciation, and the retirement of related long-term debt.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

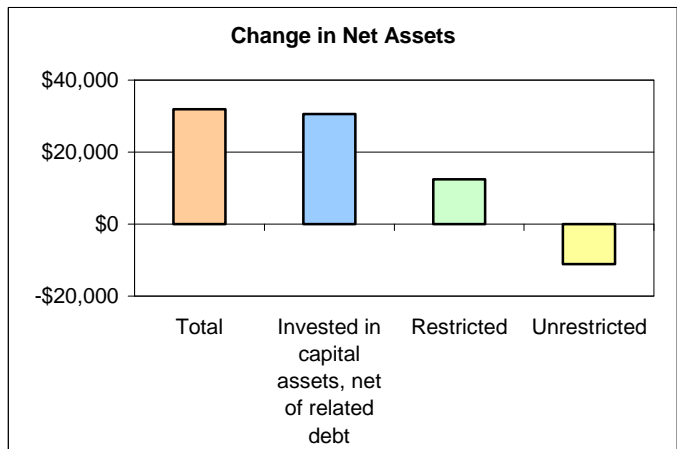
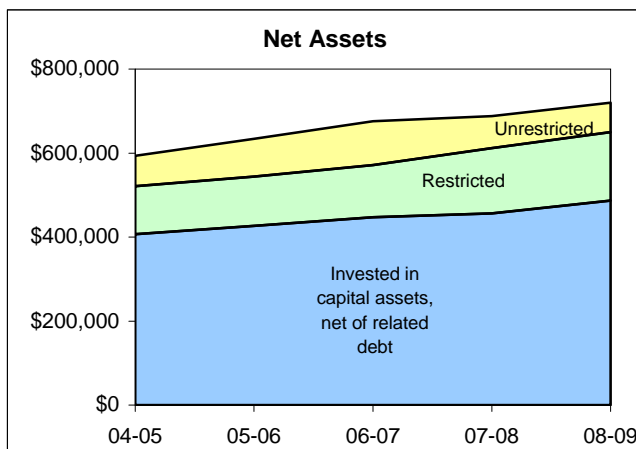
GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

Restricted net assets: Restricted net assets of \$163,264 represent resources that are subject to external restrictions on their use. The County has significantly more restricted net assets than unrestricted net assets due to the unique nature of County funding sources. Restricted net assets are comprised of: (1) 45% State imposed restrictions, (2) 35% property taxes dedicated to specific services such as flood control and fire protection, (3) 7% debt service, (4) 7% Federal imposed restrictions for federally-qualified health centers, (5) 5% Federal and State allocations for roads, and (6) 1% cable television public access funds.

Restricted net assets increased \$12,464, or 8%. Significant changes occurred in the following funds:

- ADMHS Fund had an increase of \$7,047 related to new Mental Health Services Act funding and carryover funding in the Alcohol Drug program;
- Projects funded by federal highway bridge funds, State Prop 1B, and STIP transportation improvement funds received in the current year to be spent in subsequent years helped to increase the Roads Fund restricted net assets by \$4,179;
- Flood Control had an increase of \$4,402 due to fire related disaster reimbursements and a carryover of funding for capital and maintenance projects;
- Public Health Fund increased \$3,989 due to increases in Federally Qualified Health Care revenues;
- A draw on restricted net assets in the County Fire Protection District Fund of \$4,127 was partially used to fund new breathing apparatus and current year operations;
- Due to declining Tobacco Tax revenues and increasing expenditures the First 5 Children and Families Commission Fund's restricted net assets decreased \$1,754, and
- Reductions occurred in the RDA Special Revenue Fund, \$824, and the Coastal Resource Enhancement Fund, \$788, to fund projects related to the net asset restrictions.

Unrestricted net assets: Unrestricted net assets in the amount of \$69,697 are available to fund County programs to citizens and debt obligations to creditors. The majority of unrestricted net assets, 62%, reside in the County's General Fund. Unrestricted net assets decreased \$11,086, or 14%. Significant changes occurred in the following funds: Public Health's unrestricted net assets decreased \$4,557, the General Fund decreased \$3,666, the Capital Projects Fund decreased \$2,596, and the Social Services Fund increased \$1,047.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

Analysis of Governmental Activities:

Governmental activities increased the County's net assets by \$23,764 for the year ended June 30, 2009, accounting for 90% of the total increase in net assets. Governmental activities operating revenues exceeded operating expenses by \$23,103. Transfers provided an increase to net assets of \$661.

The following table shows the revenue, expenses, and changes in net assets for governmental and business-type activities:

	Changes in Net Assets (in thousands)						Total	
	Governmental Activities		Business-type Activities		Total		Dollar Change	Percent Change
	2008	2009	2008	2009	2008	2009		
Revenues								
Program revenues:								
Charges for services	\$ 182,574	\$ 180,183	\$ 28,782	\$ 27,352	\$ 211,356	\$ 207,535	\$ (3,821)	(2%)
Operating grants and contributions	281,421	291,171	1,745	2,678	283,166	293,849	10,683	4%
Capital grants and contributions	229	259	--	1,169	229	1,428	1,199	524%
General revenues:								
Property taxes	205,822	209,419	--	--	205,822	209,419	3,597	2%
Sales taxes	16,362	15,643	162	396	16,524	16,039	(485)	(3%)
Transient occupancy tax	7,174	6,431	--	--	7,174	6,431	(743)	(10%)
Unrestricted investment earnings	2,926	1,610	1,796	1,248	4,722	2,858	(1,864)	(39%)
Gain (loss) on sale of capital assets	(325)	153	(37)	1	(362)	154	516	(143%)
Other	8,391	8,223	68	--	8,459	8,223	(236)	(3%)
Total revenues	704,574	713,092	32,516	32,844	737,090	745,936	8,846	1%
Expenses								
Policy & executive	9,069	8,596	--	--	9,069	8,596	(473)	(5%)
Law & justice	44,586	46,033	--	--	44,586	46,033	1,447	3%
Public safety	201,511	204,994	--	--	201,511	204,994	3,483	2%
Health & public assistance	292,094	287,178	--	--	292,094	287,178	(4,916)	(2%)
Community resources & public facilities	83,293	84,585	--	--	83,293	84,585	1,292	2%
General government & support services	35,743	32,115	--	--	35,743	32,115	(3,628)	(10%)
General county programs	14,461	23,167	--	--	14,461	23,167	8,706	60%
Interest on long-term debt	2,626	3,321	--	--	2,626	3,321	695	26%
Resource recovery	--	--	22,042	23,226	22,042	23,226	1,184	5%
Laguna sanitation	--	--	5,113	5,609	5,113	5,609	496	10%
Transit	--	--	384	682	384	682	298	78%
Total expenses	683,383	689,989	27,539	29,517	710,922	719,506	8,584	1%
Excess of revenues over expenses	21,191	23,103	4,977	3,327	26,168	26,430	262	1%
Transfers	(5)	661	5	(661)	--	--	--	--
Increase in net assets	21,186	23,764	4,982	2,666	26,168	26,430	262	1%
Net assets - beginning	616,803	623,786	59,250	64,232	676,053	688,018	11,965	2%
Prior period adjustment	(14,203)	5,482	--	--	(14,203)	5,482	19,685	(139%)
Net assets - beginning, as restated	602,600	629,268	59,250	64,232	661,850	693,500	31,650	5%
Net assets - ending	\$ 623,786	\$ 653,032	\$ 64,232	\$ 66,898	\$ 688,018	\$ 719,930	\$ 31,912	5%

Revenues: Total revenues for the County's governmental activities had a minimal overall increase of 1% from the prior year. Revenues are divided into two categories: program revenues and general revenues.

Program revenues had an overall increase of \$7,389, or 2%, from the prior year. Due to the economy, the public safety ½-cent sales tax (referred to as Prop 172 sales tax) decreased by \$3,998, or 13%, causing the County to adjust its budget significantly during the fiscal cycle. As an arm of the State government, operating grants and contributions tied to mandated services such as public assistance, health, and mental health represent 41% of the County's funding for governmental activities. These revenue sources increased by \$9,750 from the prior year,

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

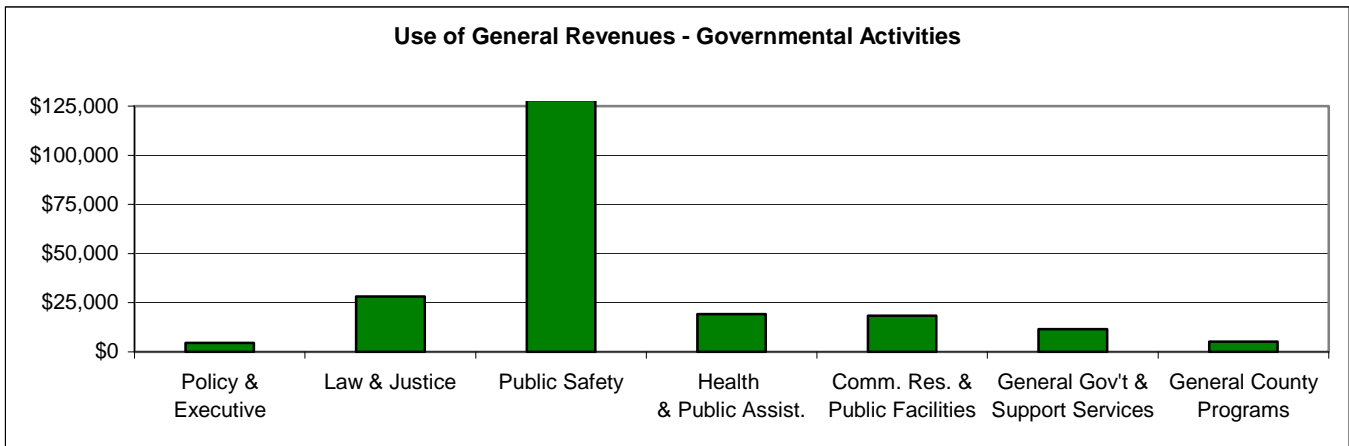
GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

as the cost of providing these services grew. Along with these transactions, capital grants and contributions grew \$30 from the prior year and a decrease of \$2,391 occurred in revenue from charges for services.

General revenues had an overall increase of \$1,129, or 1%, from the prior year. These revenues include local general taxes which provide the Board of Supervisors 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 \$1,129 increase in general revenues is due primarily to the net changes in the following:

- Property taxes increased \$3,597, or 2%, to \$209,419 primarily due to increases in assessed values of real property. Secured property taxes grew 4% offset by declines in unsecured and supplemental property taxes.
- Sales taxes decreased by \$719, or 4%, to \$15,643, as the downturn in the economy has caused consumers to purchase fewer discretionary items. 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 decreased \$743, or 10%, to \$6,431. This decrease was primarily due to the decline in the economy, which is having a negative effect on tourism.
- Unrestricted investment income decreased \$1,316, or 45%, to \$1,610 due to the decline in interest rates from one year to the next.



Expenses: Total expenses for governmental activities were \$689,989, an increase of 1%, or \$6,606, 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) decreased from 4,337 in the prior year, to 4,208 at June 30, 2009.

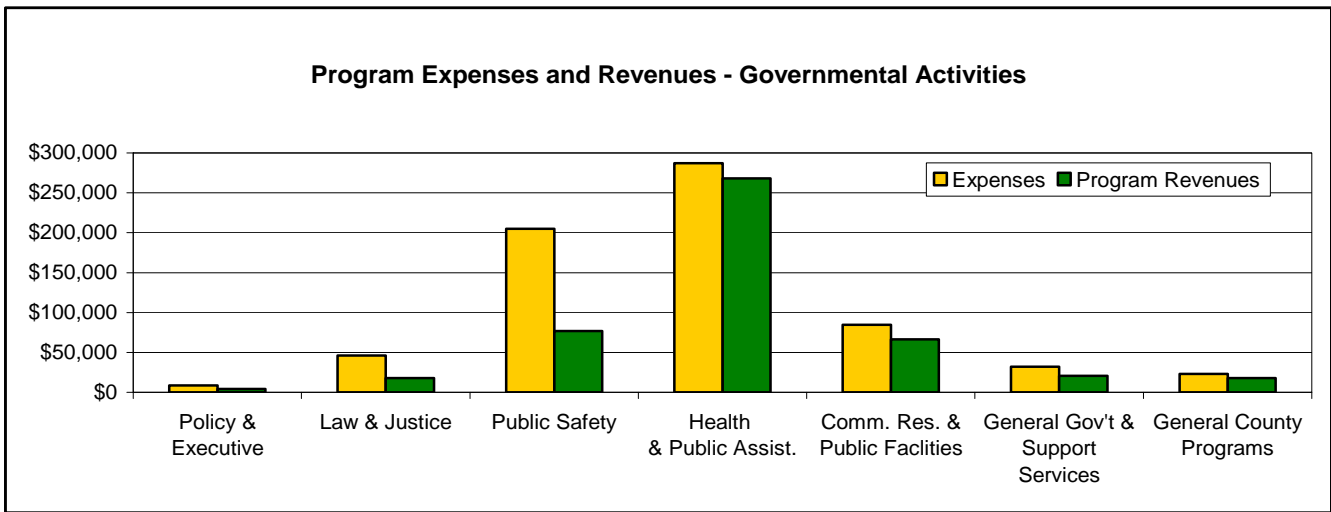
Program expenses for the County's governmental activities increased \$5,911. This is generally attributable to the following factors:

- Total salaries and benefits expense increased \$2,256, or 1%, to \$417,761 across all functions and is made up of the following:
 - an increase in the County's contribution to employees' retirement of \$5,178, or 8%;
 - an increase of \$1,449, or 139%, in compensated absences as a result of employees taking furlough instead of taking vacation or other accrued leave resulting in an increase to the compensated absences unfunded liability;
 - an increase of \$706, or 6%, to \$12,638 in Other Post Employment Benefits (OPEB) that included a contribution by the County of \$6,254, and an increase to the unfunded OPEB liability for the remaining \$6,384;

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

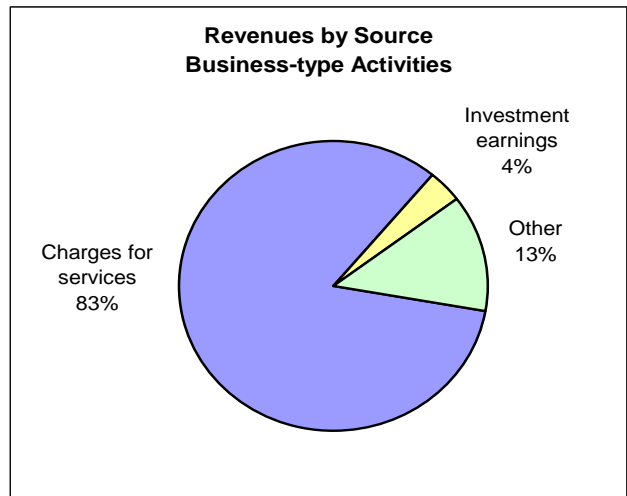
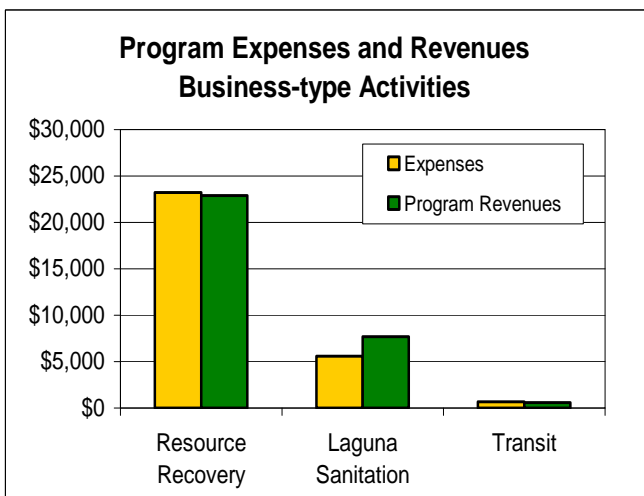
GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

- a decrease of \$1,352, or 22%, in reimbursable overtime in the Fire department due to the scope and duration of the Zaca fire in FY 07-08;
 - a reduction in workers' compensation expense of \$2,089, or 15%; and
 - a net decrease in salaries and benefits of \$1,636, due to a workforce reduction of 129 FTEs and an 8 day employee furlough taken by a significant portion of the County's workforce, offset by negotiated increases with labor groups.
- Services and supplies related costs make up the \$3,655 balance of the increase in expense. A significant increase is attributable to General County Programs costs for projects completed in the County RDA Isla Vista project area. Other functional areas had modest increases or decreases in services and supply costs.



Analysis of Business-type Activities:

The net assets of business-type activities increased by 4%, or \$2,666, which indicates these activities generated revenues sufficient to cover the costs of operations. Revenues increased \$328, or 1% to \$32,844. Program revenues had a net increase of \$672 mostly due to a capital grant received by Laguna Sanitation, and general revenue had a net decrease of \$344 primarily due to a drop in investment earnings. Expenses increased \$1,978, or 7% to \$29,517. The increase is evenly spread over all operating expense categories.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2009, the County's governmental funds reported total fund balances of \$242,909, a \$778 increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- *Reserved fund balance*, \$44,205, is reserved for: (1) debt service, \$9,062, (2) long term receivables and prepaids that do not represent available spendable resources, \$20,791, (3) property tax losses, \$6,373, (4) property held for resale, \$6,039, (5) Mental Health Services Act (MHSA) prudent reserve, \$1,900, and (6) imprest cash, \$40.
- *Unreserved fund balance* constitutes approximately 82%, or \$198,704, of the total fund balances that are available to meet the County's current and future needs. The County's management can designate (i.e. earmark) a portion of unreserved fund balance to a particular function, project or activity, and can also designate it for purposes beyond the current year. However, designated fund balances are available for appropriation at any time. The County has designated \$121,758 of the unreserved fund balance, leaving an undesignated fund balance of \$76,946.

General Fund: The General Fund is the main operating fund of the County. The General Fund's total fund balance decreased by 4%, or \$3,551, to \$84,588 at June 30, 2009. The reserved fund balance was \$26,697, and the unreserved fund balance was \$57,891, a decrease of \$3,867 from the prior year balance of \$61,758.

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 25% of total General Fund expenditures while unreserved fund balance equates to 17% of total General Fund expenditures. Of the General Fund unreserved fund balance, \$55,741, or 96% is designated. The most significant designations are a \$22,396 "strategic reserve" earmarked for severe economic downturns and emergencies, an \$6,439 capital outlay designation, and a \$3,795 "litigation reserve" which is earmarked for settlements of adverse litigation without other coverage. (See Note 16 – Reserved and Designated Fund Balances on page 81.) General Fund unreserved, undesignated fund balance at year-end was \$2,150, a 60%, or \$3,161 decrease from the prior year.

Other major funds: The total fund balances of the remaining Governmental funds increased 3%, or \$4,329, over the prior year, to \$158,321 with the following significant changes:

- The fund balance of the Roads Fund increased 86%, or \$4,179, primarily as a result of a carryover of projects funded by federal highway bridge funds and State Prop 1B and STIP transportation improvement funds.
- The ADMHS Fund deficit balance decreased from \$11,346 to a remaining deficit balance of \$1,848. This change is mostly due to a prior period adjustment of \$2,881 (see Note 22), and a current year increase of \$6,617 made up of General Fund contributions, and revenue from the Tobacco Settlement Fund and from the Mental Health Services Act Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – CONTINUED

- The fund balance of the Flood Control District Fund increased \$4,402 due to fire related disaster reimbursements, and a carryover of funding for capital and maintenance projects.
- The fund balance of the Capital Projects Fund decreased by 12%, or \$2,596, due to expenditures related to projects in progress.
- The RDA Debt Service Fund includes a FY 07-08 borrowing from the General Fund via Certificates of Participation for the purpose of financing various redevelopment projects. This transaction created a deficit fund balance which is expected to reduce as payments on the borrowing are made. The borrowing includes capitalized interest for the projects, and debt payments will begin in FY 10-11. The deficit fund balance was \$14,294 at June 30, 2009.
- The fund balance for nonmajor governmental funds as a whole decreased by \$8,198, primarily due to declining revenues and increasing expenditures. The significant changes occurred in the following: First 5 Children and Families Commission Fund decreased \$1,754, a draw on fund balance of \$4,127 occurred in the County Fire Protection District Fund, and fund balances were drawn down for projects in the RDA Special Revenue Fund, \$824, and Coastal Resource Enhancement Fund, \$788.

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 the Laguna Sanitation Fund, increased by \$2,457, or 4%, from the prior year. Resource Recovery Fund net assets increased by \$591 and Laguna Sanitation Fund net assets increased by \$2,227. Resource Recovery Fund operating revenues decreased by \$1,600, or 7%, due primarily to a decline in revenue from the sale of recyclables, however total operating revenues funded annual operating costs. Laguna Sanitation Fund operating revenues increased by \$188, or 3%, due primarily to an increase in customers, and an increase in residential sewer service rates.

Total internal service funds net assets increased by \$6,583. The Risk Management and Insurance Fund's net assets increased \$5,534. The Information Technology Services Fund had a decrease in net assets of \$461 due mostly to the transfer of assets to a newly created Reprographics and Digital Imaging Services (Reprographics) Fund. Reprographics had a \$557 change in net assets. Other changes include increases in net assets of \$518 in Vehicle Operations and Maintenance Fund and \$431 in the Communications Fund resulting from normal operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The County's investment in capital assets during the fiscal year increased by \$25,408, or 5%, to \$560,716 (net of accumulated depreciation). This investment is in a broad range of capital assets including land, construction in progress (CIP), structures and improvements, equipment, and infrastructure.

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2008	2009	2008	2009	2008	2009	Dollar Change	Percent Change
	Land	\$ 90,772	\$ 83,571	\$ 12,244	\$ 12,244	\$ 103,016	\$ 95,815	\$ (7,201)
Construction in progress	42,119	44,638	2,930	1,014	45,049	45,652	603	1%
Capital assets, not being depreciated	132,891	128,209	15,174	13,258	148,065	141,467	(6,598)	(4%)
Land improvements	--	6,859	--	--	--	6,859	6,859	100%
Structures	132,250	141,733	19,812	26,244	152,062	167,977	15,915	10%
Equipment	37,475	37,638	9,618	11,386	47,093	49,024	1,931	4%
Infrastructure	167,738	174,463	20,350	20,926	188,088	195,389	7,301	4%
Capital assets, net of accumulated depreciation	337,463	360,693	49,780	58,556	387,243	419,249	32,006	8%
Total	\$ 470,354	\$ 488,902	\$ 64,954	\$ 71,814	\$ 535,308	\$ 560,716	\$ 25,408	5%

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 CIP. In the year of completion, a project's CIP is allocated to land, building, equipment or infrastructure. In the current fiscal year, CIP had a net increase of \$2,519 for governmental activities and a net decrease of \$1,916 for business-type activities, as CIP expenditures of \$35,119 were offset by project completions/disposals of \$34,516.

The County completed and capitalized projects costing approximately \$29,654. Major projects completed were:

- Public Safety – Isla Vista Foot Patrol Building (\$4,629),
- Community Resources & Facilities infrastructure – Summerland circulation and parking improvements (\$2,626) and the West-side storm drain project (\$2,174), and
- General County Programs – County Administration building HVAC replacement (\$2,374).

During the year, the County capitalized \$10,980 in equipment purchases, and also recorded depreciation of \$19,011 against its capital assets. Non-CIP capital asset disposals totaled \$835, net of accumulated depreciation, during the fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

The following table details the changes in capital assets:

Changes in Capital Assets (in thousands)

<u>Capital assets, not being depreciated</u>	Increase <u>(Decrease)</u>	
Land additions	\$ 4,012	
CIP additions	35,119	
CIP completions/disposals	<u>(34,516)</u>	
Total capital assets, not being depreciated		4,615
<u>Capital assets, being depreciated</u>		
Land improvement additions	269	
Land improvements depreciation	(333)	
Structures additions	17,409	
Structures disposals (net)	(2)	
Structures depreciation	(5,782)	
Equipment additions	10,980	
Equipment disposals (net)	(352)	
Equipment depreciation	(8,697)	
Infrastructure additions	11,976	
Infrastructure disposals (net)	(476)	
Infrastructure depreciation	<u>(4,199)</u>	
Total capital assets, being depreciated		20,793
Total change - County capital assets		\$ 25,408

Additional capital assets information, including depreciation and outstanding CIP by project as of June 30, 2009, can be found in Note 6 to the financial statements on pages 64-68.

Debt Administration:

At June 30, 2009, the County had total long-term debt outstanding related to general obligations and revenue bonds of \$84,044. This amount was comprised of \$73,313 of certificates of participation (COP) issued by the County Finance Corporation, and secured by the County's lease rental payments with a covenant to budget and appropriate lease payments. It also includes \$3,722 of capital lease obligations, and \$7,009 of a state sponsored loan for the Laguna Wastewater Treatment Plant.

Outstanding Debt (in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>Change</u>	<u>Change</u>
Capital lease obligations	\$ 4,301	\$ 3,707	\$ 23	\$ 15	\$ 4,324	\$ 3,722	\$ (602)	(14%)
Certificates of participation	70,209	64,510	9,851	8,803	80,060	73,313	(6,747)	(8%)
Laguna Wastewater Treatment Plant note payable	--	--	7,426	7,009	7,426	7,009	(417)	(6%)
Long-term settlement obligations	--	--	55	--	55	--	(55)	(100%)
Total	\$ 74,510	\$ 68,217	\$ 17,355	\$ 15,827	\$ 91,865	\$ 84,044	\$ (7,821)	(9%)

The County's total long-term debt related to general obligations and revenue bonds decreased by \$7,821, or 9%, during the fiscal year. The net decrease was due to the following payments being made: \$6,747 for COP debt, \$602 for capital lease obligations, \$417 for the Laguna Wastewater Plant note payable, and \$55 for long-term settlement obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

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 long-term certificates of participation.

Standard & Poor's, in the June 2009 rating on the County's Tax and Revenue Anticipation Notes (TRAN) for FY 09-10, states: "The ['SP-1+'] rating reflects the County's very strong underlying general credit characteristics," as well as "strong projected debt coverage of 1.24x at maturity."

Standard & Poor's in its October 7, 2008 credit profile raised its rating and underlying rating for Santa Barbara County's appropriation debt from 'AA' to 'AA+', and provided the following comments and reasons:

"This...marks the first time that credit quality among California's 58 counties has reached this exceptional level of creditworthiness."

The credit profile noted several observations about Santa Barbara County's "excellent set of profile characteristics":

- The County has high wealth and incomes and is situated in an area with dynamic job markets that are central to the industries it serves;
- The County has fine-tuned operations, i.e., it provides adequate service levels, such as health care, that are affordable and sustainable; and
- Financial restraint is the norm for the County, evidenced by high reserve levels and structural balance between revenues and expenditures.

The upgrade to AA+ is based on Santa Barbara County's:

- Very strong reserves;
- Stable and broad local economic base anchored by the University of California, Santa Barbara and Vandenberg Air Force Base as well as access to diverse employment opportunities in nearby Los Angeles and Ventura counties;
- Strong wealth and income indicators; and
- Low debt levels.

Additional information on the County's long-term debt can be found on pages 70-75 in the Notes to the Financial Statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget appropriations differ from the original budget by \$1,358, or less than 1%. Supplemental appropriations of \$1,358 were approved during the fiscal year. The major changes in appropriations are as follows:

- Budgeted appropriations for salaries and benefits decreased \$4,065 during the year. This was due to an employee furlough of 64 hours per employee except for line personnel in public safety. The County also reduced budgeted appropriations for the employer cost of health insurance by approximately 12%. Some of these appropriation savings were offset by increased overtime costs for public safety response to the numerous fire incidents.
- Probation had a \$1,297 increase in other charges due to a FY 02-03 Medi-Cal audit settlement (State take back).
- Fire department services and supplies budget increased \$1,224 due to the purchase of personal protective equipment and replacement of self-contained breathing apparatuses, along with increased helicopter maintenance and fuel costs.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)**

GENERAL FUND BUDGETARY HIGHLIGHTS - CONTINUED

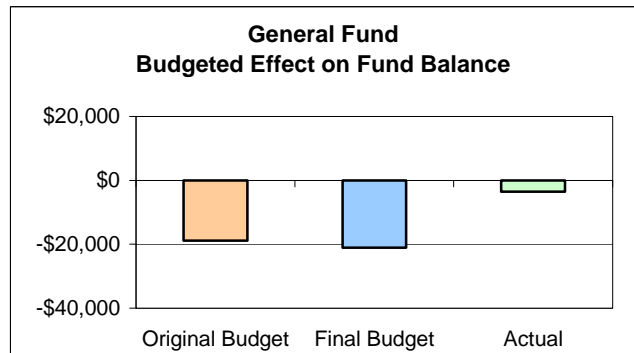
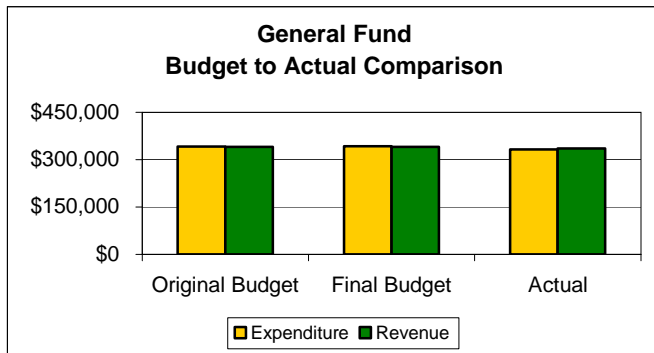
- General Services’ budget for services and supplies increased \$1,348, due to an increase in costs for capital maintenance projects.

Revenues: General Fund revenues were \$5,184 less than total adjusted budget estimates. The main reasons are as follows:

- Tax revenues fell short of the budget by \$1,522 primarily due to mid year declines in economic driven tax accounts as follows: declines in supplemental property taxes of \$1,176, sales tax of \$996, in-lieu local sales tax of \$548, and property transfer tax of \$545, offset by results above estimates for secured and unsecured taxes of \$1,784.
- Licenses, permits, and franchise revenues had a \$630 negative variance from budget due to revenue coming in under estimates for building permit activity and franchise fees.
- Fines, forfeitures, and penalties revenues were \$1,795 more than budgeted as increased delinquent property taxes generated greater penalties and collection revenue than originally estimated.
- Interest earnings were less than budgeted by \$517 due to declining interest rates and cash balances.
- Intergovernmental revenues were less than budgeted by \$4,784 due primarily to a decline in State aid for Prop 172 public safety services of \$1,547, after midyear budget adjustments of \$3,070. In addition, the County collected less revenue than anticipated from a variety of Federal and State reimbursement sources but in some cases also had offsetting expenditure savings. The Probation department was impacted in multiple accounts and collected \$1,885 less than was budgeted due primarily to lower than expected public safety sales tax revenue, Juvenile Probation Camp funding, Title IV E Federal revenues, and various Federal and State grant funding.

Expenditures: The variance between the final budget and actual expenditures resulted in \$9,650 of unspent appropriations. Key variances are as follows: salary and benefit cost savings of approximately \$3,047 resulted from unfilled positions across all functions, \$2,876 resulted from unspent appropriations for services and supplies across all functions, and \$2,826 resulted from equipment budgeted but not procured in this fiscal cycle.

By year-end, appropriation savings reduced the budget plan to draw upon fund balance: the General Fund’s equity position decreased \$3,551, versus the budget plan to draw on fund equity by \$21,070. The most significant part of the equity draw in the budget plan was for scheduled operating transfers to ADMHS of approximately \$12,500 for various audit settlement liabilities which did not occur by year-end. The General Fund’s budget to actual statement can be found on page 34 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following known factors were considered in preparing the County's budget for FY 09-10:

- The FY 09-10 budget contains a slight decrease in General Fund general revenues of 2% compared to FY 08-09 actual revenues. While secured property taxes were budgeted with a 1% increase over FY 08-09 actual revenues, offsetting this increase were budgeted decreases, compared to FY 08-09 actual revenues, in property transfer taxes, supplemental property taxes, transient occupancy tax, unrestricted investment earnings, and other payments in lieu of taxes.
- Assessed property values grew approximately 1% for FY 09-10 which will increase property tax revenue by an equivalent amount for secured and unsecured property taxes. The FY 09-10 budget was adopted with a 1% 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 21% and 16% 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 3%, or \$11,506, increase in salaries and benefits when compared to prior year. The effect of negotiated salary agreements from prior years is included and funds have been appropriated for contemplated new agreements or cost of living adjustments for a majority of the County's labor contracts. These costs have been mitigated due to the reduction of 129 FTE's. The budget includes modest increases for retirement rates and retiree medical costs after significant increases in the prior year, along with a modest increase in employer health insurance costs and a decrease in workers' compensation costs. The County is seeking wage concessions and additional employee furloughs to offset FY 09-10 State budget cuts that were not part of the County adopted budget.
- Significant cuts in funding by the State of California were not included in the County's budget. However, the State budget has been adopted as of the date of this report and the State enacted significant borrowings, take-aways and program cuts (see Note 23 – Subsequent Events on page 92).

As of June 30, 2009, the unreserved General Fund balance was \$57,891. Of this amount, \$55,741 was designated but available for appropriation. The County's General Fund ended with \$2,150 of unreserved, undesignated fund balance at June 30, 2009. The County's performance-based proposed FY 09-10 budget and the County's Five Year Capital Improvement Program can be found at www.countyofsb.org/ceo/index.asp.

REQUESTS FOR INFORMATION

This 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 also be found at www.countyofsb.org/auditor/publications.asp.



BASIC FINANCIAL STATEMENTS

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET ASSETS

June 30, 2009 (in thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 4)	\$ 264,825	\$ 20,119	\$ 284,944
Accounts receivable, net:			
Taxes	32,602	--	32,602
Licenses, permits, and franchises	746	416	1,162
Fines, forfeitures, and penalties	431	--	431
Use of money and property	1,071	200	1,271
Intergovernmental	38,614	101	38,715
Charges for services	40,193	1,271	41,464
Other	675	241	916
Internal balances	2,299	(2,299)	--
Inventories	238	334	572
Prepaid items	528	64	592
Other receivables	7,924	--	7,924
Deferred charges	634	88	722
Property held for resale	6,039	--	6,039
Restricted cash and investments (Notes 4 & 5)	22,011	18,161	40,172
Capital assets, not being depreciated (Note 6)	128,209	13,258	141,467
Capital assets, net of accumulated depreciation (Note 6)	360,693	58,556	419,249
Total assets	<u>907,732</u>	<u>110,510</u>	<u>1,018,242</u>
LIABILITIES			
Accounts payable	24,312	775	25,087
Salaries and benefits payable	18,914	413	19,327
Interest payable	505	5	510
Other payables	18,974	18	18,992
Unearned revenue (Note 7)	29,950	15	29,965
Customer deposits payable	6,711	65	6,776
Long-term liabilities (Note 8):			
Portion due within one year:			
Compensated absences (Note 8)	24,243	508	24,751
Capital lease obligations (Note 9)	597	8	605
Certificates of participation, net (Note 10)	5,634	1,106	6,740
Note payable (Note 11)	--	427	427
Liability for self-insurance claims (Note 12)	10,782	--	10,782
Landfill closure/postclosure care costs (Note 14)	--	202	202
Portion due in more than one year:			
Compensated absences (Note 8)	5,922	147	6,069
Capital lease obligations (Note 9)	3,110	7	3,117
Certificates of participation, net (Note 10)	59,435	7,740	67,175
Note payable (Note 11)	--	6,582	6,582
Liability for self-insurance claims (Note 12)	26,601	--	26,601
Rebatable arbitrage earnings (Note 8)	19	--	19
Estimated litigation liability (Note 13)	310	--	310
Landfill closure/postclosure care costs (Note 14)	--	25,188	25,188
Other post employment benefits (OPEB) obligation (Note 20)	18,681	406	19,087
Total liabilities	<u>254,700</u>	<u>43,612</u>	<u>298,312</u>
NET ASSETS			
Invested in capital assets, net of related debt	431,027	55,942	486,969
Restricted for (Note 15):			
Public safety	8,952	--	8,952
Health and public assistance	24,073	--	24,073
Community resources and public facilities	94,538	--	94,538
General government and support services	7,594	--	7,594
General county programs	15,523	--	15,523
Law and Justice	33	--	33
Debt service	11,236	1,315	12,551
Unrestricted	60,056	9,641	69,697
Total net assets	<u>\$ 653,032</u>	<u>\$ 66,898</u>	<u>\$ 719,930</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, 2009 (in thousands)

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		
	Direct Expenses	Indirect Expenses	Total Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
					Grants and Contributions	Grants and Contributions			
Governmental activities:									
Policy & executive	\$ 14,081	\$ (5,485)	\$ 8,596	\$ 4,083	\$ 29	\$ --	\$ (4,484)	\$ --	\$ (4,484)
Law & justice	44,610	1,423	46,033	10,694	7,141	--	(28,198)	--	(28,198)
Public safety	195,449	9,545	204,994	37,999	38,950	--	(128,045)	--	(128,045)
Health & public assistance	280,788	6,390	287,178	79,095	188,842	--	(19,241)	--	(19,241)
Community resources & public facilities	79,906	4,679	84,585	24,448	41,738	59	(18,340)	--	(18,340)
General government & support services	49,963	(17,848)	32,115	14,263	6,127	200	(11,525)	--	(11,525)
General county programs	22,326	841	23,167	9,601	8,344	--	(5,222)	--	(5,222)
Interest on long-term debt	3,321	--	3,321	--	--	--	(3,321)	--	(3,321)
Total governmental activities	<u>690,444</u>	<u>(455)</u>	<u>689,989</u>	<u>180,183</u>	<u>291,171</u>	<u>259</u>	<u>(218,376)</u>	<u>--</u>	<u>(218,376)</u>
Business-type activities:									
Resource recovery	22,857	369	23,226	20,854	2,052	--	--	(320)	(320)
Laguna sanitation	5,523	86	5,609	6,464	81	1,169	--	2,105	2,105
Transit operations	682	--	682	34	545	--	--	(103)	(103)
Total business-type activities	<u>29,062</u>	<u>455</u>	<u>29,517</u>	<u>27,352</u>	<u>2,678</u>	<u>1,169</u>	<u>--</u>	<u>1,682</u>	<u>1,682</u>
Total primary government	<u>\$ 719,506</u>	<u>\$ --</u>	<u>\$ 719,506</u>	<u>\$ 207,535</u>	<u>\$ 293,849</u>	<u>\$ 1,428</u>	<u>(218,376)</u>	<u>1,682</u>	<u>(216,694)</u>
General Revenues:									
Taxes:									
Property							166,677	--	166,677
Sales							7,304	396	7,700
Transient occupancy							6,431	--	6,431
Payments in lieu of taxes							5,117	--	5,117
Franchise fees							3,078	--	3,078
Other general revenues							28	--	28
Restricted for community resources and public facilities:									
Sales tax, allocated to roads							8,339	--	8,339
Property tax, levied for flood control districts							7,439	--	7,439
Property tax, levied for county service areas							1,115	--	1,115
Property tax, levied for water agency							2,180	--	2,180
Property tax, levied for lighting districts							419	--	419
Property tax, levied for special districts-community facilities district							258	--	258
Tax increment, allocated to redevelopment agency							3,836	--	3,836
Restricted for public safety:									
Property tax, levied for fire district							27,495	--	27,495
Unrestricted investment earnings							1,610	1,248	2,858
Gain on sale of capital assets							153	1	154
Transfers							661	(661)	--
Total general revenues, general expenses, and transfers							<u>242,140</u>	<u>984</u>	<u>243,124</u>
Change in net assets							<u>23,764</u>	<u>2,666</u>	<u>26,430</u>
Net assets - beginning							<u>623,786</u>	<u>64,232</u>	<u>688,018</u>
Prior period adjustment							<u>5,482</u>	<u>--</u>	<u>5,482</u>
Net assets - beginning, as restated							<u>629,268</u>	<u>64,232</u>	<u>693,500</u>
Net assets - ending							<u>\$ 653,032</u>	<u>\$ 66,898</u>	<u>\$ 719,930</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009 (in thousands)

	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service
ASSETS								
Cash and investments	\$ 12,010	\$ 13,243	\$ 24,879	\$ 7,902	\$ 4,831	\$ 54,456	\$ 22,184	\$ 1,257
Accounts receivable, net:								
Taxes	32,602	--	--	--	--	--	--	--
Licenses, permits, and franchises	746	--	--	--	--	--	--	--
Fines, forfeitures, and penalties	18	--	--	--	--	--	--	--
Use of money and property	186	34	93	50	--	198	65	--
Intergovernmental	8,435	3,388	6,557	12,948	3,516	1,215	876	--
Charges for services	10,374	3,018	1,491	--	24,364	--	--	--
Other	--	--	--	2	55	--	--	--
Due from other funds (Note 18)	13,810	--	--	--	--	--	--	--
Prepaid items	50	--	--	478	--	--	--	--
Other receivables	2,496	--	--	--	6	--	262	--
Advances to other funds (Note 18)	18,759	--	--	--	--	--	--	--
Property held for resale	--	--	--	--	--	--	--	--
Restricted cash and investments	12,719	--	--	--	--	--	--	1,449
Total assets	\$ 112,205	\$ 19,683	\$ 33,020	\$ 21,380	\$ 32,772	\$ 55,869	\$ 23,387	\$ 2,706
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,978	\$ 958	\$ 3,096	\$ 1,643	\$ 5,746	\$ 588	\$ 96	\$ -
Salaries and benefits payable	11,432	530	2,170	2,233	1,485	176	--	--
Interest payable	--	--	--	--	14	--	--	--
Other payables	5,627	259	127	6	12,756	32	122	--
Unearned revenue (Note 7)	59	8,539	57	10,298	--	350	4,792	--
Deferred revenue (Note 7)	2,176	--	920	--	809	--	--	--
Due to other funds (Note 18)	--	--	--	--	13,810	--	--	--
Customer deposits payable	6,345	356	--	--	--	--	--	--
Advances payable (Note 18)	--	--	--	--	--	--	--	17,000
Total liabilities	27,617	10,642	6,370	14,180	34,620	1,146	5,010	17,000
Fund balances:								
Reserved for (Note 16):								
Receivables and prepaids	20,309	--	--	478	--	--	--	--
Imprest cash	15	1	3	16	5	--	--	--
Debt service	--	--	--	--	--	--	--	1,430
Property tax loss	6,373	--	--	--	--	--	--	--
MHSA prudent reserve	--	--	--	--	1,900	--	--	--
Inventories: property held for resale	--	--	--	--	--	--	--	--
Unreserved (Note 16):								
Designated, reported in:								
General fund	55,741	--	--	--	--	--	--	--
Special revenue funds	--	3,458	21,337	299	--	14,616	--	--
Capital projects fund	--	--	--	--	--	--	13,038	--
Debt service funds	--	--	--	--	--	--	--	--
Undesignated, reported in:								
General fund	2,150	--	--	--	--	--	--	--
Special revenue funds	--	5,582	5,310	6,407	(3,753)	40,107	--	--
Capital projects fund	--	--	--	--	--	--	5,339	--
Debt service funds	--	--	--	--	--	--	--	(15,724)
Total fund balances	84,588	9,041	26,650	7,200	(1,848)	54,723	18,377	(14,294)
Total liabilities and fund balances	\$ 112,205	\$ 19,683	\$ 33,020	\$ 21,380	\$ 32,772	\$ 55,869	\$ 23,387	\$ 2,706

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 28)

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 51,929	\$ 192,691	ASSETS
--	32,602	Cash and investments
--	746	Accounts receivable, net:
413	431	Taxes
179	805	Licenses, permits, and franchises
1,666	38,601	Fines, forfeitures, and penalties
450	39,697	Use of money and property
607	664	Intergovernmental
--	13,810	Charges for services
--	528	Other
5,160	7,924	Due from other funds (Note 18)
--	18,759	Prepaid items
6,039	6,039	Other receivables
7,833	22,001	Advances to other funds (Note 18)
<u>\$ 74,276</u>	<u>\$ 375,298</u>	Property held for resale
		Restricted cash and investments
		Total assets
		LIABILITIES AND FUND BALANCES
		Liabilities:
\$ 9,407	\$ 23,512	Accounts payable
487	18,513	Salaries and benefits payable
--	14	Interest payable
45	18,974	Other payables
5,855	29,950	Unearned revenue (Note 7)
--	3,905	Deferred revenue (Note 7)
--	13,810	Due to other funds (Note 18)
10	6,711	Customer deposits payable
--	17,000	Advances payable (Note 18)
<u>15,804</u>	<u>132,389</u>	Total liabilities
		Fund balances:
4	20,791	Reserved for (Note 16):
--	40	Receivables and prepaids
7,632	9,062	Imprest cash
--	6,373	Debt service
--	1,900	Property tax loss
6,039	6,039	MHTSA prudent reserve
		Inventories: property held for resale
		Unreserved (Note 16):
--	55,741	Designated, reported in:
12,847	52,557	General fund
--	13,038	Special revenue funds
422	422	Capital projects fund
		Debt service funds
--	2,150	Undesignated, reported in:
31,528	85,181	General fund
--	5,339	Special revenue funds
--	(15,724)	Capital projects fund
<u>58,472</u>	<u>242,909</u>	Debt service funds
<u>\$ 74,276</u>	<u>\$ 375,298</u>	Total fund balances
		Total liabilities and fund balances
	\$ 242,909	
	470,765	
	(116,725)	
	(491)	
	3,905	
	634	
	51,495	
	540	
	<u>\$ 653,032</u>	

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2009 (in thousands)

	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service
Revenues								
Taxes	\$ 181,997	\$ 7,439	\$ --	\$ --	\$ --	\$ 8,275	\$ --	\$ --
Licenses, permits, and franchises	13,225	276	128	--	--	--	--	--
Fines, forfeitures, and penalties	6,826	--	1,828	--	4	--	--	--
Use of money and property	2,715	228	774	394	(248)	1,649	506	90
Intergovernmental	51,587	21,366	28,273	117,535	32,554	10,017	1,320	--
Charges for services	76,134	8,310	34,615	--	36,161	3,117	389	--
Other	2,620	102	5,464	837	402	27	359	7
Total revenues	335,104	37,721	71,082	118,766	68,873	23,085	2,574	97
Expenditures								
Current:								
Policy & executive	13,971	--	--	--	--	--	--	--
Law & justice	28,324	--	--	--	--	--	--	--
Public safety	191,675	--	--	--	--	--	268	--
Health & public assistance	5,609	--	76,913	126,210	69,257	--	--	--
Community resources & public facilities	36,861	35,083	--	--	--	18,696	519	--
General government & support services	49,446	--	--	--	--	--	720	--
General county programs	6,881	--	--	--	--	--	--	--
Debt service:								
Principal	--	24	--	--	--	--	--	--
Interest	--	2	--	--	--	--	--	--
Capital outlay	--	--	--	--	--	--	7,017	--
Total expenditures	332,767	35,109	76,913	126,210	69,257	18,696	8,524	--
Excess (deficiency) of revenues over (under) expenditures	2,337	2,612	(5,831)	(7,444)	(384)	4,389	(5,950)	97
Other Financing Sources (Uses)								
Transfers in	61,779	2,065	8,454	8,827	8,403	20	4,314	--
Transfers out	(67,684)	(626)	(3,191)	(300)	(1,403)	(7)	(960)	(687)
Proceeds from sale of capital assets	17	128	--	--	1	--	--	--
Total other financing sources (uses)	(5,888)	1,567	5,263	8,527	7,001	13	3,354	(687)
Net change in fund balances	(3,551)	4,179	(568)	1,083	6,617	4,402	(2,596)	(590)
Fund balances - beginning	88,139	4,862	27,218	6,117	(11,346)	50,321	20,973	(13,704)
Prior period adjustment	--	--	--	--	2,881	--	--	--
Fund balances - beginning, as restated	88,139	4,862	27,218	6,117	(8,465)	50,321	20,973	(13,704)
Fund balances - ending	\$ 84,588	\$ 9,041	\$ 26,650	\$ 7,200	\$ (1,848)	\$ 54,723	\$ 18,377	\$ (14,294)

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

Net change in fund balances - total governmental funds

Capital assets:

- (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 gain on the disposal of capital assets does not affect current financial resources but increases net assets.
- (5) Donations of assets to the County do not provide current financial resources but increase net assets.
- (6) Transfer of capital assets from Transit Operations enterprise fund to Roads fund.

Long-term debt:

- (7) Principal payments on long-term debt use current financial resources but have no effect on net assets.

Measurement focus:

- (8) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
- (9) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds:
 - Change in interest payable liability
 - Change in rebateable arbitrage earnings
 - Change in compensated absences liability
 - Change in estimated litigation liability
 - Accrued other post employment benefits (OPEB)
 - Amortization of bond premiums/discounts and issuance costs

Internal service funds:

- (10) Internal service funds are used by management to charge the costs of information technology, fleet management, risk management, communication services, and utilities to individual funds. The net revenue of internal service funds is reported within governmental activities. Change in net assets of governmental activities (page 29)

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 35,070	\$ 232,781	Revenues
14	13,643	Taxes
4,560	13,218	Licenses, permits, and franchises
2,631	8,739	Fines, forfeitures, and penalties
24,194	286,846	Use of money and property
4,606	163,332	Intergovernmental
6,796	16,614	Charges for services
<u>77,871</u>	<u>735,173</u>	Other
		Total revenues
		Expenditures
		Current:
--	13,971	Policy & executive
15,545	43,869	Law & justice
1,348	193,291	Public safety
9,121	287,110	Health & public assistance
15,312	106,471	Community resources & public facilities
570	50,736	General government & support services
15,941	22,822	General county programs
		Debt service:
6,206	6,230	Principal
3,322	3,324	Interest
--	7,017	Capital outlay
<u>67,365</u>	<u>734,841</u>	Total expenditures
		Excess (deficiency) of revenues over (under) expenditures
10,506	332	
		Other Financing Sources (Uses)
45,159	139,021	Transfers in
(63,864)	(138,722)	Transfers out
1	147	Proceeds from sale of capital assets
<u>(18,704)</u>	<u>446</u>	Total other financing sources (uses)
(8,198)	778	Net change in fund balances
66,670	239,250	Fund balances - beginning
--	2,881	Prior period adjustment
66,670	242,131	Fund balances - beginning, as restated
<u>\$ 58,472</u>	<u>\$ 242,909</u>	Fund balances - ending
	\$ 778	
	28,515	
	(12,122)	
	(147)	
	22	
	1,357	
	306	
	6,230	
	1,205	
	33	
	116	
	(2,496)	
	(22)	
	(6,383)	
	(2)	
	6,374	
	<u>\$ 23,764</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 183,519	\$ 183,519	\$ 181,997	\$ (1,522)
Licenses, permits, and franchises	13,863	13,855	13,225	(630)
Fines, forfeitures, and penalties	4,686	5,031	6,826	1,795
Use of money and property	2,593	3,243	2,715	(528)
Intergovernmental	57,353	56,371	51,587	(4,784)
Charges for services	76,611	76,030	76,134	104
Other	1,966	2,239	2,620	381
Total revenues	<u>340,591</u>	<u>340,288</u>	<u>335,104</u>	<u>(5,184)</u>
Expenditures				
Current:				
Policy & executive	14,572	14,610	13,971	639
Law & justice	28,698	28,477	28,324	153
Public safety	193,861	194,534	191,675	2,859
Health & public assistance	5,665	5,720	5,609	111
Community resources & public facilities	39,521	38,503	36,861	1,642
General government & support services	51,914	53,435	49,446	3,989
General county programs	6,801	7,111	6,881	230
Debt service:				
Principal	24	24	--	24
Interest	3	3	--	3
Total expenditures	<u>341,059</u>	<u>342,417</u>	<u>332,767</u>	<u>9,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(468)</u>	<u>(2,129)</u>	<u>2,337</u>	<u>4,466</u>
Other Financing Sources (Uses)				
Transfers in	63,868	62,537	61,779	(758)
Transfers out	(82,221)	(81,478)	(67,684)	13,794
Proceeds from sale of capital assets	--	--	17	17
Total other financing uses	<u>(18,353)</u>	<u>(18,941)</u>	<u>(5,888)</u>	<u>13,053</u>
Net change in fund balances	(18,821)	(21,070)	(3,551)	17,519
Fund balances - beginning	<u>88,139</u>	<u>88,139</u>	<u>88,139</u>	<u>--</u>
Fund balances - ending	<u>\$ 69,318</u>	<u>\$ 67,069</u>	<u>\$ 84,588</u>	<u>\$ 17,519</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA
ROADS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,560	\$ 8,941	\$ 7,439	\$ (1,502)
Licenses, permits, and franchises	600	600	276	(324)
Use of money and property	--	72	228	156
Intergovernmental	23,259	26,111	21,366	(4,745)
Charges for services	5,079	8,224	8,310	86
Other	86	86	102	16
Total revenues	<u>37,584</u>	<u>44,034</u>	<u>37,721</u>	<u>(6,313)</u>
Expenditures				
Current:				
Community resources & public facilities	38,524	41,816	35,083	6,733
Debt service:				
Principal	24	24	24	--
Interest	1	1	2	(1)
Total expenditures	<u>38,549</u>	<u>41,841</u>	<u>35,109</u>	<u>6,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(965)</u>	<u>2,193</u>	<u>2,612</u>	<u>419</u>
Other Financing Sources (Uses)				
Transfers in	1,392	2,550	2,065	(485)
Transfers out	(335)	(765)	(626)	139
Proceeds from sale of capital assets	--	--	128	128
Total other financing sources	<u>1,057</u>	<u>1,785</u>	<u>1,567</u>	<u>(218)</u>
Net change in fund balances	92	3,978	4,179	201
Fund balances - beginning	4,862	4,862	4,862	--
Fund balances - ending	<u>\$ 4,954</u>	<u>\$ 8,840</u>	<u>\$ 9,041</u>	<u>\$ 201</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses, permits, and franchises	\$ 138	\$ 138	\$ 128	\$ (10)
Fines, forfeitures, and penalties	1,435	2,097	1,828	(269)
Use of money and property	988	1,041	774	(267)
Intergovernmental	28,795	29,508	28,273	(1,235)
Charges for services	32,749	32,749	34,615	1,866
Other	5,142	5,484	5,464	(20)
Total revenues	<u>69,247</u>	<u>71,017</u>	<u>71,082</u>	<u>65</u>
Expenditures				
Current:				
Health & public assistance	79,856	79,728	76,913	2,815
Total expenditures	<u>79,856</u>	<u>79,728</u>	<u>76,913</u>	<u>2,815</u>
Deficiency of revenues under expenditures	<u>(10,609)</u>	<u>(8,711)</u>	<u>(5,831)</u>	<u>2,880</u>
Other Financing Sources (Uses)				
Transfers in	12,231	8,781	8,454	(327)
Transfers out	<u>(6,687)</u>	<u>(3,568)</u>	<u>(3,191)</u>	<u>377</u>
Total other financing sources	<u>5,544</u>	<u>5,213</u>	<u>5,263</u>	<u>50</u>
Net change in fund balances	(5,065)	(3,498)	(568)	2,930
Fund balances - beginning	27,218	27,218	27,218	--
Fund balances - ending	<u>\$ 22,153</u>	<u>\$ 23,720</u>	<u>\$ 26,650</u>	<u>\$ 2,930</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 381	\$ 425	\$ 394	\$ (31)
Intergovernmental	119,081	119,276	117,535	(1,741)
Charges for services	7	7	--	(7)
Other	406	482	837	355
Total revenues	<u>119,875</u>	<u>120,190</u>	<u>118,766</u>	<u>(1,424)</u>
Expenditures				
Current:				
Health & public assistance	<u>130,016</u>	<u>129,917</u>	<u>126,210</u>	<u>3,707</u>
Total expenditures	<u>130,016</u>	<u>129,917</u>	<u>126,210</u>	<u>3,707</u>
Deficiency of revenues under expenditures	<u>(10,141)</u>	<u>(9,727)</u>	<u>(7,444)</u>	<u>2,283</u>
Other Financing Sources (Uses)				
Transfers in	16,983	9,120	8,827	(293)
Transfers out	<u>(7,927)</u>	<u>(645)</u>	<u>(300)</u>	<u>345</u>
Total other financing sources	<u>9,056</u>	<u>8,475</u>	<u>8,527</u>	<u>52</u>
Net change in fund balances	(1,085)	(1,252)	1,083	2,335
Fund balances - beginning	<u>6,117</u>	<u>6,117</u>	<u>6,117</u>	<u>--</u>
Fund balances - ending	<u>\$ 5,032</u>	<u>\$ 4,865</u>	<u>\$ 7,200</u>	<u>\$ 2,335</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines, forfeitures, and penalties	\$ 4	\$ 4	\$ 4	\$ --
Use of money and property	(604)	(195)	(248)	(53)
Intergovernmental	27,284	30,972	32,554	1,582
Charges for services	40,942	36,070	36,161	91
Other	152	196	402	206
Total revenues	<u>67,778</u>	<u>67,047</u>	<u>68,873</u>	<u>1,826</u>
Expenditures				
Current:				
Health & public assistance	<u>71,592</u>	<u>70,673</u>	<u>69,257</u>	<u>1,416</u>
Total expenditures	<u>71,592</u>	<u>70,673</u>	<u>69,257</u>	<u>1,416</u>
Deficiency of revenues under expenditures	<u>(3,814)</u>	<u>(3,626)</u>	<u>(384)</u>	<u>3,242</u>
Other Financing Sources (Uses)				
Transfers in	27,639	22,247	8,403	(13,844)
Transfers out	(7,993)	(2,791)	(1,403)	1,388
Proceeds from sale of capital assets	--	--	1	1
Total other financing sources	<u>19,646</u>	<u>19,456</u>	<u>7,001</u>	<u>(12,455)</u>
Net change in fund balances	15,832	15,830	6,617	(9,213)
Fund balances - beginning	(11,346)	(11,346)	(11,346)	--
Prior period adjustment	--	--	2,881	2,881
Fund balances - beginning, as restated	<u>(11,346)</u>	<u>(11,346)</u>	<u>(8,465)</u>	<u>2,881</u>
Fund balances - ending	<u>\$ 4,486</u>	<u>\$ 4,484</u>	<u>\$ (1,848)</u>	<u>\$ (6,332)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,194	\$ 8,194	\$ 8,275	\$ 81
Use of money and property	1,698	2,070	1,649	(421)
Intergovernmental	5,028	9,573	10,017	444
Charges for services	3,042	3,042	3,117	75
Other	41	41	27	(14)
Total revenues	<u>18,003</u>	<u>22,920</u>	<u>23,085</u>	<u>165</u>
Expenditures				
Current:				
Community resources & public facilities	<u>17,634</u>	<u>22,514</u>	<u>18,696</u>	<u>3,818</u>
Total expenditures	<u>17,634</u>	<u>22,514</u>	<u>18,696</u>	<u>3,818</u>
Excess of revenues over expenditures	<u>369</u>	<u>406</u>	<u>4,389</u>	<u>3,983</u>
Other Financing Sources (Uses)				
Transfers in	8	26	20	(6)
Transfers out	<u>(11)</u>	<u>(11)</u>	<u>(7)</u>	<u>4</u>
Total other financing sources (uses)	<u>(3)</u>	<u>15</u>	<u>13</u>	<u>(2)</u>
Net change in fund balances	366	421	4,402	3,981
Fund balances - beginning	<u>50,321</u>	<u>50,321</u>	<u>50,321</u>	<u>--</u>
Fund balances - ending	<u>\$ 50,687</u>	<u>\$ 50,742</u>	<u>\$ 54,723</u>	<u>\$ 3,981</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
June 30, 2009 (in thousands)

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Resource Recovery	Laguna Sanitation	Nonmajor - Transit Operations		
ASSETS					
Current assets:					
Cash and investments (Note 4)	\$ 14,004	\$ 6,115	\$ --	\$ 20,119	\$ 72,134
Accounts receivable, net:					
Licenses, permits, and franchises	416	--	--	416	--
Use of money and property	178	22	--	200	266
Intergovernmental	101	--	--	101	13
Charges for services	1,254	17	--	1,271	496
Other	241	--	--	241	11
Inventories	318	16	--	334	238
Prepaid items	64	--	--	64	--
Total current assets	<u>16,576</u>	<u>6,170</u>	<u>--</u>	<u>22,746</u>	<u>73,158</u>
Noncurrent assets:					
Deferred charges	88	--	--	88	--
Restricted cash and investments (Notes 4 & 5)	18,097	64	--	18,161	10
Capital assets, not being depreciated (Note 6)	10,194	3,064	--	13,258	--
Capital assets, net of accumulated depreciation (Note 6)	<u>33,417</u>	<u>25,139</u>	<u>--</u>	<u>58,556</u>	<u>18,137</u>
Total noncurrent assets	<u>61,796</u>	<u>28,267</u>	<u>--</u>	<u>90,063</u>	<u>18,147</u>
Total assets	<u>78,372</u>	<u>34,437</u>	<u>--</u>	<u>112,809</u>	<u>91,305</u>
LIABILITIES					
Current liabilities:					
Accounts payable	760	15	--	775	800
Salaries and benefits payable	341	72	--	413	401
Interest payable	--	5	--	5	--
Other payables	17	1	--	18	--
Deferred revenue (Note 7)	15	--	--	15	--
Customer deposits payable	--	65	--	65	--
Compensated absences (Note 8)	425	83	--	508	455
Capital lease obligations (Note 9)	6	2	--	8	66
Certificates of participation payable (Note 10)	1,106	--	--	1,106	--
Note payable (Note 11)	--	427	--	427	--
Liability for self-insurance claims (Note 12)	--	--	--	--	10,782
Landfill closure/postclosure care costs (Note 14)	202	--	--	202	--
Total current liabilities	<u>2,872</u>	<u>670</u>	<u>--</u>	<u>3,542</u>	<u>12,504</u>
Noncurrent liabilities:					
Compensated absences (Note 8)	106	41	--	147	272
Capital lease obligations (Note 9)	6	1	--	7	68
Certificates of participation payable, net (Note 10)	7,740	--	--	7,740	--
Note payable (Note 11)	--	6,582	--	6,582	--
Liability for self-insurance claims (Note 12)	--	--	--	--	26,601
Landfill closure/postclosure care costs (Note 14)	25,188	--	--	25,188	--
Advances payable (Note 18)	1,759	--	--	1,759	--
OPEB obligation (Note 20)	337	69	--	406	365
Total noncurrent liabilities	<u>35,136</u>	<u>6,693</u>	<u>--</u>	<u>41,829</u>	<u>27,306</u>
Total liabilities	<u>38,008</u>	<u>7,363</u>	<u>--</u>	<u>45,371</u>	<u>39,810</u>
NET ASSETS					
Invested in capital assets, net of related debt	34,752	21,190	--	55,942	18,004
Restricted for debt service (Note 15)	1,314	--	--	1,314	--
Unrestricted	4,298	5,884	--	10,182	33,491
Total net assets	<u>\$ 40,364</u>	<u>\$ 27,074</u>	<u>\$ --</u>	<u>67,438</u>	<u>\$ 51,495</u>
Adjustment to reflect the allocation of the internal service funds' cumulative net loss				(540)	
Net assets of business-type activities				<u>\$ 66,898</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, 2009 (in thousands)

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Nonmajor - Transit Operations		
Operating revenues:					
Charges for services	\$ 14,442	\$ 6,422	\$ 34	\$ 20,898	\$ 51,306
Sale of scrap and recyclables	3,454	--	--	3,454	--
Franchise fees	388	--	--	388	--
Self-insurance recovery	--	--	--	--	1,250
Other operating revenues	2,570	42	--	2,612	347
Total operating revenues	<u>20,854</u>	<u>6,464</u>	<u>34</u>	<u>27,352</u>	<u>52,903</u>
Operating expenses:					
Salaries and benefits	7,935	1,531	--	9,466	8,417
Services and supplies	4,541	2,319	81	6,941	19,515
Self-insurance claims	--	--	--	--	16,880
Contractual services	6,693	537	570	7,800	815
Depreciation and amortization	2,347	1,008	31	3,386	3,503
County overhead allocation	369	86	--	455	532
Closure/postclosure costs	1,097	--	--	1,097	--
Total operating expenses	<u>22,982</u>	<u>5,481</u>	<u>682</u>	<u>29,145</u>	<u>49,662</u>
Operating income (loss)	<u>(2,128)</u>	<u>983</u>	<u>(648)</u>	<u>(1,793)</u>	<u>3,241</u>
Non-operating revenues (expenses):					
Use of money and property	1,329	244	2	1,575	2,118
Interest expense	(394)	(182)	--	(576)	(6)
Gain (loss) on sale of capital assets	(5)	1	--	(4)	(29)
State and federal aid	--	--	--	--	38
Other non-operating revenues	1,794	1,181	941	3,916	1,165
Total non-operating revenues, net	<u>2,724</u>	<u>1,244</u>	<u>943</u>	<u>4,911</u>	<u>3,286</u>
Income before transfers	<u>596</u>	<u>2,227</u>	<u>295</u>	<u>3,118</u>	<u>6,527</u>
Transfers in	--	--	274	274	1,070
Transfers out (Note 18)	(5)	--	(930)	(935)	(1,014)
Transfers in (out), net	<u>(5)</u>	<u>--</u>	<u>(656)</u>	<u>(661)</u>	<u>56</u>
Change in net assets	591	2,227	(361)	2,457	6,583
Total net assets - beginning	<u>39,773</u>	<u>24,847</u>	<u>361</u>	<u>64,981</u>	<u>44,912</u>
Total net assets - ending	<u>\$ 40,364</u>	<u>\$ 27,074</u>	<u>\$ --</u>	<u>\$ 67,438</u>	<u>\$ 51,495</u>
Change in net assets - total enterprise funds				\$ 2,457	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				209	
Change in net assets of business-type activities				<u>\$ 2,666</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, 2009 (in thousands)

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Nonmajor - Transit Operations		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ --	\$ --	\$ --	\$ --	\$ 51,959
Receipts from self-insurance recovery	--	--	--	--	1,250
Receipts from customers and users	21,193	6,525	82	27,800	--
Payments to employees	(7,712)	(1,472)	--	(9,184)	(8,105)
Payments to suppliers	(12,567)	(2,842)	(662)	(16,071)	(20,253)
Payments for self-insurance claims	--	--	--	--	(16,880)
Payments for landfill closure/postclosure costs	(91)	--	--	(91)	--
Payment on landfill litigation settlement	(55)	--	--	(55)	--
County overhead allocation payments to the General Fund	(369)	(86)	--	(455)	(532)
Other receipts	1,794	1,181	941	3,916	1,165
Net cash provided by operating activities	<u>2,193</u>	<u>3,306</u>	<u>361</u>	<u>5,860</u>	<u>8,604</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	--	--	274	274	816
Transfers to other funds	(5)	--	(875)	(880)	(760)
State and federal aid	--	--	--	--	38
Net cash provided (used) by noncapital and related financing activities	<u>(5)</u>	<u>--</u>	<u>(601)</u>	<u>(606)</u>	<u>94</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(8,321)	(1,981)	--	(10,302)	(1,674)
Proceeds from sale of capital assets	--	1	--	1	124
Principal paid on capital lease obligations	(7)	(1)	--	(8)	(63)
Interest paid on capital lease obligations	(1)	--	--	(1)	(6)
Principal paid on certificates of participation	(880)	(168)	--	(1,048)	--
Interest paid on certificates of participation	(365)	(4)	--	(369)	--
Principal paid on State loan	--	(417)	--	(417)	--
Interest paid on State loan	--	(178)	--	(178)	--
Arbitrage payments	(4)	(5)	--	(9)	--
Net cash used by capital and related financing activities	<u>(9,578)</u>	<u>(2,753)</u>	<u>--</u>	<u>(12,331)</u>	<u>(1,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Use of money and property received	1,475	265	4	1,744	2,370
Net cash provided by investing activities	<u>1,475</u>	<u>265</u>	<u>4</u>	<u>1,744</u>	<u>2,370</u>
Net increase (decrease) in cash and cash equivalents	(5,915)	818	(236)	(5,333)	9,449
Cash and cash equivalents - beginning	38,016	5,361	236	43,613	62,695
Cash and cash equivalents - ending	<u>\$ 32,101</u>	<u>\$ 6,179</u>	<u>\$ --</u>	<u>\$ 38,280</u>	<u>\$ 72,144</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets					
Cash and investments per Statement of Net Assets	\$ 14,004	\$ 6,115	\$ --	\$ 20,119	\$ 72,134
Restricted cash and investments per Statement of Net Assets	18,097	64	--	18,161	10
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 32,101</u>	<u>\$ 6,179</u>	<u>\$ --</u>	<u>\$ 38,280</u>	<u>\$ 72,144</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (2,128)	\$ 983	\$ (648)	\$ (1,793)	\$ 3,241
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,347	1,008	31	3,386	3,503
Other non-operating revenues	1,794	1,181	941	3,916	1,165
Changes in assets and liabilities:					
Accounts receivable	324	61	48	433	306
Inventories	(16)	--	--	(16)	175
Deferred charges	24	11	--	35	--
Accounts payable	(1,341)	3	(11)	(1,349)	365
Salaries and benefits payable	223	59	--	282	312
Deferred revenue	15	--	--	15	--
Self-insurance claims	--	--	--	--	(463)
Landfill litigation settlement	(55)	--	--	(55)	--
Landfill closure cost liability	1,006	--	--	1,006	--
Net cash provided by operating activities	<u>\$ 2,193</u>	<u>\$ 3,306</u>	<u>\$ 361</u>	<u>\$ 5,860</u>	<u>\$ 8,604</u>
Noncash investing, capital, and financing activities	\$ --	\$ --	\$ --	\$ --	\$ --

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

June 30, 2009 (in thousands)

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and investments (Note 4)	\$ 506,253	\$ 33,753
Interest receivable	2,019	249
Total assets	<u>\$ 508,272</u>	<u>\$ 34,002</u>
Liabilities		
Accounts payable	\$ --	\$ 8,181
Funds held as agent for others	--	25,821
Total liabilities	<u>\$ --</u>	<u>\$ 34,002</u>
Net Assets		
Held in trust for pool participants	<u>\$ 508,272</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, 2009 (in thousands)

	<u>Investment Trust Fund</u>
Additions:	
Contributions to pooled investments	\$ 3,290,808
Interest and investment income	<u>12,451</u>
Total additions	<u>3,303,259</u>
Deductions:	
Distributions from pooled investments	<u>3,281,706</u>
Total deductions	<u>3,281,706</u>
Net increase in net assets	21,553
Net assets held in trust for pool participants - beginning	<u>486,719</u>
Net assets held in trust for pool participants - ending	<u>\$ 508,272</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, 2009
(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.

Blended Component Units

Because of their relationship with the County and the nature of their operations, 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.

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.

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.

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

First 5 Children and Families Commission (Commission) was 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. 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 were 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 franchisee. 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.

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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 *In-Home Supportive Services (IHSS) Public Authority* (Authority) was established by the Board to act as the employer of record for IHSS individual providers. As an administrative unit, it carries out functions prescribed in Welfare & Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. The Authority also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers. The Authority is reported as a part of Social Services in the major governmental funds statements.

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. 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. Additional detailed information can be obtained from the Auditor-Controller's Office at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93101.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

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.

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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. 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, Medi-Cal reimbursements 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 **Roads 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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 County Sanitation District Fund (Laguna Sanitation)** accounts for the activities of sewer collection and sewage treatment in the Orcutt area.

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’ money in 399 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 269 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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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 56% as of June 30, 2009. 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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

The County levies, collects, and apportions property taxes for all taxing jurisdictions within the County including school and special districts. Article XIII B 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 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 were required by statute to participate. All delinquent taxes are recorded as accounts receivable in the General Fund. At June 30, 2009, property taxes receivable of \$32,602 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 16).

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 nonmajor 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 monies expended in the redevelopment process that can be properly attributable to the property to be resold to developers.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Cash and Investments

Debt covenants require that resources be set aside as restricted assets, to repay tax and revenue anticipation notes (TRAN) 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, land improvements, 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 and \$100 for land improvements, buildings and improvements, and infrastructure.

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

Land improvements:	Parking lots, sidewalks, outdoor lighting, landscaping, drainage and irrigation systems	5 to 50 years
Buildings & improvements:	Office buildings Building improvements	20 to 100 years 5 to 50 years
Equipment:	Automobiles and light trucks Construction and maintenance vehicles General machinery and office equipment	5 to 10 years 5 to 20 years 3 to 25 years
Infrastructure:	Pavement and traffic signals Bridges All other	15 to 30 years 40 to 75 years 20 to 99 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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

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, 2009, 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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

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 31)	Long-term Assets and Liabilities (1)	Internal Service Funds (2) (Page 40)	Adjustments (3)	Total Governmental Activities (Page 28)
Assets:					
Cash and investments	\$ 192,691	\$ --	\$ 72,134	\$ --	\$ 264,825
Accounts receivable, net:					
Taxes	32,602	--	--	--	32,602
Licenses, permits, and franchises	746	--	--	--	746
Fines, forfeitures, and penalties	431	--	--	--	431
Use of money and property	805	--	266	--	1,071
Intergovernmental	38,601	--	13	--	38,614
Charges for services	39,697	--	496	--	40,193
Other	664	--	11	--	675
Due from other funds	13,810	--	--	(13,810)	--
Internal balances	--	--	--	2,299	2,299
Inventories	--	--	238	--	238
Prepaid items	528	--	--	--	528
Other receivables	7,924	--	--	--	7,924
Deferred charges	--	634	--	--	634
Advances to other funds	18,759	--	--	(18,759)	--
Property held for resale	6,039	--	--	--	6,039
Restricted cash and investments	22,001	--	10	--	22,011
Capital assets	--	470,765	18,137	--	488,902
Total assets	<u>\$ 375,298</u>	<u>\$ 471,399</u>	<u>\$ 91,305</u>	<u>\$ (30,270)</u>	<u>\$ 907,732</u>
Liabilities:					
Accounts payable	\$ 23,512	\$ --	\$ 800	\$ --	\$ 24,312
Salaries and benefits payable	18,513	--	401	--	18,914
Interest payable	14	491	--	--	505
Other payables	18,974	--	--	--	18,974
Unearned revenue	29,950	--	--	--	29,950
Deferred revenue	3,905	(3,905)	--	--	--
Due to other funds	13,810	--	--	(13,810)	--
Customer deposits payable	6,711	--	--	--	6,711
Advances payable	17,000	--	--	(17,000)	--
Compensated absences	--	29,438	727	--	30,165
Capital lease obligations	--	3,573	134	--	3,707
Certificates of participation (COP)	--	64,510	--	--	64,510
Unamortized premium on COP	--	729	--	--	729
Unamortized discount on COP	--	(170)	--	--	(170)
Liability for self-insurance claims	--	--	37,383	--	37,383
Rebatable arbitrage earnings	--	19	--	--	19
Estimated litigation liability	--	310	--	--	310
OPEB obligation	--	18,316	365	--	18,681
Total liabilities	<u>132,389</u>	<u>113,311</u>	<u>39,810</u>	<u>(30,810)</u>	<u>254,700</u>
Fund balance/net assets:					
Total fund balance/net assets	<u>242,909</u>	<u>358,088</u>	<u>51,495</u>	<u>540</u>	<u>653,032</u>
Total liabilities & fund balance/net assets	<u>\$ 375,298</u>	<u>\$ 471,399</u>	<u>\$ 91,305</u>	<u>\$ (30,270)</u>	<u>\$ 907,732</u>

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

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).	\$ 470,765
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet (Note 8):	
Certificates of participation	\$ (64,510)
Unamortized premium on certificates of participation	(729)
Unamortized discount on certificates of participation	170
Capital lease obligations (excluding Internal Service Funds)	(3,573)
Estimated liability for litigation	(310)
Compensated absences (excluding Internal Service Funds)	(29,438)
Rebatalable arbitrage eamings	(19)
OPEB obligation (excluding Internal Service Funds)	<u>(18,316)</u>
Total long-term liabilities	(116,725)
Accrued interest on long-term debt	(491)
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)	3,905
Issuance costs on certificates of participation are capitalized and amortized over the life of the related debt issue.	<u>634</u>
	<u><u>\$ 358,088</u></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>\$ 51,495</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>\$ 540</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 year ended June 30, 2009 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 the County's bank deposits are insured by Federal depository insurance (FDIC).

Effective November 2008, and as a result of the FDIC sponsored Temporary Liquidity Guarantee Program (TLGP), all funds in non-interest bearing transaction deposit accounts held in domestic offices of FDIC insured financial institutions will be fully guaranteed provided the financial institution holding the deposits did not opt out of the TLGP. The County's depository did not opt out of the TLGP. Because the County's deposits are fully collateralized under the TLGP, collateralization under Government Code Section 53652 is waived. When the TLGP program ends December 31, 2009, the County's depository will revert to collateralizing the balance under Government Code Section 53652.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

4. CASH AND INVESTMENTS - CONTINUED

At June 30, 2009, the carrying amount of the County's deposits was \$41,336 and the corresponding bank balance was \$38,065. The difference of \$3,271 was primarily due to deposits in transit.

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, 2009:

	<u>Credit Ratings</u>	<u>% of Portfolio</u>
Treasurer's pooled investments:		
Local agency investment fund (LAIF)	Unrated	4.27%
Treasury bills	AAA, Aaa	0.75%
Commercial paper	A-1, P-1, F1	9.63%
Corporate notes: Temporary liquidity guarantee program (TLGP)	Aaa, AAA	1.28%
Corporate notes	AAA, AA+, AA, Aaa, Aa1, Aa	13.73%
Negotiable certificates of deposit (CDs)	A-1, P-1, F1	9.95%
Government agency bonds and notes	AAA, Aaa	60.39%
Total Treasurer's pooled investments		<u>100.00%</u>
Directed investments:		
Government agency bonds	AAA, Aaa	<u>100.00%</u>
Investments held with fiscal agents:		
Money market	Aaa, AAAm	27.48%
Treasury bills	AAA, Aaa	10.57%
Government agency bonds	AAA, Aaa	61.95%
		<u>100.00%</u>

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

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 year ended June 30, 2009, more than 5% of the County's pooled investments were invested in the following issuers:

Treasurer's Pooled Investments:			
US Bank	Corporation	\$49,167	6.14%
Federal Home Loan Bank	Government Sponsored	\$255,538	31.91%
Federal Home Loan Mortgage Corporation	Government Sponsored	\$84,106	10.50%
Federal National Mortgage Association	Government Sponsored	\$103,291	12.90%
Directed Investments:			
Federal National Mortgage Association	Government Sponsored	\$428	100.00%
Investments Held with Fiscal Agents:			
Federal Home Loan Bank	Government Sponsored	\$3,202	14.42%
Federal Home Loan Mortgage Corporation	Government Sponsored	\$7,476	33.67%
Federal National Mortgage Association	Government Sponsored	\$3,206	14.44%

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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

4. CASH AND INVESTMENTS - CONTINUED

At June 30, 2009 the Treasurer held floating rate notes that comprised of 2.48% of the Treasurer's Pooled Investments. The notes are tied to the London Interbank Offered Rate (LIBOR) with quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no floating rate notes in the Directed Investments or Investments Held with Fiscal Agents.

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 year ended June 30, 2009:

	<u>Pool</u>	<u>Directed</u>	<u>Total</u>
Interest income	\$ 16,067	\$ 63	\$ 16,130
Realized gain	6,291	2	6,293
Administration and audit fees	(1,844)	(4)	(1,848)
Securities lending	4	-	4
Miscellaneous adjustments	(4)	-	(4)
Total net investment income	<u>\$ 20,514</u>	<u>\$ 61</u>	<u>\$ 20,575</u>

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, such discount, when realized, is considered gain rather than interest. 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).

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

4. CASH AND INVESTMENTS - CONTINUED

The following is a summary of investments held by the County Treasurer as of June 30, 2009:

<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:					
LAIF	\$ 34,000	\$ 34,000	1.51%	n/a	n/a
Treasury bills	5,987	5,999	0.44%	8/09	44 days
Commercial paper	76,541	76,681	0.24-1.93%	7/09-8/09	22 days
Corporate notes: TLGP	9,996	10,215	1.61-2.90%	1/11-12/11	1.98 years
Corporate notes	108,372	109,317	2.82-7.16%	4/09-9/12	1.15 years
Negotiable CDs	79,000	79,190	0.58-3.18%	7/09-2/10	101 days
Government agency bonds and notes	480,042	485,478	Discount; 0.56-4.52%	7/09-6/14	362 days
Directed investments:					
Government agency bonds	400	428	6.70%	6/10	350 days
Total pooled and directed investments	794,338	801,308			
Investments held with fiscal agents:					
Money market	6,177	6,177	0.02%	n/a	n/a
Treasury bills	2,369	2,369	0.34%	12/09	177 days
Government agency bonds and notes	13,661	13,884	Discount; 0.56-4.75%	11/09-5/14	1.90 years
Total investments	<u>\$ 816,545</u>	823,738			
Cash in banks:					
Non-interest bearing deposits		41,336			
Cash on hand		48			
Total cash and investments		<u>\$ 865,122</u>			
Total unrestricted cash and investments		\$ 824,950			
Total restricted cash and investments (Note 5)		40,172			
Total cash and investments		<u>\$ 865,122</u>			
Total cash and investments summary:					
Total governmental activities		\$ 286,836			
Total business-type activities		38,280			
Total fiduciary funds		540,006			
Total cash and investments		<u>\$ 865,122</u>			

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

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2009:

Statement of Net Assets	
Net assets held for pool	<u>\$ 837,221</u>
Equity of internal pool participants	\$ 328,949
Equity of external pool participants (voluntary and involuntary)	<u>508,272</u>
Total equity	<u>\$ 837,221</u>
Statement of Changes in Net Assets	
Net assets held for pool participants, July 1, 2008	\$ 792,868
Net change in investments by pool participants	<u>44,353</u>
Net assets held for pool participants, June 30, 2009	<u>\$ 837,221</u>

Investment Pending Settlement

The Treasurer entered into an agreement to purchase a government agency bond during the year. This investment transaction was pending settlement at June 30, 2009. Per GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are to be accounted for based on trade date rather than settlement date. The trade date is the date on which the transaction occurred and is the date the County is exposed to (or released from) the rights and obligations of the ownership of the instrument. At June 30, 2009, the investment and resulting liability amounted to \$5,000.

Securities Lending

As authorized under state statute and the Treasurer's Investment Policy, the County of Santa Barbara participated in securities lending transactions during the fiscal year. The Treasurer suspended the County's securities lending program on October 30, 2008.

For all securities lending transactions that occurred during the fiscal year ended June 30, 2009, Union Bank ("the Bank") was contracted to lend securities only to eligible borrowers, as defined by the Treasurer. The term for each lending transaction was limited to a maximum of seven days. The Bank and its affiliates were not eligible borrowers. Cash collateral equaling 102% of the total value of the loaned securities was required. The Bank invested cash collateral on behalf of the County in permitted investments. Collateral was marked to market as is reasonable, and the Bank had the right to demand additional collateral as necessary. Such collateral received by the Bank was held separate and apart from the Bank's own funds and securities. Securities lending transactions were restricted to 20% of the base value of the portfolio.

The securities lent remained in the Treasurer's Statement of Assets as the County retained the risks and rewards of changes in the value of the underlying securities during the term of the loan, had a contractual right to the income distributions, and retained the right to sell the securities. The term to maturity of securities loans was matched with the maturity date of the term loan.

The collateral received by the Treasurer exceeded the amount on loan. Collateral was held in trust with a custodial bank different from the County's primary bank. Collateral was not held in broker accounts. Accordingly, the Treasurer was not exposed to custodial credit risk.

There were 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.

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

Cash and investments at June 30, 2009 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities

General Fund		
Property tax loss reserve	\$ 6,373	
Deposits by various developers	6,346	
Total General Fund	\$ 12,719	
RDA Debt Service Fund		
Reserved for debt service	1,449	
Total RDA Debt Service Fund	1,449	
Nonmajor Governmental Funds		
Reserved for debt service	7,823	
Clean water plan check trust	10	
Total Nonmajor Governmental Funds	7,833	
Internal Service Funds		
Vehicle Operations and Maintenance - set aside for underground tank clean-up	10	
Total Internal Service Funds	10	
Total governmental activities	22,011	

Business-type Activities

Resource Recovery Fund		
Funds set aside for landfill site closure and maintenance costs (see Note 14)	15,281	
Financial assurance for landfill corrective action	1,501	
Reserved for debt service	1,315	
Total Resource Recovery Fund	18,097	
Laguna Sanitation Fund		
Deposits by various developers	64	
Total Laguna Sanitation Fund	64	
Total business-type activities	18,161	
Total restricted cash and investments	\$ 40,172	

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 includes the following transfers and/or adjustments:

- \$2,601 adjustment for prior year Land assets not included in Statement of Net Assets (see Note 22).
- A change in the reporting of Land Improvements and the related accumulated depreciation, which are now being shown on separate lines on the following schedules. The beginning balances were moved from the following lines: \$11,213 from Land, and \$4,290 from Structures' accumulated depreciation.
- \$306 net equipment transfer from the Transit Operations enterprise fund to the Roads Fund and a \$5 net equipment transfer from the Roads Fund to the Laguna Sanitation enterprise fund.

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

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers & Adjustments (net)	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 90,772	\$ 1,411	\$ --	\$ (8,612)	\$ 83,571
Construction in progress	42,119	27,741	(25,222)	--	44,638
Total capital assets, not being depreciated	<u>132,891</u>	<u>29,152</u>	<u>(25,222)</u>	<u>(8,612)</u>	<u>128,209</u>
Capital assets, being depreciated:					
Land improvements	--	269	--	11,213	11,482
Structures	202,897	9,834	--	--	212,731
Equipment	90,871	7,246	(4,622)	240	93,735
Infrastructure	239,832	10,807	(476)	--	250,163
Total capital assets, being depreciated	<u>533,600</u>	<u>28,156</u>	<u>(5,098)</u>	<u>11,453</u>	<u>568,111</u>
Less accumulated depreciation for:					
Land improvements	--	(333)	--	(4,290)	(4,623)
Structures	(70,647)	(4,641)	--	4,290	(70,998)
Equipment	(53,396)	(7,045)	4,283	61	(56,097)
Infrastructure	(72,094)	(3,606)	--	--	(75,700)
Total accumulated depreciation	<u>(196,137)</u>	<u>(15,625)</u>	<u>4,283</u>	<u>61</u>	<u>(207,418)</u>
Total capital assets, being depreciated, net	<u>337,463</u>	<u>12,531</u>	<u>(815)</u>	<u>11,514</u>	<u>360,693</u>
Sub-total governmental activities	<u>470,354</u>	<u>41,683</u>	<u>(26,037)</u>	<u>2,902</u>	<u>488,902</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	12,244	--	--	--	12,244
Construction in progress	2,930	7,378	(9,294)	--	1,014
Total capital assets, not being depreciated	<u>15,174</u>	<u>7,378</u>	<u>(9,294)</u>	<u>--</u>	<u>13,258</u>
Capital assets, being depreciated:					
Structures	27,905	7,575	(28)	--	35,452
Equipment	22,276	3,734	(18)	(240)	25,752
Infrastructure	25,006	1,169	--	--	26,175
Total capital assets, being depreciated	<u>75,187</u>	<u>12,478</u>	<u>(46)</u>	<u>(240)</u>	<u>87,379</u>
Less accumulated depreciation for:					
Structures	(8,093)	(1,141)	26	--	(9,208)
Equipment	(12,658)	(1,652)	5	(61)	(14,366)
Infrastructure	(4,656)	(593)	--	--	(5,249)
Total accumulated depreciation	<u>(25,407)</u>	<u>(3,386)</u>	<u>31</u>	<u>(61)</u>	<u>(28,823)</u>
Total capital assets, being depreciated, net	<u>49,780</u>	<u>9,092</u>	<u>(15)</u>	<u>(301)</u>	<u>58,556</u>
Sub-total business-type activities	<u>64,954</u>	<u>16,470</u>	<u>(9,309)</u>	<u>(301)</u>	<u>71,814</u>
Total capital assets, net	<u>\$ 535,308</u>	<u>\$ 58,153</u>	<u>\$ (35,346)</u>	<u>\$ 2,601</u>	<u>\$ 560,716</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, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2009
Resource Recovery:					
Capital assets, not being depreciated:					
Land	\$ 9,445	\$ --	\$ --	\$ --	\$ 9,445
Construction in progress	2,818	5,505	(7,574)	--	749
Total capital assets, not being depreciated	<u>12,263</u>	<u>5,505</u>	<u>(7,574)</u>	<u>--</u>	<u>10,194</u>
Capital assets, being depreciated:					
Structures	24,759	7,575	(28)	--	32,306
Equipment	17,210	2,815	(6)	--	20,019
Total capital assets, being depreciated	<u>41,969</u>	<u>10,390</u>	<u>(34)</u>	<u>--</u>	<u>52,325</u>
Less accumulated depreciation for:					
Structures	(6,185)	(1,075)	26	--	(7,234)
Equipment	(10,405)	(1,272)	3	--	(11,674)
Total accumulated depreciation	<u>(16,590)</u>	<u>(2,347)</u>	<u>29</u>	<u>--</u>	<u>(18,908)</u>
Total capital assets, being depreciated, net	<u>25,379</u>	<u>8,043</u>	<u>(5)</u>	<u>--</u>	<u>33,417</u>
Sub-total Resource Recovery	<u>37,642</u>	<u>13,548</u>	<u>(7,579)</u>	<u>--</u>	<u>43,611</u>
Laguna Sanitation:					
Capital assets, not being depreciated:					
Land	2,799	--	--	--	2,799
Construction in progress	112	1,873	(1,720)	--	265
Total capital assets, not being depreciated	<u>2,911</u>	<u>1,873</u>	<u>(1,720)</u>	<u>--</u>	<u>3,064</u>
Capital assets, being depreciated:					
Structures	3,146	--	--	--	3,146
Equipment	4,974	668	(12)	103	5,733
Infrastructure	25,006	1,169	--	--	26,175
Total capital assets, being depreciated	<u>33,126</u>	<u>1,837</u>	<u>(12)</u>	<u>103</u>	<u>35,054</u>
Less accumulated depreciation for:					
Structures	(1,908)	(66)	--	--	(1,974)
Equipment	(2,247)	(349)	2	(98)	(2,692)
Infrastructure	(4,656)	(593)	--	--	(5,249)
Total accumulated depreciation	<u>(8,811)</u>	<u>(1,008)</u>	<u>2</u>	<u>(98)</u>	<u>(9,915)</u>
Total capital assets, being depreciated, net	<u>24,315</u>	<u>829</u>	<u>(10)</u>	<u>5</u>	<u>25,139</u>
Sub-total Laguna Sanitation	<u>27,226</u>	<u>2,702</u>	<u>(1,730)</u>	<u>5</u>	<u>28,203</u>
Transit Operations:					
Capital assets, being depreciated:					
Equipment	92	251	--	(343)	--
Less accumulated depreciation for:					
Equipment	(6)	(31)	--	37	--
Sub-total Transit Operations	<u>86</u>	<u>220</u>	<u>--</u>	<u>(306)</u>	<u>--</u>
Total capital assets, net - business-type activities	<u>\$ 64,954</u>	<u>\$ 16,470</u>	<u>\$ (9,309)</u>	<u>\$ (301)</u>	<u>\$ 71,814</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, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2009
Internal Service Funds:					
Capital assets, being depreciated:					
Structures	\$ 2,580	\$ 23	\$ --	\$ --	\$ 2,603
Equipment	42,541	1,729	(3,739)	--	40,531
Total capital assets, being depreciated	<u>45,121</u>	<u>1,752</u>	<u>(3,739)</u>	<u>--</u>	<u>43,134</u>
Less accumulated depreciation for:					
Structures	(448)	(56)	--	--	(504)
Equipment	(24,550)	(3,447)	3,504	--	(24,493)
Total accumulated depreciation	<u>(24,998)</u>	<u>(3,503)</u>	<u>3,504</u>	<u>--</u>	<u>(24,997)</u>
Total capital assets, net - internal service funds	<u>\$ 20,123</u>	<u>\$ (1,751)</u>	<u>\$ (235)</u>	<u>\$ --</u>	<u>\$ 18,137</u>

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

	Depreciation (excluding ISF)	ISF Depreciation Allocation (1)	Total
Governmental activities:			
Policy & executive	\$ 74	\$ 43	\$ 117
Law & justice	664	86	750
Public safety	2,568	1,626	4,194
Health & public assistance	2,211	787	2,998
Community resources & public facilities	4,955	528	5,483
General government & support services	1,149	278	1,427
General county programs	501	46	547
Sub-total governmental activities	<u>12,122</u>	<u>3,394</u>	<u>15,516</u>
Business-type activities:			
Resource Recovery	2,347	102	2,449
Laguna Sanitation	1,008	7	1,015
Transit Operations	31	--	31
Sub-total business-type activities	<u>3,386</u>	<u>109</u>	<u>3,495</u>
Total depreciation expense	<u>\$ 15,508</u>	<u>\$ 3,503</u>	<u>\$ 19,011</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, 2009 consists of the following projects for the primary government:

Governmental activities:

Capital Outlay projects:		
North County jail	\$ 5,521	
Lompoc fire & sheriff station	5,255	
Cuyama recreation center	1,637	
Emergency operations center	725	
North County maintenance yard	713	
Replace RMS	520	
CRA archive building	517	
Santa Maria modular project	626	
Other projects (individually less than \$450)	5,472	
		\$ 20,986
Roads projects:		
Tepesquet low water bridge	3,570	
Pardall road enhancement	3,082	
Jalama south bridge no. 51C-16	1,610	
El Colegio widening	1,311	
Floridale Ave bridge	688	
UVP/Bradley signal	645	
Black Road bridge rehabilitation	471	
Other projects (individually less than \$450)	3,657	
		15,034
Flood Control projects:		
Mission Creek Corps project	3,472	
Las Vegas Creek/Encina drain	1,481	
Santa Maria levee reinforcement	260	
Foster Road storm drain	282	
Other projects (individually less than \$200)	521	
		6,016
Special Aviation projects:		
Santa Ynez Valley airport addition	465	
Other projects (individually less than \$100)	67	
		532
General Fund projects:		2,070
Sub-total governmental activities		44,638

Business-type activities:

Resource Recovery projects:		
Ballard water system, phase 2	659	
Other projects (individually less than \$100)	90	
		749
Laguna Sanitation projects:		
Recycled water storage	145	
Other projects (individually less than \$100)	120	
		265
Sub-total business-type activities		1,014
Total construction in progress		\$ 45,652

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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, 2009 the various components of deferred and unearned revenue reported are as follows:

	Unearned	Deferred (Unavailable)	Total
General Fund:			
Statewide election reimbursement	\$ --	\$ 1,751	\$ 1,751
Delinquent property taxes	--	425	425
Advances from Department of Insurance	59	--	59
Total General Fund	59	2,176	2,235
Roads Fund:			
Advances from California Department of Transportation for road projects	5,359	--	5,359
Developer mitigation fees	3,180	--	3,180
Total Roads Fund	8,539	--	8,539
Public Health Fund:			
MediCal audit settlements	--	920	920
Advance on Federal grant for disaster preparedness	57	--	57
Total Public Health Fund	57	920	977
Social Services Fund:			
Grant drawdowns prior to meeting eligibility requirements	10,298	--	10,298
Alcohol, Drug, and Mental Health Services Fund			
Early, periodic, screening, diagnosis, and treatment	--	800	800
Title IV-E program reimbursement	--	9	9
Total Alcohol, Drug and Mental Health Fund	--	809	809
Flood Control District Fund:			
Developer mitigation fees	350	--	350
Capital Projects Fund:			
Developer mitigation fees	4,792	--	4,792
Nonmajor Governmental Funds:			
Other receivables - RDA	4,571	--	4,571
Advances on State and Federal grants for Affordable Housing	585	--	585
Fire district mitigation fees	410	--	410
Advances on State & Federal grants for Child Support Services	289	--	289
Total Nonmajor Governmental Funds	5,855	--	5,855
Resource Recovery:			
Green business program	15	--	15
Total unearned and deferred revenue	\$ 29,965	\$ 3,905	\$ 33,870

COUNTY OF SANTA BARBARA, CALIFORNIA
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8. LONG-TERM LIABILITIES

Changes in Long-term Liabilities

The long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Capital lease obligations	\$ 4,301	\$ --	\$ (594)	\$ 3,707	\$ 597
Certificates of participation (COP)	70,209	--	(5,699)	64,510	5,634
Unamortized premium on COP	861	--	(132)	729	--
Unamortized discount on COP	(193)	--	23	(170)	--
Compensated absences	27,541	26,867	(24,243)	30,165	24,243
Liability for self-insurance claims	36,704	17,028	(16,349)	37,383	10,782
Estimated litigation liability	288	22	--	310	--
Rebatable arbitrage earnings	135	6	(122)	19	--
OPEB obligation	12,168	6,513	--	18,681	--
Sub-total governmental activities	<u>152,014</u>	<u>50,436</u>	<u>(47,116)</u>	<u>155,334</u>	<u>41,256</u>
Business-type activities:					
Capital lease obligations	23	--	(8)	15	8
Certificates of participation	9,851	--	(1,048)	8,803	1,106
Unamortized premium on COP	51	--	(8)	43	--
Note payable	7,426	--	(417)	7,009	427
Compensated absences	578	585	(508)	655	508
Landfill litigation settlement	55	--	(55)	--	--
Landfill closure/postclosure care costs	24,384	1,057	(51)	25,390	202
Rebatable arbitrage earnings	9	--	(9)	--	--
OPEB obligation	266	140	--	406	--
Sub-total business-type activities	<u>42,643</u>	<u>1,782</u>	<u>(2,104)</u>	<u>42,321</u>	<u>2,251</u>
Total long-term liabilities	<u>\$ 194,657</u>	<u>\$ 52,218</u>	<u>\$ (49,220)</u>	<u>\$ 197,655</u>	<u>\$ 43,507</u>

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8. LONG-TERM LIABILITIES - CONTINUED

The long-term liability activity for each major enterprise fund for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Resource Recovery:					
Capital lease obligations	\$ 19	\$ --	\$ (7)	\$ 12	\$ 6
Certificates of participation	9,683	--	(880)	8,803	1,106
Unamortized premium on COP	51	--	(8)	43	--
Compensated absences	479	477	(425)	531	425
Landfill litigation settlement	55	--	(55)	--	--
Landfill closure/postclosure care costs	24,384	1,057	(51)	25,390	202
Rebatable arbitrage earnings	4	--	(4)	--	--
OPEB obligation	221	116	--	337	--
Sub-total Resource Recovery	<u>34,896</u>	<u>1,650</u>	<u>(1,430)</u>	<u>35,116</u>	<u>1,739</u>
Laguna Sanitation:					
Capital lease obligations	4	--	(1)	3	2
Certificates of participation	168	--	(168)	--	--
Note payable	7,426	--	(417)	7,009	427
Compensated absences	99	108	(83)	124	83
Rebatable arbitrage earnings	5	--	(5)	--	--
OPEB obligation	45	24	--	69	--
Sub-total Laguna Sanitation	<u>7,747</u>	<u>132</u>	<u>(674)</u>	<u>7,205</u>	<u>512</u>
Total long-term liabilities - business-type activities	<u>\$ 42,643</u>	<u>\$ 1,782</u>	<u>\$ (2,104)</u>	<u>\$ 42,321</u>	<u>\$ 2,251</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, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Internal Service Funds:					
Capital lease obligation	\$ 197	\$ --	\$ (63)	\$ 134	\$ 66
Compensated absences	599	583	(455)	727	455
Liability for self-insurance claims	36,704	17,028	(16,349)	37,383	10,782
OPEB obligation	235	130	--	365	--
Total long-term liabilities - Internal Service Funds	<u>\$ 37,735</u>	<u>\$ 17,741</u>	<u>\$ (16,867)</u>	<u>\$ 38,609</u>	<u>\$ 11,303</u>

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8. LONG-TERM LIABILITIES - CONTINUED

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, 2009 recorded a rebatable arbitrage liability of \$19 within governmental activities and \$0 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, 2009 is \$9.

9. 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, 2009:

Year Ending June 30,	<u>Amount</u>
2010	\$ 1,039
2011	1,039
2012	<u>175</u>
Total minimum rental payments	<u>\$ 2,253</u>

Total rental expenditure/expense for the year ended June 30, 2009 was \$4,330 of which \$592 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, 2009, the building had a carrying amount of \$5,551 net of accumulated depreciation of \$617.

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, 2009, the building had a carrying amount of \$387, net of accumulated depreciation of \$504.

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9. LEASES - CONTINUED

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, 2009:

Year Ending June 30,	<u>Amount</u>
2010	\$ 555
2011	562
2012	375
2013	312
2014	312
2015-2019	1,561
2020-2024	1,561
2025-2029	1,561
2030-2034	<u>1,509</u>
Total minimum rentals to be received	<u>\$ 8,308</u>

As of the year ended June 30, 2009, total rental income was \$567, all of which was recorded in the General Fund.

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, 2009:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2010	\$ 778	\$ 9
2011	779	7
2012	278	--
2013	278	--
2014	277	--
2015-2019	1,268	--
2020-2024	991	--
2025-2028	<u>496</u>	<u>--</u>
Total minimum lease payments	5,145	16
Less: amount representing interest	<u>(1,438)</u>	<u>(1)</u>
Total present value of minimum lease payments	<u>\$ 3,707</u>	<u>\$ 15</u>

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9. LEASES - CONTINUED

The following is a schedule of capital assets acquired through capital leases as of June 30, 2009:

	Governmental Activities	Business-type Activities
Land	\$ 1,283	\$ --
Equipment	1,761	37
Structures and improvements	1,917	--
Total capital assets, gross	<u>4,961</u>	<u>37</u>
Less: accumulated depreciation	<u>(1,065)</u>	<u>(33)</u>
Total capital assets, net, under capital leases	<u>\$ 3,896</u>	<u>\$ 4</u>

Depreciation expense related to capital assets under capital leases for governmental and business-type activities was \$335 and \$1 respectively, for the year ended June 30, 2009.

10. 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, 2009 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of 6/30/2009
Governmental activities:					
1998 Capital Improvements	3.80-4.60	2/10/1998	2/1/2011	\$ 11,720	\$ 2,410
2001 Capital Improvements	2.00-5.25	12/1/2001	12/1/2021	30,324	24,470
2004 Capital Improvements	2.00-3.00	3/31/2004	3/1/2011	20,023	5,065
2005 Capital Improvements	3.00-4.50	4/21/2005	3/1/2025	18,785	15,565
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>64,510</u>
Business-type activities:					
1998 Baron Ranch	3.80-4.60	2/10/1998	2/1/2011	7,760	1,530
2001 Capital Improvements	2.00-5.25	12/1/2001	12/1/2021	1,101	813
2008 Capital Improvements	3.00-4.50	6/25/2008	12/1/2023	6,625	6,460
Sub-total business-type activities				<u>15,486</u>	<u>8,803</u>
Total COP principal outstanding				<u>\$ 113,250</u>	<u>\$ 73,313</u>

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10. CERTIFICATES OF PARTICIPATION - CONTINUED

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for certificates of participation:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 5,634	\$ 2,822	\$ 1,106	\$ 343
2011	6,197	2,622	1,188	297
2012	3,250	2,381	400	266
2013	3,593	2,237	412	251
2014	3,970	2,063	430	234
2015-2019	18,117	7,690	2,444	878
2020-2024	16,457	3,492	2,823	311
2025-2029	7,292	800	--	--
Sub-total	64,510	24,107	8,803	2,580
Unamortized premium	729	--	43	--
Unamortized discount	(170)	--	--	--
Total COP debt, net	\$ 65,069	\$ 24,107	\$ 8,846	\$ 2,580

11. NOTE PAYABLE

Business-Type Activities

Laguna Wastewater Treatment Plant Note Payable

On August 16, 2001, the Laguna County 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 on July 1st 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, 2009 is \$7,009. The following is the repayment schedule as of June 30, 2009:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 427	\$ 168	\$ 595
2012	437	158	595
2013	448	147	595
2014	459	137	596
2015	470	126	596
2016-2020	2,522	454	2,976
2021-2024	2,246	136	2,382
Total note payable	\$ 7,009	\$ 1,326	\$ 8,335

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12. 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; and medical malpractice. For these risks, the County has chosen to establish risk management internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits. In addition, the County has established separate self insurance financing funds for unemployment claims and dental insurance benefits to employees and their dependents.

For general liability, medical malpractice, and workers' compensation claims, 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 members, which includes 93% of the counties in California and nearly 60% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other Joint Powers Authorities. A Board of Directors consisting of representatives from its members governs the Authority. The County's aggregate annual premium, including property insurance, paid to the Authority for the year ended June 30, 2009, was \$3,735. 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 financial responsibility for risk management 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	Statutory

*Self-insured retention limit varies depending on the date of injury; \$500 since 7/2004

The County purchases property insurance through the Authority from commercial insurance companies via a pool comprised of a majority of California counties and other California Public Agencies. The County is insured up to \$600,000 for "All Risk and Flood" and combined earthquake up to \$360,000. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. Deductibles per occurrence are \$10 for fire or other property damage, and \$25 for flood. The earthquake deductible is 5% of total values per separate building per occurrence, subject to a \$100 minimum.

The unpaid claims liabilities included in the risk management 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, medical malpractice, and workers' compensation coverages. Premiums are charged to departments using various allocation methods that include actual costs, trends in claims experience, and payroll costs. Premiums charged annually are established such that, when added with cash reserves on hand, adequate resources are provided to meet liabilities as they come due.

Changes in the claims liability for all self-insurance claims during the past two fiscal years are as follows:

	<u>Fiscal Year Ended</u>	
	<u>June 30, 2008</u>	<u>June 30, 2009</u>
Unpaid claims, beginning of year	\$ 34,492	\$ 36,704
Incurred claims	17,824	17,028
Claim payments	(15,612)	(16,349)
Unpaid claims, end of year	<u>\$ 36,704</u>	<u>\$ 37,383</u>

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13. 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 \$310, 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.

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.

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 Services (ADMHS) Fund

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 \$12,649 as of June 30, 2009. The \$4,435 reduction in liability from the prior year is due to the following:

1. The \$2,881 accrued for FY 07-08 was reversed based on the submitted 07-08 Cost Report (see Note 22).
2. One FY 02-03 settlement and two FY 05-06 settlements netting to \$1,020 were remitted to the State.
3. Two FY 05-06 settlements with community-based organization providers totaling \$534 were paid.

The County has identified General Fund designations that could be used for settlement of the remaining liabilities. The remaining liabilities are still subject to State cost settlement and audit procedures, an appeal process, negotiation and settlement between the County, State and third party providers.

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13. COMMITMENTS AND CONTINGENCIES - CONTINUED

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 and are considered a contingent liability. The County believes it has the appropriate supporting documentation to meet the Medi-Cal eligibility requirements.

In October 2008, the County participated in an informal administrative hearing with the State Department of Health Care Services. In March 2009, the County received an adverse determination on the issue of services provided by other County departments, and was billed \$2,208 for FY 02-03. Based on the County's belief that it has the appropriate supporting documentation to meet the Medi-Cal eligibility requirements, a formal appeal was filed. These amounts had been paid by the State to ADMHS in prior years and passed through to Probation, Social Services and Public Health. The State has charged off \$2,208 against other reimbursements due to the County to recoup the amount paid by the State for FY 02-03. Probation funded this charge with a release from the General Fund Strategic Reserve of \$1,297. The ADMHS, Social Services and Public Health Departments funded the remaining balance within their departmental special revenue funds in the amounts of \$413, \$363 and \$135 respectively. The County is in the process of providing the State with requested documentation in order to substantiate payments received from the State including the \$2,208 withheld from other reimbursements to the County. FY 03-04 and 04-05 audits by the State are in progress.

Due to the extended nature of the audit and settlement process, these expenditures, if materialized, are anticipated to take place over a number of years. Successful appeal could result in reductions of audit settlements.

Contracts

The County has entered into contracts to purchase goods and services from various vendors. Approximately \$53,113 will be payable upon future performance under these contracts.

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14. 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, and was subsequently closed in fiscal year 2008-09. 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, 2009, the County had incurred a liability of \$25,390, 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 \$7,735, which will be recognized as the remaining capacities are used. The estimated total costs of closure and postclosure care totaling \$33,125 are subject to changes such as the effects of inflation, revisions of laws and other variables.

The estimated percentages of landfill capacity used are as follows:

<u>Landfill</u>	<u>Capacity Used</u>	<u>Remaining Years</u>
Tajiguas	72%	14
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 \$15,281 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, 2009 is comprised of the following:

<u>Landfill</u>	<u>Closure Cost</u>	<u>Postclosure Cost</u>	<u>Total Restricted Cash</u>
Tajiguas	\$ 9,459	\$ 3,864	\$ 13,323
Foxen Canyon	405	1,086	1,491
New Cuyama	--	467	467
Total	<u>\$ 9,864</u>	<u>\$ 5,417</u>	<u>\$ 15,281</u>

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15. 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, 2009 for governmental activities are as follows:

Restricted for Public Safety:		
Fire Protection District	\$ 5,979	
Sheriff	2,797	
Probation	<u>176</u>	
		\$ 8,952
Restricted for Health & Public Assistance:		
Public Health	16,663	
Alcohol, Drug and Mental Health Services	7,048	
Child Support Services	307	
Other	<u>55</u>	
		24,073
Restricted for Community Resources & Public Facilities:		
Flood Control Districts	54,723	
Redevelopment Agency	18,229	
Roads	9,042	
Water Agency	6,097	
Other	2,719	
County Service Areas	1,847	
Coastal Resources Enhancement	1,558	
Arts Commission	<u>323</u>	
		94,538
Restricted for General Government & Support Services:		
Clerk-Recorder-Assessor	4,371	
Affordable Housing	<u>3,223</u>	
		7,594
Restricted for General County Programs:		
First Five Children and Families Commission	6,404	
General County Programs	6,373	
Public and Educational Access	1,761	
Criminal Justice and Courthouse Construction	838	
Other	<u>147</u>	
		15,523
Restricted for Law & Justice		
District Attorney	<u>33</u>	
		33
Restricted for Debt Service		
	<u>11,236</u>	
		11,236
Total restricted net assets - governmental activities		<u>\$ 161,949</u>

Included in governmental activities restricted net assets at June 30, 2009 are net assets restricted by enabling legislation of \$40,648. For business-type activities, restricted net assets at June 30, 2009 of \$1,315 are for debt service.

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16. 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, 2009 are as follows:

	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
Reserved for:										
Advances	\$ 18,759	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 18,759
Debt service	--	--	--	--	--	--	--	1,430	7,632	9,062
Property tax loss	6,373	--	--	--	--	--	--	--	--	6,373
Property held for resale	--	--	--	--	--	--	--	--	6,039	6,039
MHSA prudent reserve	--	--	--	--	1,900	--	--	--	--	1,900
Other receivables	1,500	--	--	--	--	--	--	--	--	1,500
Prepaid items	50	--	--	478	--	--	--	--	4	532
Imprest cash	15	1	3	16	5	--	--	--	--	40
Total reserved fund balance	<u>26,697</u>	<u>1</u>	<u>3</u>	<u>494</u>	<u>1,905</u>	<u>--</u>	<u>--</u>	<u>1,430</u>	<u>13,675</u>	<u>44,205</u>
Designated for:										
Capital outlay	6,439	2,875	440	--	--	12,202	--	--	1,006	22,962
Strategic reserve	22,396	--	--	--	--	--	--	--	--	22,396
Health care services	--	--	15,291	--	--	--	--	--	--	15,291
COP proceeds	--	--	--	--	--	--	10,899	--	230	11,129
Various	9,672	83	--	--	--	--	55	--	281	10,091
Endowments	--	--	3,411	32	--	--	--	--	6,195	9,638
Fire protection projects	--	--	--	--	--	--	--	--	4,745	4,745
Salaries & benefits reductions	1,343	421	1,005	96	--	140	--	--	126	3,131
Litigation	3,795	--	--	--	--	--	--	--	--	3,795
Audit exceptions	3,004	--	--	--	--	--	--	--	--	3,004
Salary and retirement offset	2,233	--	40	117	--	--	--	--	--	2,390
Unrealized gains	627	79	160	54	--	425	79	--	513	1,937
Elections proposition 41	1,965	--	--	--	--	--	--	--	--	1,965
Sheriff dispatch system	--	--	--	--	--	--	1,906	--	--	1,906
Public health special projects	232	--	990	--	--	--	--	--	--	1,222
Recorder automation	1,215	--	--	--	--	--	--	--	--	1,215
Contingencies	--	--	--	--	--	864	99	--	173	1,136
Planning and development	1,136	--	--	--	--	--	--	--	--	1,136
General capital projects	--	--	--	--	--	985	--	--	--	985
Sheriff category grants	882	--	--	--	--	--	--	--	--	882
Assessor AB 818	802	--	--	--	--	--	--	--	--	802
Total designated fund balances	<u>55,741</u>	<u>3,458</u>	<u>21,337</u>	<u>299</u>	<u>--</u>	<u>14,616</u>	<u>13,038</u>	<u>--</u>	<u>13,269</u>	<u>121,758</u>
Total unreserved-undesignated fund balances										
	<u>2,150</u>	<u>5,582</u>	<u>5,310</u>	<u>6,407</u>	<u>(3,753)</u>	<u>40,107</u>	<u>5,339</u>	<u>(15,724)</u>	<u>31,528</u>	<u>76,946</u>
Total fund balances	<u>\$ 84,588</u>	<u>\$ 9,041</u>	<u>\$ 26,650</u>	<u>\$ 7,200</u>	<u>\$ (1,848)</u>	<u>\$ 54,723</u>	<u>\$ 18,377</u>	<u>\$ (14,294)</u>	<u>\$ 58,472</u>	<u>\$ 242,909</u>

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17. RETAINED DEFICIT

Alcohol, Drug and Mental Health Services (ADMHS) Fund

The ADMHS Fund had a retained deficit of \$1,848 at June 30, 2009, as the result of recognition, in a prior year, liabilities related to estimated settlements with the State of California (see Note 13). The ADMHS Fund is made up of four separate funds based on specific funding source and purpose. The financial results and position for the group as a whole has improved over last year as demonstrated below, but problems remain with the Mental Health Services fund.

	Balance at July 1, 2008	Balance at June 30, 2009
Mental Health Services	\$ (15,054)	\$ (8,895)
Substance Abuse and Crime Prevention	397	489
Mental Health Services Act	1,445	5,486
Alcohol and Drug Programs	1,866	1,072
Total ADMHS fund balance	\$ (11,346)	\$ (1,848)

The County's corrective action plan includes regular internal compliance reviews, compliance reports from the ADMHS department and an executive oversight committee to eliminate the conditions that contributed to the deficit. The General Fund's FY 09-10 budget contains a transfer from designations to eliminate the remaining deficit.

Redevelopment Agency (RDA) Debt Service Fund

The General Fund issued \$17,000 in COP debt during FY 07-08 with the explicit purpose of lending the proceeds to the RDA. 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 RDA Debt Service Fund. The cash proceeds were subsequently transferred to the RDA Special Revenue Fund via an operating transfer leaving the Debt Service Fund with a retained deficit, as a liability was recorded without the related proceeds. The Debt Service Fund's retained deficit balance is \$14,294 at June 30, 2009. 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.

18. INTERFUND TRANSACTIONS

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	ADMHS Fund	\$ 13,810
Total due to/from		\$ 13,810

Advances to/from other funds at June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	RDA Debt Service Fund	\$ 17,000
General Fund	Resource Recovery Fund	1,759
Total advances to/from		\$ 18,759

The \$17,000 advanced to the RDA Debt Service Fund represents the remaining balance of an initial \$17,000 loan that provided financing resources for the RDA 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 RDA by 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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18. INTERFUND TRANSACTIONS – CONTINUED

Transfers

Transfers to/from other funds as of June 30, 2009 are as follows:

Transfer From	Transfer To	Amount	
General Fund	Nonmajor Governmental Funds	\$ 40,803	
	Social Services Fund	8,499	
	Public Health Fund	8,309	
	Alcohol Drug & Mental Health Services Fund	5,098	
	Capital Projects Fund	3,162	
	Roads Fund	1,351	
	Internal Service Funds	460	
	Flood Control Districts Fund	<u>2</u>	
			\$ 67,684
Roads Fund	Transit Operations Fund	274	
	Nonmajor Governmental Funds	202	
	Capital Projects Fund	118	
	General Fund	<u>32</u>	
			626
Public Health Fund	Alcohol Drug & Mental Health Services Fund	2,869	
	General Fund	189	
	Nonmajor Governmental Funds	83	
	Capital Projects Fund	<u>50</u>	
			3,191
Social Services Fund	Capital Projects Fund	<u>300</u>	
			300
Alcohol Drug & Mental Health Services Fund	Nonmajor Governmental Funds	573	
	General Fund	504	
	Social Services Fund	<u>326</u>	
			1,403
Flood Control District Fund	Capital Projects Fund	5	
	Nonmajor Governmental Funds	<u>2</u>	
			7
Capital Projects Fund	General Fund	497	
	Alcohol Drug & Mental Health Services Fund	420	
	Public Health Fund	39	
	Nonmajor Governmental Funds	2	
	Social Services Fund	<u>2</u>	
			960
RDA Debt Service Fund	Nonmajor Governmental Funds	<u>687</u>	
			687
Nonmajor Governmental Funds	General Fund	60,402	
	Nonmajor Governmental Funds	2,807	
	Capital Projects Fund	505	
	Roads Fund	90	
	Public Health Fund	42	
	Flood Control Districts Fund	<u>18</u>	
			63,864
Resource Recovery Fund	Capital Projects Fund	<u>5</u>	
			5
Transit Operations Fund	Roads Fund	<u>930</u>	
			930
Internal Service Funds	Internal Service Fund	610	
	Capital Projects Fund	169	
	General Fund	155	
	Public Health Fund	64	
	Alcohol Drug & Mental Health Services Fund	<u>16</u>	
			1,014
	Total transfers		<u>\$ 140,671</u>

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
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18. 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.

In FY 08-09 \$306 of capital assets were transferred from the Transit Operations enterprise fund to the Roads governmental fund. Unlike in the Statement of Revenues, Expenses and Changes in Fund Balance, additions to general capital assets do not flow through the Statement of Revenues, Expenditures and Changes in Fund Balance, therefore transfers in and out are out of balance by \$306.

19. 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 the bylaws, policies and procedures adopted by the Retirement System's Board of Retirement. The Santa Barbara County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of the Retirement System members.

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, Mosquito and Vector Control District of Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District, the Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

The Retirement System has four County retirement plans of which three plans (consisting of five rate tiers) 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, governed 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."

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

19. RETIREMENT PLANS – CONTINUED

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.

Employer/Employee Contribution Rate Tiers

Employer and employee contribution rates are as follows:

		<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>
<u>Participants</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	22.63%	8.93 – 16.15%
Safety Plan 4C	(a) Non-management Probation safety employees, and (b) Firefighters hired on or after October 10, 1994 (except Fire Chief)	27.24%	4.28 – 8.02%
General Plan 5B	General members hired on or after October 10, 1994 & in Bargaining Units 10, 11, 14, 15, 17, 35, 36, 40-43	20.05%	4.77 – 10.19%
General Plan 5C	General members hired on or after October 10, 1994 & in Bargaining Units 21-29, 32	21.10%	2.29 – 5.10%
Safety Plan 6B	Sheriff/DA safety members hired on or after October 10, 1994 enrolled in plan.	32.36%	4.28 – 8.02%
<u>Closed to New Enrollment:</u>			
General Plan 2	Non-contributory; employees hired before January 1999 may continue in plan.	11.57%	N/A
Safety Plan 4A	Firefighters hired before October 10, 1994 may continue in plan.	27.79%	4.47 – 8.08%
General Plan 5A	General members hired before October 10, 1994 may continue in plan.	20.54%	2.39 – 5.10%
Safety Plan 6A	Sheriff/DA safety members hired before October 10, 1994 may continue in plan.	32.17%	4.47 – 8.08%

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) projected salary increases of varying percentages based on service (duration) for merit and longevity. 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 closed amortization period of each year's actuarial gain or loss.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

19. RETIREMENT PLANS – CONTINUED

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>
6/30/2007	6/30/2005	\$ 58,737	\$ 58,737	100%
6/30/2008	6/30/2006	63,944	63,944	100%
6/30/2009	6/30/2007	69,704	69,704	100%

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, 2009 one retired member was participating in the plan.

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

<u>Fiscal Year Ended</u>	<u>Contribution</u>
6/30/2007	\$23
6/30/2008	\$38
6/30/2009	\$16

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The County's defined benefit postemployment healthcare plan (OPEB Plan) provides medical benefits to eligible retired County employees and their beneficiaries pursuant to California Government Code Section 31694 et. seq. The County's OPEB Plan is administered by the Santa Barbara County Employees' Retirement System (Retirement System). Members of the OPEB Plan include retirees of the County and of the other employer plan sponsors, as well as their eligible dependents. Other employer plan sponsors include the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District, the Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

In September 2008, the County and the Retirement System adopted an Internal Revenue Code (IRC) Section 401(h) account that provides for these benefits. Under GASB Statement 43, *Reporting for Post Employment Benefit Plans Other Than Pension Plans* and GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the liability related to the plan is required to be determined for both retirement systems and employers. GASB Statements 43 and 45 are not limited to the reporting of vested benefits.

Plan Benefits

The County negotiates health care contracts with providers for both its active employees and the 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.

Pursuant to the OPEB Plan, the Board of Supervisors has determined to provide a monthly insurance premium subsidy from the 401(h) Account for Eligible Retired Participants participating in a County sponsored health insurance plan in the amount of \$15 (whole dollars) per year of credited service. The monthly insurance premium subsidy shall be applied directly by the Retirement System to pay the premium and shall not be paid to the retiree or other party. The maximum amount paid in any month shall not exceed the premium; any amount in excess of the premium shall be forfeited. If an Eligible Retired Participant does not participate in the County-sponsored health insurance plan, then the Retirement System shall reimburse the Eligible Retired Participant for other medical care expenses. The maximum monthly amount paid shall be \$4 (whole dollars) per year of credited service by the retiree.

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 (whole dollars) per month per year of service, which ever is greater. This subsidy is also treated as a nontaxable amount to the disabled recipient.

Survivors of Eligible Retired Participants (Spouses and Dependents) continue to receive a subsidy proportionate to their percentage of the retiree's pension benefit (if any).

Retirement System's Annual Financial Report

The Retirement System issues a publicly available annual financial report which includes note disclosures and required supplementary information for the OPEB Plan. The Retirement System's annual financial reports may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210 Santa Barbara, CA 93105.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

20. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Funding Policy

The County and other participating employer plan sponsors individually determine their separate contributions to the Retirement System to fund the OPEB Plan. The County has adopted an initial 3% employer contribution rate of covered retiree payroll.

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 is 5.27% percent of the County’s annual covered payroll.

Annual OPEB Cost

For fiscal year ended June 30, 2009, the County’s OPEB ARC is \$13,183. The ARC includes (a) the normal cost for the year for current active employees of \$3,102, and (b) a component for amortization of the total unfunded actuarial accrued liabilities (UAAL) of the OPEB Plan consisting of current retirees, current vested terminated, and current active employees of \$10,081. The County’s estimated contribution to the OPEB Plan for fiscal year ended June 30, 2009 is \$6,530.

The net OPEB obligation at fiscal year ended June 30, 2009 includes the ARC, interest expense on the beginning balance of the net OPEB obligation, less an adjustment to the ARC to offset the amount included in the ARC for amortization of past contribution deficiencies. The net OPEB obligation increased \$6,653 resulting in an ending net OPEB obligation balance of \$19,087. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for fiscal years ended June 30, 2008 and 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 12,434	0%	\$ 12,434
6/30/2009	\$ 13,183	50%	\$ 19,087

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.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

20. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Funded Status and Funding Progress

Using the most recent actuarial valuation dated January 1, 2007, the following is the funded status of the OPEB Plan:

Actuarial accrued liability (AAL)	\$ 132,082
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 132,082</u>
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 OPEB 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 following the Notes to the Financial Statements. This schedule will, in the subsequent fiscal year, present multiyear trend information that shows whether the actuarial value of OPEB 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 January 1, 2007 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 January 1, 2007 was fifteen years.

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

20. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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.

21. 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>
6/30/2007	\$ 158
6/30/2008	200
6/30/2009	194

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 \$16,500 (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.

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, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

21. DEFERRED COMPENSATION PLANS – CONTINUED

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>
6/30/2007	\$ 100
6/30/2008	\$ 108
6/30/2009	\$ 97

22. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$2,881 was made to increase the beginning fund balance of Alcohol, Drug and Mental Health Services (ADMHS), and to increase the beginning net assets of governmental activities on the Statement of Net Assets. This adjustment was made due to the prior year’s over accrual of settlement liabilities mostly related to Medi-Cal cost reimbursements (see Note 13).

A prior period adjustment of \$2,601 was made to increase the governmental activities beginning net assets. The adjustment was made due to prior year Land capital assets not being included in the Statement of Net Assets.

The restatement of ADMHS beginning fund balance and net assets of the governmental activities is summarized as follows:

	ADMHS
Fund balance at July 1, 2008, as previously stated	\$ (11,346)
ADMHS prior period adjustment	2,881
Fund balance at July 1, 2008, as restated	\$ (8,465)
Governmental	
Activities	
Net assets at July 1, 2008, as previously stated	\$ 623,786
ADMHS prior period adjustment	2,881
Land capital assets prior period adjustment	2,601
Net assets at July 1, 2008, as restated	\$ 629,268

COUNTY OF SANTA BARBARA, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009
(in thousands)

23. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

In July 2009, the County issued tax and revenue anticipation notes (TRAN) totaling \$63,715 due June 30, 2010 at an interest rate of 2.50% and a yield of 0.33%. Proceeds from the notes will be used to meet FY 09-10 cash flow requirements. The principal of the notes, together with the interest thereon, will be payable from taxes, income, revenue, cash receipts and other moneys that are received by the General Fund during or attributable to FY 09-10, and that are generally available for the payment of current expenses and other obligations of the County.

FY 09-10 Adopted Budget for the State of California

On July 29, 2009 the State of California adopted a revised budget for FY 09-10 to close a budget gap approximated at \$24,000,000. Some of the significant impacts for the County are as follows:

1. Reduction in property tax allocations to the counties and their special districts by an amount equivalent to 8% of the prior year property tax revenues. This shift of revenue is approximately \$13,000 for the County General Fund and \$3,000 for its special districts. The legislation provides for repayment of these funds by June 30, 2013. The legislation also provides financing mechanisms to securitize the State's repayment obligation through State bond financing or local financing in order to avoid a current year loss of revenue to the County and its districts.
2. A shift of \$1,600 in FY 09-10 and \$300 in FY 10-11 from the County RDA to a Supplemental Revenue Augmentation Fund for K-12 Schools.
3. Decreased Prop 36 funding \$1,500 for the County/ Courts Drug Court Program.
4. Elimination or reduction of approximately \$1,400 funding of ADMHS programs including Healthy Families, Crisis Services, Network Providers, State Hospital and Children's programs.
5. Elimination of \$1,400 of reimbursement for the May 2009 Special Election costs.
6. Suspension of the Williamson Act Open Space funding of approximately \$600.
7. Elimination or reduction of approximately \$770 funding for Public Health programs including HIV/AIDS, Healthy Families and California Children's Services programs.
8. Additionally, there are statewide impacts to Social Services programs such as CalWorks, In-Home Supportive Services, Child Welfare, and Foster Care that the County is not currently able to estimate at the local level.

Some amount of Federal Stimulus money is expected to be received by the County in the Health and Human Services arena that will mitigate a portion of the effects of the State budget reductions.

COUNTY OF SANTA BARBARA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2009
(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	1,735,489	1,987,854	87.30%	252,365	294,163	85.79%
6/30/2008	1,893,984	2,138,483	88.57%	244,499	294,163	83.12%

Source: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2008.

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

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, 2009
(in thousands)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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, 2001 by the Board of Supervisors to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are 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 account for Federal affordable housing funds for the consortium which currently includes the cities of Buellton, Carpinteria, Goleta, Lompoc, Santa Maria, and Solvang.

Community Development Block Grant (CDBG) Program

The Community Development Block Grant Program Fund was established in fiscal year 2007-08 to account for Federal Community Development Block Grant funds whose primary objective is the development of viable urban communities for the consortium which currently includes the cities of Buellton, Carpinteria, Lompoc, 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 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 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 (CFD's)

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
 June 30, 2009 (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
ASSETS								
Cash and investments	\$ 6,699	\$ 44	\$ 158	\$ 1,755	\$ 429	\$ 626	\$ 449	\$ 1,548
Accounts receivable, net:								
Fines, forfeitures, and penalties	--	--	--	--	--	--	--	--
Use of money and property	27	--	1	6	2	4	3	10
Intergovernmental	944	--	--	--	70	303	--	--
Charges for services	--	--	--	--	--	--	--	--
Other	447	--	--	--	--	--	--	--
Other receivables	4	--	--	--	--	--	--	--
Property held for resale	--	--	--	--	--	--	--	--
Restricted cash and investments	--	--	--	--	--	--	--	--
Total assets	<u>\$ 8,121</u>	<u>\$ 44</u>	<u>\$ 159</u>	<u>\$ 1,761</u>	<u>\$ 501</u>	<u>\$ 933</u>	<u>\$ 452</u>	<u>\$ 1,558</u>
LIABILITIES								
Accounts payable	\$ 1,644	\$ --	\$ 1	\$ --	\$ --	\$ 3	\$ --	\$ --
Salaries and benefits payable	73	--	13	--	--	334	--	--
Other payables	--	--	--	--	43	--	--	--
Unearned revenues	--	--	--	--	--	289	--	--
Customer deposits payable	--	--	--	--	--	--	--	--
Total liabilities	<u>1,717</u>	<u>--</u>	<u>14</u>	<u>--</u>	<u>43</u>	<u>626</u>	<u>--</u>	<u>--</u>
FUND BALANCES								
Reserved for:								
Receivables	4	--	--	--	--	--	--	--
Debt service	--	--	--	--	--	--	--	--
Inventories: property held for resale	--	--	--	--	--	--	--	--
Unreserved:								
Designated	5,270	--	10	1,044	3	5	4	72
Undesignated	1,130	44	135	717	455	302	448	1,486
Total fund balances	<u>6,404</u>	<u>44</u>	<u>145</u>	<u>1,761</u>	<u>458</u>	<u>307</u>	<u>452</u>	<u>1,558</u>
Total liabilities and fund balances	<u>\$ 8,121</u>	<u>\$ 44</u>	<u>\$ 159</u>	<u>\$ 1,761</u>	<u>\$ 501</u>	<u>\$ 933</u>	<u>\$ 452</u>	<u>\$ 1,558</u>

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

Special
Revenue

Affordable Housing	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	Redevelop- ment Agency	
\$ 4,155	\$ 452	\$ 393	\$ 259	\$ 1,135	\$ 12,263	ASSETS
--	226	92	95	--	--	Cash and investments
16	1	1	--	3	26	Accounts receivable, net:
349	--	--	--	--	--	Fines, forfeitures, and penalties
--	345	--	--	--	105	Use of money and property
--	160	--	--	--	--	Intergovernmental
585	--	--	--	--	4,571	Charges for services
--	--	--	--	--	6,039	Other
--	--	--	--	--	--	Other receivables
<u>\$ 5,105</u>	<u>\$ 1,184</u>	<u>\$ 486</u>	<u>\$ 354</u>	<u>\$ 1,138</u>	<u>\$ 23,004</u>	Property held for resale
						Restricted cash and investments
						Total assets
\$ 364	\$ 1,032	\$ --	\$ --	\$ --	\$ 204	LIABILITIES
--	--	--	--	30	--	Accounts payable
--	--	1	1	--	--	Salaries and benefits payable
585	--	--	--	--	4,571	Other payables
--	--	--	--	--	--	Unearned revenues
<u>949</u>	<u>1,032</u>	<u>1</u>	<u>1</u>	<u>30</u>	<u>4,775</u>	Customer deposits payable
						Total liabilities
						FUND BALANCES
--	--	--	--	--	--	Reserved for:
--	--	--	--	--	--	Receivables
--	--	--	--	--	6,039	Debt service
33	132	483	2	35	61	Inventories: property held for resale
4,123	20	2	351	1,073	12,129	Unreserved:
<u>4,156</u>	<u>152</u>	<u>485</u>	<u>353</u>	<u>1,108</u>	<u>18,229</u>	Designated
						Undesignated
						Total fund balances
<u>\$ 5,105</u>	<u>\$ 1,184</u>	<u>\$ 486</u>	<u>\$ 354</u>	<u>\$ 1,138</u>	<u>\$ 23,004</u>	Total liabilities and fund balances

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA
 COMBINING BALANCE SHEET (Continued)
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009 (in thousands)

	Special Revenue						Special Revenue Total
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	
ASSETS							
Cash and investments	\$ 1,856	\$ 306	\$ 6,349	\$ 371	\$ 228	\$ 12,225	\$ 51,700
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	--	--	--	--	--	413
Use of money and property	8	1	41	2	1	24	177
Intergovernmental	--	--	--	--	--	--	1,666
Charges for services	--	--	--	--	--	--	450
Other	--	--	--	--	--	--	607
Other receivables	--	--	--	--	--	--	5,160
Property held for resale	--	--	--	--	--	--	6,039
Restricted cash and investments	--	--	--	--	--	10	10
Total assets	<u>\$ 1,864</u>	<u>\$ 307</u>	<u>\$ 6,390</u>	<u>\$ 373</u>	<u>\$ 229</u>	<u>\$ 12,259</u>	<u>\$ 66,222</u>
LIABILITIES							
Accounts payable	\$ 17	\$ --	\$ --	\$ --	\$ 27	\$ 6,115	\$ 9,407
Salaries and benefits payable	--	--	--	--	--	37	487
Other payables	--	--	--	--	--	--	45
Unearned revenues	--	--	410	--	--	--	5,855
Customer deposits payable	--	--	--	--	--	10	10
Total liabilities	<u>17</u>	<u>--</u>	<u>410</u>	<u>--</u>	<u>27</u>	<u>6,162</u>	<u>15,804</u>
FUND BALANCES							
Reserved for:							
Receivables	--	--	--	--	--	--	4
Debt service	--	--	--	--	--	--	--
Inventories: property held for resale	--	--	--	--	--	--	6,039
Unreserved:							
Designated	548	147	4,755	3	2	238	12,847
Undesignated	1,299	160	1,225	370	200	5,859	31,528
Total fund balances	<u>1,847</u>	<u>307</u>	<u>5,980</u>	<u>373</u>	<u>202</u>	<u>6,097</u>	<u>50,418</u>
Total liabilities and fund balances	<u>\$ 1,864</u>	<u>\$ 307</u>	<u>\$ 6,390</u>	<u>\$ 373</u>	<u>\$ 229</u>	<u>\$ 12,259</u>	<u>\$ 66,222</u>

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

<u>Debt Service</u>		<u>Total Nonmajor Governmental Funds</u>	
Santa Barbara County Finance Corporation			
\$ 229		\$ 51,929	ASSETS
--		413	Cash and investments
2		179	Accounts receivable, net:
--		1,666	Fines, forfeitures, and penalties
--		450	Use of money and property
--		607	Intergovernmental
--		5,160	Charges for services
--		6,039	Other
<u>7,823</u>		<u>7,833</u>	Other receivables
<u>\$ 8,054</u>		<u>\$ 74,276</u>	Property held for resale
			Restricted cash and investments
			Total assets
			LIABILITIES
\$ --		\$ 9,407	Accounts payable
--		487	Salaries and benefits payable
--		45	Other payables
--		5,855	Unearned revenues
--		<u>10</u>	Customer deposits payable
<u>--</u>		<u>15,804</u>	Total liabilities
			FUND BALANCES
			Reserved for:
--		4	Receivables
7,632		7,632	Debt service
--		6,039	Inventories: property held for resale
			Unreserved:
422		13,269	Designated
--		<u>31,528</u>	Undesignated
<u>8,054</u>		<u>58,472</u>	Total fund balances
<u>\$ 8,054</u>		<u>\$ 74,276</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, 2009 (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
Revenues								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, permits, and franchises	--	--	14	--	--	--	--	--
Fines, forfeitures, and penalties	--	6	--	--	--	--	--	--
Use of money and property	241	1	4	56	12	28	14	73
Intergovernmental	4,861	--	--	--	600	9,113	--	--
Charges for services	--	--	321	--	--	--	--	--
Other	946	--	--	--	200	2	8	623
Total revenues	<u>6,048</u>	<u>7</u>	<u>339</u>	<u>56</u>	<u>812</u>	<u>9,143</u>	<u>22</u>	<u>696</u>
Expenditures								
Current:								
Law & justice	--	--	--	--	--	--	--	--
Public safety	--	--	--	--	--	--	--	--
Health & public assistance	--	--	--	--	--	9,121	--	--
Community resources & public facilities	--	7	367	--	--	--	10	1,484
General government & support services	--	--	--	--	570	--	--	--
General county programs	7,841	--	--	320	--	--	--	--
Debt service:								
Principal	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--
Total expenditures	<u>7,841</u>	<u>7</u>	<u>367</u>	<u>320</u>	<u>570</u>	<u>9,121</u>	<u>10</u>	<u>1,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,793)</u>	<u>--</u>	<u>(28)</u>	<u>(264)</u>	<u>242</u>	<u>22</u>	<u>12</u>	<u>(788)</u>
Other Financing Sources (Uses)								
Transfers in	41	--	51	--	--	--	--	--
Transfers out	(3)	--	--	--	--	(12)	--	--
Proceeds from sale of capital assets	1	--	--	--	--	--	--	--
Total other financing sources (uses)	<u>39</u>	<u>--</u>	<u>51</u>	<u>--</u>	<u>--</u>	<u>(12)</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(1,754)	--	23	(264)	242	10	12	(788)
Fund balances - beginning	8,158	44	122	2,025	216	297	440	2,346
Fund balances - ending	<u>\$ 6,404</u>	<u>\$ 44</u>	<u>\$ 145</u>	<u>\$ 1,761</u>	<u>\$ 458</u>	<u>\$ 307</u>	<u>\$ 452</u>	<u>\$ 1,558</u>

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

**Special
Revenue**

Affordable Housing	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	Redevelop- ment Agency	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,836	Revenues
--	--	--	--	--	--	Taxes
--	2,306	1,117	1,131	--	--	Licenses, permits, and franchises
164	31	14	11	469	479	Fines, forfeitures, and penalties
2,770	--	--	--	--	--	Use of money and property
54	3,570	--	--	--	--	Intergovernmental
352	1,087	--	--	520	3,050	Charges for services
<u>3,340</u>	<u>6,994</u>	<u>1,131</u>	<u>1,142</u>	<u>989</u>	<u>7,365</u>	Other
						Total revenues
						Expenditures
						Current:
--	15,545	--	--	--	--	Law & justice
--	47	--	--	958	--	Public safety
--	--	--	--	--	--	Health & public assistance
2,871	--	--	--	--	--	Community resources & public facilities
--	--	--	--	--	--	General government & support services
--	--	--	--	--	7,759	General county programs
--	--	--	--	--	--	Debt service:
--	--	--	--	--	--	Principal
--	--	--	--	--	--	Interest
<u>2,871</u>	<u>15,592</u>	<u>--</u>	<u>--</u>	<u>958</u>	<u>7,759</u>	Total expenditures
						Excess (deficiency) of revenues over (under) expenditures
<u>469</u>	<u>(8,598)</u>	<u>1,131</u>	<u>1,142</u>	<u>31</u>	<u>(394)</u>	
						Other Financing Sources (Uses)
--	8,629	--	--	30	--	Transfers in
(838)	--	(1,346)	(1,199)	(232)	(430)	Transfers out
--	--	--	--	--	--	Proceeds from sale of capital assets
<u>(838)</u>	<u>8,629</u>	<u>(1,346)</u>	<u>(1,199)</u>	<u>(202)</u>	<u>(430)</u>	Total other financing sources (uses)
(369)	31	(215)	(57)	(171)	(824)	Net change in fund balances
<u>4,525</u>	<u>121</u>	<u>700</u>	<u>410</u>	<u>1,279</u>	<u>19,053</u>	Fund balances - beginning
<u>\$ 4,156</u>	<u>\$ 152</u>	<u>\$ 485</u>	<u>\$ 353</u>	<u>\$ 1,108</u>	<u>\$ 18,229</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, 2009 (in thousands)

	Special Revenue						Special Revenue Total
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	
Revenues							
Taxes	\$ 1,108	\$ 258	\$ 27,288	\$ 416	\$ --	\$ 2,164	\$ 35,070
Licenses, permits, and franchises	--	--	--	--	--	--	14
Fines, forfeitures, and penalties	--	--	--	--	--	--	4,560
Use of money and property	58	9	347	11	9	243	2,274
Intergovernmental	27	--	285	3	--	6,535	24,194
Charges for services	603	--	--	--	--	58	4,606
Other	--	7	--	1	--	--	6,796
Total revenues	<u>1,796</u>	<u>274</u>	<u>27,920</u>	<u>431</u>	<u>9</u>	<u>9,000</u>	<u>77,514</u>
Expenditures							
Current:							
Law & justice	--	--	--	--	--	--	15,545
Public safety	--	--	343	--	--	--	1,348
Health & public assistance	--	--	--	--	--	--	9,121
Community resources & public facilities	737	55	--	390	157	9,234	15,312
General government & support services	--	--	--	--	--	--	570
General county programs	--	--	--	--	--	--	15,920
Debt service:							
Principal	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Total expenditures	<u>737</u>	<u>55</u>	<u>343</u>	<u>390</u>	<u>157</u>	<u>9,234</u>	<u>57,816</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,059</u>	<u>219</u>	<u>27,577</u>	<u>41</u>	<u>(148)</u>	<u>(234)</u>	<u>19,698</u>
Other Financing Sources (Uses)							
Transfers in	26,730	--	42	--	--	523	36,046
Transfers out	(27,681)	(110)	(31,746)	(174)	--	(93)	(63,864)
Proceeds from sale of capital assets	--	--	--	--	--	--	1
Total other financing sources (uses)	<u>(951)</u>	<u>(110)</u>	<u>(31,704)</u>	<u>(174)</u>	<u>--</u>	<u>430</u>	<u>(27,817)</u>
Net change in fund balances	108	109	(4,127)	(133)	(148)	196	(8,119)
Fund balances - beginning	1,739	198	10,107	506	350	5,901	58,537
Fund balances - ending	<u>\$ 1,847</u>	<u>\$ 307</u>	<u>\$ 5,980</u>	<u>\$ 373</u>	<u>\$ 202</u>	<u>\$ 6,097</u>	<u>\$ 50,418</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>		
\$ --	\$ 35,070	Revenues
--	14	Taxes
--	4,560	Licenses, permits, and franchises
357	2,631	Fines, forfeitures, and penalties
--	24,194	Use of money and property
--	4,606	Intergovernmental
--	6,796	Charges for services
<u>357</u>	<u>77,871</u>	Other
		Total revenues
		Expenditures
		Current:
--	15,545	Law & justice
--	1,348	Public safety
--	9,121	Health & public assistance
--	15,312	Community resources & public facilities
--	570	General government & support services
21	15,941	General county programs
		Debt service:
6,206	6,206	Principal
<u>3,322</u>	<u>3,322</u>	Interest
<u>9,549</u>	<u>67,365</u>	Total expenditures
		Excess (deficiency) of revenues over (under) expenditures
<u>(9,192)</u>	<u>10,506</u>	
		Other Financing Sources (Uses)
9,113	45,159	Transfers in
--	(63,864)	Transfers out
--	1	Proceeds from sale of capital assets
<u>9,113</u>	<u>(18,704)</u>	Total other financing sources (uses)
(79)	(8,198)	Net change in fund balances
<u>8,133</u>	<u>66,670</u>	Fund balances - beginning
<u>\$ 8,054</u>	<u>\$ 58,472</u>	Fund balances - ending

COUNTY OF SANTA BARBARA, CALIFORNIA

CAPITAL PROJECTS FUND

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

FOR THE FISCAL YEAR ENDED June 30, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 555	\$ 708	\$ 506	\$ (202)
Intergovernmental	2,123	5,778	1,320	(4,458)
Charges for services	185	574	389	(185)
Other	--	965	359	(606)
Total revenues	<u>2,863</u>	<u>8,025</u>	<u>2,574</u>	<u>(5,451)</u>
Expenditures				
Current:				
Public safety	40	414	268	146
Community resources & public facilities	465	2,137	519	1,618
General government & support services	--	574	720	(146)
Capital outlay	<u>8,128</u>	<u>15,038</u>	<u>7,017</u>	<u>8,021</u>
Total expenditures	<u>8,633</u>	<u>18,163</u>	<u>8,524</u>	<u>9,639</u>
Deficiency of revenues under expenditures	<u>(5,770)</u>	<u>(10,138)</u>	<u>(5,950)</u>	<u>4,188</u>
Other Financing Sources (Uses)				
Transfers in	5,240	7,054	4,314	(2,740)
Transfers out	<u>(1,353)</u>	<u>(2,535)</u>	<u>(960)</u>	<u>1,575</u>
Total other financing sources	<u>3,887</u>	<u>4,519</u>	<u>3,354</u>	<u>(1,165)</u>
Net change in fund balances	(1,883)	(5,619)	(2,596)	3,023
Fund balances - beginning	<u>20,973</u>	<u>20,973</u>	<u>20,973</u>	<u>--</u>
Fund balances - ending	<u>\$ 19,090</u>	<u>\$ 15,354</u>	<u>\$ 18,377</u>	<u>\$ 3,023</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA
 REDEVELOPMENT AGENCY DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED June 30, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 202	\$ 70	\$ 90	\$ 20
Other	--	--	7	7
Total revenues	<u>202</u>	<u>70</u>	<u>97</u>	<u>27</u>
Expenditures				
Current:				
General county programs	3	3	--	3
Debt service:				
Interest	1,500	--	--	--
Total expenditures	<u>1,503</u>	<u>3</u>	<u>--</u>	<u>3</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,301)</u>	<u>67</u>	<u>97</u>	<u>30</u>
Other Financing Uses				
Transfers out	(750)	(750)	(687)	63
Total other financing uses	<u>(750)</u>	<u>(750)</u>	<u>(687)</u>	<u>63</u>
Net change in fund balances	(2,051)	(683)	(590)	93
Fund balances - beginning	(13,704)	(13,704)	(13,704)	--
Fund balances - ending	<u>\$ (15,755)</u>	<u>\$ (14,387)</u>	<u>\$ (14,294)</u>	<u>\$ 93</u>

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

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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 325	\$ 369	\$ 241	\$ (128)
Intergovernmental	5,177	5,389	4,861	(528)
Other	1,025	1,025	946	(79)
Total revenues	<u>6,527</u>	<u>6,783</u>	<u>6,048</u>	<u>(735)</u>
Expenditures				
Current:				
General county programs	<u>7,756</u>	<u>9,347</u>	<u>7,841</u>	<u>1,506</u>
Total expenditures	<u>7,756</u>	<u>9,347</u>	<u>7,841</u>	<u>1,506</u>
Deficiency of revenues under expenditures	<u>(1,229)</u>	<u>(2,564)</u>	<u>(1,793)</u>	<u>771</u>
Other Financing Sources (Uses)				
Transfers in	31	41	41	--
Transfers out	(3)	(3)	(3)	--
Proceeds from sale of capital assets	--	--	1	1
Total other financing sources	<u>28</u>	<u>38</u>	<u>39</u>	<u>1</u>
Net change in fund balances	(1,201)	(2,526)	(1,754)	772
Fund balances - beginning	8,158	8,158	8,158	--
Fund balances - ending	<u>\$ 6,957</u>	<u>\$ 5,632</u>	<u>\$ 6,404</u>	<u>\$ 772</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines, forfeitures, and penalties	\$ 7	\$ 7	\$ 6	\$ (1)
Use of money and property	2	2	1	(1)
Total revenues	<u>9</u>	<u>9</u>	<u>7</u>	<u>(2)</u>
Expenditures				
Current:				
Community resources & public facilities	29	29	7	22
Total expenditures	<u>29</u>	<u>29</u>	<u>7</u>	<u>22</u>
Deficiency of revenues under expenditures	(20)	(20)	--	20
Net change in fund balances	(20)	(20)	--	20
Fund balances - beginning	44	44	44	--
Fund balances - ending	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ 44</u>	<u>\$ 20</u>

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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses, permits, and franchises	\$ 15	\$ 15	\$ 14	\$ (1)
Use of money and property	4	5	4	(1)
Charges for services	265	271	321	50
Total revenues	284	291	339	48
Expenditures				
Current:				
Community resources & public facilities	356	438	367	71
Total expenditures	356	438	367	71
Deficiency of revenues under expenditures	(72)	(147)	(28)	119
Other Financing Sources				
Transfers in	--	85	51	(34)
Total other financing sources	--	85	51	(34)
Net change in fund balances	(72)	(62)	23	85
Fund balances - beginning	122	122	122	--
Fund balances - ending	\$ 50	\$ 60	\$ 145	\$ 85

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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 30	\$ 61	\$ 56	\$ (5)
Total revenues	<u>30</u>	<u>61</u>	<u>56</u>	<u>(5)</u>
Expenditures				
Current:				
General county programs	320	320	320	--
Total expenditures	<u>320</u>	<u>320</u>	<u>320</u>	<u>--</u>
Deficiency of revenues under expenditures	<u>(290)</u>	<u>(259)</u>	<u>(264)</u>	<u>(5)</u>
Net change in fund balances	(290)	(259)	(264)	(5)
Fund balances - beginning	2,025	2,025	2,025	--
Fund balances - ending	<u>\$ 1,735</u>	<u>\$ 1,766</u>	<u>\$ 1,761</u>	<u>\$ (5)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 8	\$ 11	\$ 12	\$ 1
Intergovernmental	299	760	600	(160)
Other	8	133	200	67
Total revenues	<u>315</u>	<u>904</u>	<u>812</u>	<u>(92)</u>
Expenditures				
Current:				
General government & support services	<u>307</u>	<u>651</u>	<u>570</u>	<u>81</u>
Total expenditures	<u>307</u>	<u>651</u>	<u>570</u>	<u>81</u>
Excess of revenues over expenditures	<u>8</u>	<u>253</u>	<u>242</u>	<u>(11)</u>
Net change in fund balances	8	253	242	(11)
Fund balances - beginning	216	216	216	--
Fund balances - ending	<u>\$ 224</u>	<u>\$ 469</u>	<u>\$ 458</u>	<u>\$ (11)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 40	\$ 44	\$ 28	\$ (16)
Intergovernmental	9,628	9,244	9,113	(131)
Other	2	2	2	--
Total revenues	<u>9,670</u>	<u>9,290</u>	<u>9,143</u>	<u>(147)</u>
Expenditures				
Current:				
Health & public assistance	<u>9,658</u>	<u>9,402</u>	<u>9,121</u>	<u>281</u>
Total expenditures	<u>9,658</u>	<u>9,402</u>	<u>9,121</u>	<u>281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12</u>	<u>(112)</u>	<u>22</u>	<u>134</u>
Other Financing Uses				
Transfers out	<u>(12)</u>	<u>(12)</u>	<u>(12)</u>	<u>--</u>
Total other financing uses	<u>(12)</u>	<u>(12)</u>	<u>(12)</u>	<u>--</u>
Net change in fund balances	--	(124)	10	134
Fund balances - beginning	<u>297</u>	<u>297</u>	<u>297</u>	<u>--</u>
Fund balances - ending	<u>\$ 297</u>	<u>\$ 173</u>	<u>\$ 307</u>	<u>\$ 134</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 14	\$ 17	\$ 14	\$ (3)
Other	8	8	8	--
Total revenues	<u>22</u>	<u>25</u>	<u>22</u>	<u>(3)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>38</u>	<u>38</u>	<u>10</u>	<u>28</u>
Total expenditures	<u>38</u>	<u>38</u>	<u>10</u>	<u>28</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16)</u>	<u>(13)</u>	<u>12</u>	<u>25</u>
Net change in fund balances	(16)	(13)	12	25
Fund balances - beginning	<u>440</u>	<u>440</u>	<u>440</u>	<u>--</u>
Fund balances - ending	<u>\$ 424</u>	<u>\$ 427</u>	<u>\$ 452</u>	<u>\$ 25</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 80	\$ 90	\$ 73	\$ (17)
Other	623	623	623	--
Total revenues	<u>703</u>	<u>713</u>	<u>696</u>	<u>(17)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>1,485</u>	<u>1,485</u>	<u>1,484</u>	<u>1</u>
Total expenditures	<u>1,485</u>	<u>1,485</u>	<u>1,484</u>	<u>1</u>
Deficiency of revenues under expenditures	<u>(782)</u>	<u>(772)</u>	<u>(788)</u>	<u>(16)</u>
Net change in fund balances	(782)	(772)	(788)	(16)
Fund balances - beginning	<u>2,346</u>	<u>2,346</u>	<u>2,346</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,564</u>	<u>\$ 1,574</u>	<u>\$ 1,558</u>	<u>\$ (16)</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, 2009 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ 120	\$ 145	\$ 164	\$ 19
Intergovernmental	3,996	5,550	2,770	(2,780)
Charges for services	152	152	54	(98)
Other	125	125	352	227
Total revenues	<u>4,393</u>	<u>5,972</u>	<u>3,340</u>	<u>(2,632)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>3,382</u>	<u>5,471</u>	<u>2,871</u>	<u>2,600</u>
Total expenditures	<u>3,382</u>	<u>5,471</u>	<u>2,871</u>	<u>2,600</u>
Excess of revenues over expenditures	<u>1,011</u>	<u>501</u>	<u>469</u>	<u>(32)</u>
Other Financing Uses				
Transfers out	<u>(1,516)</u>	<u>(1,516)</u>	<u>(838)</u>	<u>678</u>
Total other financing uses	<u>(1,516)</u>	<u>(1,516)</u>	<u>(838)</u>	<u>678</u>
Net change in fund balances	(505)	(1,015)	(369)	646
Fund balances - beginning	<u>4,525</u>	<u>4,525</u>	<u>4,525</u>	<u>--</u>
Fund balances - ending	<u>\$ 4,020</u>	<u>\$ 3,510</u>	<u>\$ 4,156</u>	<u>\$ 646</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines, forfeitures, and penalties	\$ 2,578	\$ 2,320	\$ 2,306	\$ (14)
Use of money and property	50	56	31	(25)
Charges for services	3,545	3,570	3,570	--
Other	1,041	1,086	1,087	1
Total revenues	<u>7,214</u>	<u>7,032</u>	<u>6,994</u>	<u>(38)</u>
Expenditures				
Current:				
Law & justice	14,750	15,540	15,545	(5)
Public safety	56	56	47	9
Total expenditures	<u>14,806</u>	<u>15,596</u>	<u>15,592</u>	<u>4</u>
Deficiency of revenues under expenditures	<u>(7,592)</u>	<u>(8,564)</u>	<u>(8,598)</u>	<u>(34)</u>
Other Financing Sources				
Transfers in	7,606	8,629	8,629	--
Total other financing sources	<u>7,606</u>	<u>8,629</u>	<u>8,629</u>	<u>--</u>
Net change in fund balances	14	65	31	(34)
Fund balances - beginning	121	121	121	--
Fund balances - ending	<u>\$ 135</u>	<u>\$ 186</u>	<u>\$ 152</u>	<u>\$ (34)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines, forfeitures, and penalties	\$ 1,194	\$ 1,122	\$ 1,117	\$ (5)
Use of money and property	40	32	14	(18)
Total revenues	<u>1,234</u>	<u>1,154</u>	<u>1,131</u>	<u>(23)</u>
Expenditures				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues over expenditures	<u>1,234</u>	<u>1,154</u>	<u>1,131</u>	<u>(23)</u>
Other Financing Uses				
Transfers out	<u>(1,370)</u>	<u>(1,370)</u>	<u>(1,346)</u>	<u>24</u>
Total other financing uses	<u>(1,370)</u>	<u>(1,370)</u>	<u>(1,346)</u>	<u>24</u>
Net change in fund balances	(136)	(216)	(215)	1
Fund balances - beginning	700	700	700	--
Fund balances - ending	<u>\$ 564</u>	<u>\$ 484</u>	<u>\$ 485</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines, forfeitures, and penalties	\$ 1,194	\$ 1,135	\$ 1,131	\$ (4)
Use of money and property	20	22	11	(11)
Total revenues	<u>1,214</u>	<u>1,157</u>	<u>1,142</u>	<u>(15)</u>
Expenditures				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues over expenditures	<u>1,214</u>	<u>1,157</u>	<u>1,142</u>	<u>(15)</u>
Other Financing Uses				
Transfers out	<u>(1,214)</u>	<u>(1,214)</u>	<u>(1,199)</u>	<u>15</u>
Total other financing uses	<u>(1,214)</u>	<u>(1,214)</u>	<u>(1,199)</u>	<u>15</u>
Net change in fund balances	--	(57)	(57)	--
Fund balances - beginning	410	410	410	--
Fund balances - ending	<u>\$ 410</u>	<u>\$ 353</u>	<u>\$ 353</u>	<u>\$ --</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 590	\$ 598	\$ 469	\$ (129)
Other	485	485	520	35
Total revenues	<u>1,075</u>	<u>1,083</u>	<u>989</u>	<u>(94)</u>
Expenditures				
Current:				
Public safety	965	993	958	35
Total expenditures	<u>965</u>	<u>993</u>	<u>958</u>	<u>35</u>
Excess of revenues over expenditures	<u>110</u>	<u>90</u>	<u>31</u>	<u>(59)</u>
Other Financing Sources (Uses)				
Transfers in	30	30	30	--
Transfers out	(232)	(232)	(232)	--
Total other financing uses	<u>(202)</u>	<u>(202)</u>	<u>(202)</u>	<u>--</u>
Net change in fund balances	(92)	(112)	(171)	(59)
Fund balances - beginning	1,279	1,279	1,279	--
Fund balances - ending	<u>\$ 1,187</u>	<u>\$ 1,167</u>	<u>\$ 1,108</u>	<u>\$ (59)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,200	\$ 4,200	\$ 3,836	\$ (364)
Licenses, permits, and franchises	280	--	--	--
Use of money and property	130	465	479	14
Other	2,800	2,800	3,050	250
Total revenues	<u>7,410</u>	<u>7,465</u>	<u>7,365</u>	<u>(100)</u>
Expenditures				
Current:				
General county programs	17,798	9,659	7,759	1,900
Total expenditures	<u>17,798</u>	<u>9,659</u>	<u>7,759</u>	<u>1,900</u>
Deficiency of revenues under expenditures	<u>(10,388)</u>	<u>(2,194)</u>	<u>(394)</u>	<u>1,800</u>
Other Financing Uses				
Transfers out	(434)	(434)	(430)	4
Total other financing uses	<u>(434)</u>	<u>(434)</u>	<u>(430)</u>	<u>4</u>
Net change in fund balances	(10,822)	(2,628)	(824)	1,804
Fund balances - beginning	19,053	19,053	19,053	--
Fund balances - ending	<u>\$ 8,231</u>	<u>\$ 16,425</u>	<u>\$ 18,229</u>	<u>\$ 1,804</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,135	\$ 1,137	\$ 1,108	\$ (29)
Use of money and property	79	92	58	(34)
Intergovernmental	7	7	27	20
Charges for services	582	582	603	21
Total revenues	<u>1,803</u>	<u>1,818</u>	<u>1,796</u>	<u>(22)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>774</u>	<u>811</u>	<u>737</u>	<u>74</u>
Total expenditures	<u>774</u>	<u>811</u>	<u>737</u>	<u>74</u>
Excess of revenues over expenditures	<u>1,029</u>	<u>1,007</u>	<u>1,059</u>	<u>52</u>
Other Financing Sources (Uses)				
Transfers in	26,700	26,730	26,730	--
Transfers out	<u>(27,617)</u>	<u>(27,738)</u>	<u>(27,681)</u>	<u>57</u>
Total other financing uses	<u>(917)</u>	<u>(1,008)</u>	<u>(951)</u>	<u>57</u>
Net change in fund balances	112	(1)	108	109
Fund balances - beginning	<u>1,739</u>	<u>1,739</u>	<u>1,739</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,851</u>	<u>\$ 1,738</u>	<u>\$ 1,847</u>	<u>\$ 109</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 285	\$ 285	\$ 258	\$ (27)
Use of money and property	12	14	9	(5)
Other	--	--	7	7
Total revenues	<u>297</u>	<u>299</u>	<u>274</u>	<u>(25)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>60</u>	<u>60</u>	<u>55</u>	<u>5</u>
Total expenditures	<u>60</u>	<u>60</u>	<u>55</u>	<u>5</u>
Excess of revenues over expenditures	<u>237</u>	<u>239</u>	<u>219</u>	<u>(20)</u>
Other Financing Uses				
Transfers out	<u>(184)</u>	<u>(286)</u>	<u>(110)</u>	<u>176</u>
Total other financing uses	<u>(184)</u>	<u>(286)</u>	<u>(110)</u>	<u>176</u>
Net change in fund balances	53	(47)	109	156
Fund balances - beginning	<u>198</u>	<u>198</u>	<u>198</u>	<u>--</u>
Fund balances - ending	<u>\$ 251</u>	<u>\$ 151</u>	<u>\$ 307</u>	<u>\$ 156</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 27,721	\$ 27,721	\$ 27,288	\$ (433)
Use of money and property	344	495	347	(148)
Intergovernmental	307	307	285	(22)
Charges for services	150	150	--	(150)
Other	60	60	--	(60)
Total revenues	<u>28,582</u>	<u>28,733</u>	<u>27,920</u>	<u>(813)</u>
Expenditures				
Current:				
Public safety	570	343	343	--
Total expenditures	<u>570</u>	<u>343</u>	<u>343</u>	<u>--</u>
Excess of revenues over expenditures	<u>28,012</u>	<u>28,390</u>	<u>27,577</u>	<u>(813)</u>
Other Financing Sources (Uses)				
Transfers in	--	42	42	--
Transfers out	<u>(31,587)</u>	<u>(31,887)</u>	<u>(31,746)</u>	<u>141</u>
Total other financing uses	<u>(31,587)</u>	<u>(31,845)</u>	<u>(31,704)</u>	<u>141</u>
Net change in fund balances	(3,575)	(3,455)	(4,127)	(672)
Fund balances - beginning	10,107	10,107	10,107	--
Fund balances - ending	<u>\$ 6,532</u>	<u>\$ 6,652</u>	<u>\$ 5,980</u>	<u>\$ (672)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 445	\$ 445	\$ 416	\$ (29)
Use of money and property	11	14	11	(3)
Intergovernmental	3	3	3	--
Charges for services	151	151	--	(151)
Other	--	--	1	1
Total revenues	<u>610</u>	<u>613</u>	<u>431</u>	<u>(182)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>409</u>	<u>409</u>	<u>390</u>	<u>19</u>
Total expenditures	<u>409</u>	<u>409</u>	<u>390</u>	<u>19</u>
Excess of revenues over expenditures	<u>201</u>	<u>204</u>	<u>41</u>	<u>(163)</u>
Other Financing Uses				
Transfers out	<u>(174)</u>	<u>(174)</u>	<u>(174)</u>	<u>--</u>
Total other financing uses	<u>(174)</u>	<u>(174)</u>	<u>(174)</u>	<u>--</u>
Net change in fund balances	27	30	(133)	(163)
Fund balances - beginning	<u>506</u>	<u>506</u>	<u>506</u>	<u>--</u>
Fund balances - ending	<u>\$ 533</u>	<u>\$ 536</u>	<u>\$ 373</u>	<u>\$ (163)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 5	\$ 6	\$ 9	\$ 3
Total revenues	<u>5</u>	<u>6</u>	<u>9</u>	<u>3</u>
Expenditures				
Current:				
Community resources & public facilities	235	235	157	78
Total expenditures	<u>235</u>	<u>235</u>	<u>157</u>	<u>78</u>
Deficiency of revenues under expenditures	<u>(230)</u>	<u>(229)</u>	<u>(148)</u>	<u>81</u>
Net change in fund balances	(230)	(229)	(148)	81
Fund balances - beginning	350	350	350	--
Fund balances - ending	<u>\$ 120</u>	<u>\$ 121</u>	<u>\$ 202</u>	<u>\$ 81</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,274	\$ 2,274	\$ 2,164	\$ (110)
Use of money and property	282	372	243	(129)
Intergovernmental	600	6,910	6,535	(375)
Charges for services	118	118	58	(60)
Total revenues	<u>3,274</u>	<u>9,674</u>	<u>9,000</u>	<u>(674)</u>
Expenditures				
Current:				
Community resources & public facilities	<u>3,317</u>	<u>9,603</u>	<u>9,234</u>	<u>369</u>
Total expenditures	<u>3,317</u>	<u>9,603</u>	<u>9,234</u>	<u>369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43)</u>	<u>71</u>	<u>(234)</u>	<u>(305)</u>
Other Financing Sources (Uses)				
Transfers in	1,070	661	523	(138)
Transfers out	<u>(589)</u>	<u>(231)</u>	<u>(93)</u>	<u>138</u>
Total other financing sources	<u>481</u>	<u>430</u>	<u>430</u>	<u>--</u>
Net change in fund balances	438	501	196	(305)
Fund balances - beginning	5,901	5,901	5,901	--
Fund balances - ending	<u>\$ 6,339</u>	<u>\$ 6,402</u>	<u>\$ 6,097</u>	<u>\$ (305)</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, 2009 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 160	\$ 352	\$ 357	\$ 5
Total revenues	<u>160</u>	<u>352</u>	<u>357</u>	<u>5</u>
Expenditures				
Current:				
General county programs	27	27	21	6
Debt service:				
Principal	6,207	6,207	6,206	1
Interest	<u>3,199</u>	<u>3,384</u>	<u>3,322</u>	<u>62</u>
Total expenditures	<u>9,433</u>	<u>9,618</u>	<u>9,549</u>	<u>69</u>
Deficiency of revenues under expenditures	<u>(9,273)</u>	<u>(9,266)</u>	<u>(9,192)</u>	<u>74</u>
Other Financing Sources				
Transfers in	<u>9,369</u>	<u>9,369</u>	<u>9,113</u>	<u>(256)</u>
Total other financing sources	<u>9,369</u>	<u>9,369</u>	<u>9,113</u>	<u>(256)</u>
Net change in fund balances	96	103	(79)	(182)
Fund balances - beginning	<u>8,133</u>	<u>8,133</u>	<u>8,133</u>	<u>--</u>
Fund balances - ending	<u>\$ 8,229</u>	<u>\$ 8,236</u>	<u>\$ 8,054</u>	<u>\$ (182)</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 enterprise information technology services to County departments and various other governmental agencies. Four lines of service are supported: Network and Security, Infrastructure, Desktop Support, and Enterprise Applications. Costs are allocated to all users based upon utilization factors for each service and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. 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 (Continued)

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 SERVICES

This fund provides communication services to County departments and various other governmental agencies. Telephone, Radio and Audio-Visual Systems are maintained. Costs are billed from a standard price schedule which is periodically adjusted to reflect cost changes and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

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.

REPROGRAPHICS AND DIGITAL IMAGING SERVICES

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

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2009 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations Services	Utilities	Reprographics and Digital Imaging Services	Total
ASSETS							
Current assets:							
Cash and investments	\$ 3,659	\$ 15,156	\$ 44,175	\$ 8,505	\$ 279	\$ 360	\$ 72,134
Accounts receivable, net:							
Use of money and property	14	54	166	31	--	1	266
Intergovernmental	9	--	--	4	--	--	13
Charges for services	--	1	474	--	--	21	496
Other	--	11	--	--	--	--	11
Inventories	--	140	--	98	--	--	238
Total current assets	<u>3,682</u>	<u>15,362</u>	<u>44,815</u>	<u>8,638</u>	<u>279</u>	<u>382</u>	<u>73,158</u>
Noncurrent assets:							
Restricted cash and investments	--	10	--	--	--	--	10
Capital assets, net of accumulated depreciation (Note 6)							
	<u>1,426</u>	<u>14,132</u>	<u>23</u>	<u>2,180</u>	<u>--</u>	<u>376</u>	<u>18,137</u>
Total noncurrent assets	<u>1,426</u>	<u>14,142</u>	<u>23</u>	<u>2,180</u>	<u>--</u>	<u>376</u>	<u>18,147</u>
Total assets	<u>5,108</u>	<u>29,504</u>	<u>44,838</u>	<u>10,818</u>	<u>279</u>	<u>758</u>	<u>91,305</u>
LIABILITIES							
Current liabilities:							
Accounts payable	22	45	466	5	261	1	800
Salaries and benefits payable	166	90	63	51	6	25	401
Compensated absences	170	123	64	64	1	33	455
Capital lease obligations	4	--	2	1	--	59	66
Liability for self-insurance claims	--	--	10,782	--	--	--	10,782
Total current liabilities	<u>362</u>	<u>258</u>	<u>11,377</u>	<u>121</u>	<u>268</u>	<u>118</u>	<u>12,504</u>
Noncurrent liabilities:							
Compensated absences	130	52	51	34	4	1	272
Capital lease obligations	4	--	2	1	--	61	68
Liability for self-insurance claims	--	--	26,601	--	--	--	26,601
OPEB obligation	145	73	74	50	2	21	365
Total noncurrent liabilities	<u>279</u>	<u>125</u>	<u>26,728</u>	<u>85</u>	<u>6</u>	<u>83</u>	<u>27,306</u>
Total liabilities	<u>641</u>	<u>383</u>	<u>38,105</u>	<u>206</u>	<u>274</u>	<u>201</u>	<u>39,810</u>
NET ASSETS							
Invested in capital assets, net of related debt							
	1,418	14,133	19	2,178	--	256	18,004
Unrestricted	<u>3,049</u>	<u>14,988</u>	<u>6,714</u>	<u>8,434</u>	<u>5</u>	<u>301</u>	<u>33,491</u>
Total net assets	<u>\$ 4,467</u>	<u>\$ 29,121</u>	<u>\$ 6,733</u>	<u>\$ 10,612</u>	<u>\$ 5</u>	<u>\$ 557</u>	<u>\$ 51,495</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, 2009 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations Services	Utilities	Reprographics and Digital Imaging Services	Total
Operating revenues:							
Charges for sales and services	\$ 5,820	\$ 9,388	\$ 25,728	\$ 3,791	\$ 5,511	\$ 1,068	\$ 51,306
Self-insurance recovery	--	--	1,250	--	--	--	1,250
Other operating revenues	--	106	51	117	--	73	347
Total operating revenues	<u>5,820</u>	<u>9,494</u>	<u>27,029</u>	<u>3,908</u>	<u>5,511</u>	<u>1,141</u>	<u>52,903</u>
Operating expenses:							
Salaries and benefits	3,332	1,944	1,352	1,097	124	568	8,417
Services and supplies	1,641	4,875	5,232	1,748	5,531	488	19,515
Self-insurance claims	--	--	16,880	--	--	--	16,880
Contractual services	153	12	226	392	6	26	815
Depreciation and amortization	589	2,222	6	605	--	81	3,503
County overhead allocation	106	218	63	122	--	23	532
Total operating expenses	<u>5,821</u>	<u>9,271</u>	<u>23,759</u>	<u>3,964</u>	<u>5,661</u>	<u>1,186</u>	<u>49,662</u>
Operating income (loss)	<u>(1)</u>	<u>223</u>	<u>3,270</u>	<u>(56)</u>	<u>(150)</u>	<u>(45)</u>	<u>3,241</u>
Non-operating revenues (expenses):							
Use of money and property	114	450	1,281	259	3	11	2,118
Interest expense	--	--	--	--	--	(6)	(6)
Loss on sale of capital assets	(2)	(27)	--	--	--	--	(29)
State and federal aid	23	5	--	10	--	--	38
Other non-operating revenues	<u>2</u>	<u>16</u>	<u>983</u>	<u>13</u>	<u>151</u>	<u>--</u>	<u>1,165</u>
Total non-operating revenues	<u>137</u>	<u>444</u>	<u>2,264</u>	<u>282</u>	<u>154</u>	<u>5</u>	<u>3,286</u>
Income (loss) before transfers	<u>136</u>	<u>667</u>	<u>5,534</u>	<u>226</u>	<u>4</u>	<u>(40)</u>	<u>6,527</u>
Transfers in	--	225	--	248	--	597	1,070
Transfers out	<u>(597)</u>	<u>(374)</u>	<u>--</u>	<u>(43)</u>	<u>--</u>	<u>--</u>	<u>(1,014)</u>
Transfers in (out), net	<u>(597)</u>	<u>(149)</u>	<u>--</u>	<u>205</u>	<u>--</u>	<u>597</u>	<u>56</u>
Change in net assets	(461)	518	5,534	431	4	557	6,583
Total net assets - beginning	<u>4,928</u>	<u>28,603</u>	<u>1,199</u>	<u>10,181</u>	<u>1</u>	<u>--</u>	<u>44,912</u>
Total net assets - ending	<u>\$ 4,467</u>	<u>\$ 29,121</u>	<u>\$ 6,733</u>	<u>\$ 10,612</u>	<u>\$ 5</u>	<u>\$ 557</u>	<u>\$ 51,495</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, 2009 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi- cations Services	Utilities	Reprographics and Digital Imaging Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from interfund services provided	\$ 5,811	\$ 9,481	\$ 26,098	\$ 3,929	\$ 5,511	\$ 1,129	\$ 51,959
Receipts from self-insurance recovery	--	--	1,250	--	--	--	1,250
Payments to employees	(3,219)	(1,860)	(1,323)	(1,059)	(117)	(527)	(8,105)
Payments to suppliers	(2,137)	(5,014)	(4,928)	(2,145)	(5,516)	(513)	(20,253)
Payments for self-insurance claims	--	--	(16,880)	--	--	--	(16,880)
County overhead allocation							
payments to the General Fund	(106)	(218)	(63)	(122)	--	(23)	(532)
Other receipts	2	16	983	13	151	--	1,165
Net cash provided by operating activities	<u>351</u>	<u>2,405</u>	<u>5,137</u>	<u>616</u>	<u>29</u>	<u>66</u>	<u>8,604</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers from other funds	--	225	--	248	--	343	816
Transfers to other funds	(343)	(374)	--	(43)	--	--	(760)
State and federal aid	23	5	--	10	--	--	38
Net cash provided (used) by noncapital and related financing activities	<u>(320)</u>	<u>(144)</u>	<u>--</u>	<u>215</u>	<u>--</u>	<u>343</u>	<u>94</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	(488)	(927)	--	(259)	--	--	(1,674)
Proceeds from sales of capital assets	--	124	--	--	--	--	124
Principal paid on capital lease obligations	(4)	--	(2)	(2)	--	(55)	(63)
Interest paid on capital lease obligations	--	--	--	--	--	(6)	(6)
Net cash used by capital and related financing activities	<u>(492)</u>	<u>(803)</u>	<u>(2)</u>	<u>(261)</u>	<u>--</u>	<u>(61)</u>	<u>(1,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Use of money and property received	128	505	1,428	293	4	12	2,370
Net cash provided by investing activities	<u>128</u>	<u>505</u>	<u>1,428</u>	<u>293</u>	<u>4</u>	<u>12</u>	<u>2,370</u>
Net increase (decrease) in cash and cash equivalents	(333)	1,963	6,563	863	33	360	9,449
Cash and cash equivalents - beginning	3,992	13,203	37,612	7,642	246	--	62,695
Cash and cash equivalents - ending	<u>\$ 3,659</u>	<u>\$ 15,166</u>	<u>\$ 44,175</u>	<u>\$ 8,505</u>	<u>\$ 279</u>	<u>\$ 360</u>	<u>\$ 72,144</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets							
Cash and investments per Statement of Net Assets	\$ 3,659	\$ 15,156	\$ 44,175	\$ 8,505	\$ 279	\$ 360	72,134
Restricted cash and investments per Statement of Net Assets	--	10	--	--	--	--	10
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 3,659</u>	<u>\$ 15,166</u>	<u>\$ 44,175</u>	<u>\$ 8,505</u>	<u>\$ 279</u>	<u>\$ 360</u>	<u>\$ 72,144</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (1)	\$ 223	\$ 3,270	\$ (56)	\$ (150)	\$ (45)	\$ 3,241
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	589	2,222	6	605	--	81	3,503
Other non-operating revenues	2	16	983	13	151	--	1,165
Changes in assets and liabilities:							
Accounts receivable	(9)	(13)	319	21	--	(12)	306
Inventories	--	171	--	4	--	--	175
Accounts payable	(343)	(298)	993	(9)	21	1	365
Salaries and benefits payable	113	84	29	38	7	41	312
Self-insurance claims	--	--	(463)	--	--	--	(463)
Net cash provided by operating activities	<u>\$ 351</u>	<u>\$ 2,405</u>	<u>\$ 5,137</u>	<u>\$ 616</u>	<u>\$ 29</u>	<u>\$ 66</u>	<u>\$ 8,604</u>
Noncash investing, capital, and financing activities	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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, 2009 (in thousands)

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
CLEARING AND REVOLVING FUNDS				
Assets:				
Cash and investments	\$ 7,132	\$ 923,604	\$ 922,190	\$ 8,546
Interest receivable	(1)	6	6	(1)
Total assets	<u>\$ 7,131</u>	<u>\$ 923,610</u>	<u>\$ 922,196</u>	<u>\$ 8,545</u>
Liabilities:				
Accounts payable	\$ 5,241	\$ 240,290	\$ 238,562	\$ 6,969
Funds held for others	1,890	1,162,172	1,162,486	1,576
Total liabilities	<u>\$ 7,131</u>	<u>\$ 1,402,462</u>	<u>\$ 1,401,048</u>	<u>\$ 8,545</u>
DEPOSITS FUNDS				
Assets:				
Cash and investments	\$ 1,744	\$ 17,093	\$ 17,114	\$ 1,723
Interest receivable	--	4	4	--
Total assets	<u>\$ 1,744</u>	<u>\$ 17,097</u>	<u>\$ 17,118</u>	<u>\$ 1,723</u>
Liabilities:				
Accounts payable	\$ 1	\$ 404	\$ 404	\$ 1
Funds held for others	1,743	17,501	17,522	1,722
Total liabilities	<u>\$ 1,744</u>	<u>\$ 17,905</u>	<u>\$ 17,926</u>	<u>\$ 1,723</u>
OTHER AGENCY FUNDS				
Assets:				
Cash and investments	\$ 4,692	\$ 94,099	\$ 94,093	\$ 4,698
Interest receivable	29	87	103	13
Total assets	<u>\$ 4,721</u>	<u>\$ 94,186</u>	<u>\$ 94,196</u>	<u>\$ 4,711</u>
Liabilities:				
Accounts payable	\$ 61	\$ 2,803	\$ 2,816	\$ 48
Funds held for others	4,660	97,002	96,999	4,663
Total liabilities	<u>\$ 4,721</u>	<u>\$ 99,805</u>	<u>\$ 99,815</u>	<u>\$ 4,711</u>
STATE AND CITY REVENUE FUNDS				
Assets:				
Cash and investments	\$ 7,258	\$ 130,306	\$ 131,014	\$ 6,550
Interest receivable	118	206	279	45
Total assets	<u>\$ 7,376</u>	<u>\$ 130,512</u>	<u>\$ 131,293</u>	<u>\$ 6,595</u>
Liabilities:				
Accounts payable	\$ 108	\$ 115,434	\$ 115,451	\$ 91
Funds held for others	7,268	245,963	246,727	6,504
Total liabilities	<u>\$ 7,376</u>	<u>\$ 361,397</u>	<u>\$ 362,178</u>	<u>\$ 6,595</u>
TAX COLLECTION FUNDS				
Assets:				
Cash and investments	\$ 11,292	\$ 1,516,031	\$ 1,515,087	\$ 12,236
Interest receivable	379	1,084	1,271	192
Total assets	<u>\$ 11,671</u>	<u>\$ 1,517,115</u>	<u>\$ 1,516,358</u>	<u>\$ 12,428</u>
Liabilities:				
Accounts payable	\$ 1	\$ 19,668	\$ 18,597	\$ 1,072
Funds held for others	11,670	1,535,712	1,536,026	11,356
Total liabilities	<u>\$ 11,671</u>	<u>\$ 1,555,380</u>	<u>\$ 1,554,623</u>	<u>\$ 12,428</u>
TOTAL - ALL AGENCY FUNDS				
Assets:				
Cash and investments	\$ 32,118	\$ 2,681,133	\$ 2,679,498	\$ 33,753
Interest receivable	525	1,387	1,663	249
Total assets	<u>\$ 32,643</u>	<u>\$ 2,682,520</u>	<u>\$ 2,681,161</u>	<u>\$ 34,002</u>
Liabilities:				
Accounts payable	\$ 5,412	\$ 378,599	\$ 375,830	\$ 8,181
Funds held for others	27,231	3,058,350	3,059,760	25,821
Total liabilities	<u>\$ 32,643</u>	<u>\$ 3,436,949</u>	<u>\$ 3,435,590</u>	<u>\$ 34,002</u>

See accompanying independent auditor's report.

COUNTY OF SANTA BARBARA, CALIFORNIA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE¹
 June 30, 2009 (in thousands)

	<u>Total</u>
Governmental funds capital assets	
Land	\$ 83,571
Land improvements	11,482
Structures	210,128
Equipment	53,204
Infrastructure	250,163
Construction in progress	<u>44,638</u>
Total governmental funds capital assets	<u>\$ 653,186</u>
Investments in governmental funds capital assets by source	
General Fund	\$ 207,284
Special Revenue Funds	386,269
Grants	38,027
Capital projects	7,663
Donations	<u>13,943</u>
Total governmental funds capital assets	<u>\$ 653,186</u>

¹ 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 FUNCTION¹
 June 30, 2009 (in thousands)

	Land	Land Improvements	Structures	Equipment	Infra- Structure	Construction in Progress	Total
Function:							
Policy & executive	\$ 461	\$ --	\$ 3,015	\$ 274	\$ --	\$ --	\$ 3,750
Law & justice	1,005	164	25,780	664	--	350	27,963
Public safety	2,253	--	74,903	19,004	--	13,259	109,419
Health & public assistance	13,593	696	62,696	7,690	--	106	84,781
Community resources & public facilities	59,528	9,536	9,894	15,719	250,163	29,003	373,843
General government & support services	4,966	--	23,689	6,909	--	1,192	36,756
General county programs	1,765	1,086	10,151	2,944	--	728	16,674
Total governmental funds capital assets	<u>\$ 83,571</u>	<u>\$ 11,482</u>	<u>\$ 210,128</u>	<u>\$ 53,204</u>	<u>\$ 250,163</u>	<u>\$ 44,638</u>	<u>\$ 653,186</u>

¹ 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 FUNCTION¹
 FOR THE FISCAL YEAR ENDED June 30, 2009 (in thousands)

Function:	Balance	Additions	Deletions	Balance
	July 1, 2008			June 30, 2009
Policy & executive	\$ 3,415	\$ 391	\$ 56	\$ 3,750
Law & justice	29,647	856	2,540	27,963
Public safety	105,894	12,167	8,642	109,419
Health & public assistance	86,399	3,033	4,651	84,781
Community resources & public facilities	351,288	35,778	13,223	373,843
General government & support services	31,408	9,296	3,948	36,756
General county programs	13,319	3,630	275	16,674
Total governmental funds capital assets	<u>\$ 621,370</u>	<u>\$ 65,151</u>	<u>\$ 33,335</u>	<u>\$ 653,186</u>

¹ 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.

<u>CONTENTS</u>	<u>PAGE</u>
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	144
REVENUE CAPACITY These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	149
DEBT CAPACITY 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.	153
ECONOMIC AND DEMOGRAPHIC INFORMATION These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	156
OPERATING INFORMATION 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.	158

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)

	1999-00	2000-01	2001-02	2002-03 as restated	2003-04	2004-05	2005-06	2006-07	2007-08 as restated	2008-09
Governmental activities										
Invested in capital asset, net of related debt	\$ --	\$ --	\$ 176,024	\$ 326,836	\$ 343,596	\$ 366,246	\$ 381,435	\$ 399,800	\$ 408,831	\$ 431,027
Restricted for:										
Public safety	--	--	10,973	9,599	8,193	10,017	10,152	12,990	13,695	8,952
Health and public assistance	--	--	19,014	20,595	16,129	18,188	15,992	19,237	12,987	24,073
Community resources & public facilities	--	--	56,055	49,864	52,899	51,453	59,649	60,486	87,145	94,538
General government & support services	--	--	7,715	10,368	10,520	10,854	8,589	9,913	8,082	7,594
General county programs	--	--	20,846	13,222	13,413	14,009	13,485	12,469	17,496	15,523
Law and justice	--	--	--	--	--	--	--	--	--	33
Debt service	--	--	9,768	9,271	6,997	8,630	8,652	8,484	10,088	11,236
Unrestricted	--	--	49,047	51,563	62,673	64,827	81,386	93,424	65,462	60,056
Total governmental activities net assets	\$ --	\$ --	\$ 349,442	\$ 491,318	\$ 514,420	\$ 544,224	\$ 579,340	\$ 616,803	\$ 623,786	\$ 653,032
Business-type activities										
Invested in capital assets, net of related debt	--	--	32,216	34,219	36,339	40,539	45,006	47,611	47,604	55,942
Restricted for:										
Debt service	--	--	933	933	933	1,043	1,023	717	1,307	1,315
Unrestricted	--	--	5,312	4,824	6,016	7,345	8,750	10,922	15,321	9,641
Total business-type activities net assets	\$ --	\$ --	\$ 38,461	\$ 39,976	\$ 43,288	\$ 48,927	\$ 54,779	\$ 59,250	\$ 64,232	\$ 66,898
Primary government										
Invested in capital assets, net of related debt	--	--	208,240	361,055	379,935	406,785	426,441	447,411	456,435	486,969
Restricted for:										
Public safety	--	--	56,055	9,599	8,193	10,017	10,152	12,990	13,695	8,952
Health and public assistance	--	--	8,648	20,595	16,129	18,188	15,992	19,237	12,987	24,073
Community resources & public facilities	--	--	--	49,864	52,899	51,453	59,649	60,486	87,145	94,538
General government & support services	--	--	--	10,368	10,520	10,854	8,589	9,913	8,082	7,594
General county programs	--	--	20,846	13,222	13,413	14,009	13,485	12,469	21,878	15,523
Law and justice	--	--	--	--	--	--	--	--	--	33
Debt service	--	--	9,768	10,204	7,930	9,673	9,675	9,201	11,395	12,551
Unrestricted	--	--	54,359	56,387	68,689	72,172	90,136	104,346	76,401	69,697
Total primary government net assets, restated	\$ --	\$ --	\$ 357,916	\$ 531,294	\$ 557,708	\$ 593,151	\$ 634,119	\$ 676,053	\$ 688,018	\$ 719,930

Notes:

- (1) Trend data is only available for the last eight 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) FY 2007-08 net assets 'restricted for general county programs' was restated from \$21,878 to \$17,496. As a result, 'unrestricted' net assets were restated from \$61,080 to \$65,462.
- (4) 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)

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Expenses										
Governmental activities:										
Policy & executive	\$ --	\$ --	\$ 6,960	\$ 7,235	\$ 6,242	\$ 5,204	\$ 7,353	\$ 8,569	\$ 9,069	\$ 8,596
Law & justice	--	--	36,843	36,850	38,088	39,158	39,592	41,186	44,586	46,033
Public safety	--	--	135,606	142,190	149,819	158,460	169,497	181,566	201,511	204,994
Health & public assistance	--	--	215,182	221,988	230,432	237,144	258,369	271,806	292,094	287,178
Community resources & public facilities	--	--	68,528	65,268	68,780	88,165	71,200	84,785	83,293	84,585
General government & support services	--	--	29,843	26,927	26,942	25,224	30,818	36,771	35,743	32,115
General county programs	--	--	11,241	15,644	13,050	9,673	15,530	14,734	14,461	23,167
Interest on long-term debt	--	--	4,541	4,610	4,172	4,151	4,880	2,889	2,626	3,321
Subtotal governmental activities expenses	--	--	508,744	520,712	537,525	567,179	597,239	642,306	683,383	689,989
Business-type activities:										
Resource Recovery	--	--	20,265	18,295	17,394	17,790	19,356	21,857	22,042	23,226
Laguna Sanitation	--	--	2,043	3,825	3,495	4,495	4,870	5,066	5,113	5,609
Transit	--	--	36	27	16	59	57	62	384	682
Subtotal business-type activities expenses	--	--	22,344	22,147	20,905	22,344	24,283	26,985	27,539	29,517
Total primary government expenses	\$ --	\$ --	\$ 531,088	\$ 542,859	\$ 558,430	\$ 589,523	\$ 621,522	\$ 669,291	\$ 710,922	\$ 719,506
Program revenues										
Governmental activities:										
Charges for services										
Health & public assistance	--	--	51,549	55,539	58,603	67,917	70,292	80,546	78,555	79,095
Public safety	--	--	19,510	27,134	27,890	30,619	30,152	34,767	40,125	37,999
Other	--	--	66,538	58,110	56,949	56,343	58,320	58,950	63,894	63,089
Operating grants & contributions	--	--	252,572	236,391	238,621	255,317	260,905	274,169	281,421	291,171
Capital grants & contributions	--	--	272	131	1,144	1,256	754	476	229	259
Subtotal governmental activities revenues	--	--	390,441	377,305	383,207	411,452	420,423	448,908	464,224	471,613
Business-type activities:										
Charges for services										
Resource Recovery	--	--	16,388	18,170	19,183	20,971	21,743	21,511	22,454	20,854
Laguna Sanitation	--	--	2,582	3,463	3,377	5,050	5,513	5,950	6,276	6,464
Other	--	--	37	8	7	9	9	9	52	34
Operating grants & contributions	--	--	1,573	1,344	1,308	1,232	1,410	854	1,745	2,678
Capital grants & contributions	--	--	--	--	--	--	--	--	--	1,169
Subtotal business-type activities revenues	--	--	20,580	22,985	23,875	27,262	28,675	28,324	30,527	31,199
Total primary government program revenue	\$ --	\$ --	\$ 411,021	\$ 400,290	\$ 407,082	\$ 438,714	\$ 449,098	\$ 477,232	\$ 494,751	\$ 502,812
Net (expense) / revenue										
Governmental activities	--	--	(118,303)	(143,407)	(154,318)	(155,727)	(176,816)	(193,398)	(219,159)	(218,376)
Business-type activities	--	--	(1,764)	838	2,970	4,918	4,392	1,339	2,988	1,682
Total primary government net expense	\$ --	\$ --	\$ (120,067)	\$ (142,569)	\$ (151,348)	\$ (150,809)	\$ (172,424)	\$ (192,059)	\$ (216,171)	\$ (216,694)

(Continued)

Note:

(1) Trend data is only available for the last eight 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	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General revenue and other changes in net assets										
Governmental activities:										
Taxes										
Property taxes	\$ --	--	105,922	107,279	119,973	155,057	176,748	195,001	205,822	205,583
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	15,643
Transient occupancy tax	--	--	5,877	4,423	5,448	4,815	5,631	6,591	7,174	6,431
Unrestricted investment earnings	--	--	4,670	3,420	1,087	3,373	4,308	2,867	2,926	1,610
Extraordinary item and special item	--	--	(22,992)	5,433	--	--	--	--	--	--
Transfers	--	--	(133)	17	(34)	174	55	3	(5)	661
Other	--	--	5,537	4,261	4,664	3,359	5,702	8,842	8,066	12,212
Subtotal governmental activities	--	--	146,633	167,899	177,420	185,531	211,932	230,861	240,345	242,140
Business-type activities:										
Unrestricted investment earnings	--	--	1,414	971	270	828	942	2,089	1,796	1,248
Transfers	--	--	133	(17)	34	(174)	(55)	(3)	5	(661)
Other	--	--	96	(277)	38	67	573	1,046	193	397
Subtotal business-type activities	--	--	1,643	677	342	721	1,460	3,132	1,994	984
Total primary government	\$ --	\$ --	\$ 148,276	\$ 168,576	\$ 177,762	\$ 186,252	\$ 213,392	\$ 233,993	\$ 242,339	\$ 243,124
Changes in net assets										
Governmental activities	--	--	28,330	24,492	23,102	29,804	35,116	37,463	22,097	23,764
Business-type activities	--	--	(121)	1,515	3,312	5,639	5,852	4,471	2,512	2,666
Total primary government	\$ --	\$ --	\$ 28,209	\$ 26,007	\$ 26,414	\$ 35,443	\$ 40,968	\$ 41,934	\$ 24,609	\$ 26,430

Note:

(1) Trend data is only available for the last eight 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>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
General Fund										
Reserved for:										
Receivables and prepaids	\$ --	\$ --	\$ 11,433	\$ 5,039	\$ 5,094	\$ 4,663	\$ 4,094	\$ 3,309	\$ 20,309	\$ 20,309
Imprest cash	--	--	14	17	18	18	15	15	15	15
Property tax loss reserve	--	--	3,591	3,845	4,138	4,515	5,044	5,632	6,057	6,373
Unreserved:										
Designated	--	--	26,387	28,723	28,359	33,538	43,481	58,488	56,447	55,741
Undesignated	--	--	7,546	12,050	9,953	8,564	16,206	11,484	5,311	2,150
Subtotal General Fund	--	--	\$ 48,971	\$ 49,674	\$ 47,562	\$ 51,298	\$ 68,840	\$ 78,928	\$ 88,139	\$ 84,588
All Other Governmental Funds										
Reserved for:										
Receivables and prepaids	--	--	4,249	379	261	226	2,378	390	503	482
Imprest cash	--	--	24	24	23	23	24	22	23	25
Debt service	--	--	8,071	8,251	6,697	7,701	7,592	7,601	9,333	9,062
MHSA prudent reserve	--	--	--	--	--	--	--	--	--	1,900
Inventories: property held for resale	--	--	--	--	--	--	--	--	2,600	6,039
Unreserved:										
Designated, reported in:										
Special revenue funds	--	--	54,485	60,264	53,920	50,792	52,041	54,569	51,745	52,557
Capital projects fund	--	--	28,760	22,019	14,015	26,992	24,370	22,854	15,985	13,038
Debt service funds	--	--	--	--	--	--	--	315	230	422
Undesignated, reported in:										
Special revenue funds	--	--	61,626	55,716	58,221	59,261	66,358	70,799	80,838	85,181
Capital projects fund	--	--	6,243	7,323	5,217	4,043	3,868	6,411	4,988	5,339
Debt service funds	--	--	--	--	--	--	--	--	(15,134)	(15,724)
Subtotal all other governmental funds	--	--	163,458	153,976	138,354	149,038	156,631	162,961	151,111	158,321
Total governmental fund balance	\$ --	\$ --	\$ 212,429	\$ 203,650	\$ 185,916	\$ 200,336	\$ 225,471	\$ 241,889	\$ 239,250	\$ 242,909

Notes:

- (1) Trend data is only available for the last eight 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)

	<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>	<u>2008-2009</u>
Revenues (by source):										
Taxes	\$ --	\$ --	\$ 132,298	\$ 126,636	\$ 140,594	\$ 176,747	\$ 202,078	\$ 220,583	\$ 231,955	\$ 232,781
Licenses, permits, and franchises	--	--	13,521	12,258	14,407	13,712	14,094	14,336	14,294	13,643
Fines, forfeitures, and penalties	--	--	10,809	12,162	9,554	9,675	12,020	11,020	12,333	13,218
Use of money and property	--	--	14,013	10,735	5,532	9,489	10,783	13,025	12,173	8,739
Intergovernmental	--	--	270,384	260,779	260,609	253,104	263,025	266,953	271,211	286,846
Charges for service	--	--	117,468	117,061	123,739	134,276	134,664	148,311	156,648	163,332
Other	--	--	16,830	13,479	13,058	15,751	15,255	13,414	13,637	16,614
Total revenues	--	--	<u>575,323</u>	<u>553,110</u>	<u>567,493</u>	<u>612,754</u>	<u>651,919</u>	<u>687,642</u>	<u>712,251</u>	<u>735,173</u>
Expenditures (by function):										
Policy & executive	--	--	9,925	10,334	10,024	10,229	10,824	11,846	13,290	13,971
Law & justice	--	--	34,970	35,500	36,802	37,361	38,083	39,247	41,875	43,869
Public safety	--	--	122,754	130,996	140,458	148,978	160,249	175,500	189,364	193,291
Health & public assistance	--	--	215,452	223,913	232,782	241,023	260,562	273,314	287,957	287,110
Community resources & public facilities	--	--	68,271	64,104	67,161	85,219	78,085	90,994	89,859	106,471
General government & support services	--	--	39,390	38,049	39,828	40,007	46,686	47,380	48,356	50,736
General County programs	--	--	14,781	15,224	13,918	9,731	12,574	14,552	18,452	22,822
Debt service										
Principal	--	--	6,323	5,004	5,153	6,030	6,582	7,876	6,595	6,230
Interest	--	--	4,541	4,628	4,413	3,986	4,741	2,930	2,642	3,324
Capital outlay	--	--	40,164	35,404	35,862	36,155	11,029	10,620	20,055	7,017
Total expenditures	--	--	<u>556,571</u>	<u>563,156</u>	<u>586,401</u>	<u>618,719</u>	<u>629,415</u>	<u>674,259</u>	<u>718,445</u>	<u>734,841</u>
Excess (deficiency) of revenues over (under) expenditures	--	--	18,752	(10,046)	(18,908)	(5,965)	22,504	13,383	(6,194)	332
Other Financing Sources (Uses):										
Transfers in	--	--	102,349	94,777	102,682	108,564	118,235	128,567	149,323	139,021
Transfers out	--	--	(103,420)	(95,111)	(103,185)	(108,188)	(118,419)	(129,201)	(148,765)	(138,722)
Proceeds from sale of capital assets	--	--	456	145	69	46	862	1,269	288	147
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)	--	--	<u>30,810</u>	<u>1,267</u>	<u>1,174</u>	<u>20,385</u>	<u>2,631</u>	<u>3,035</u>	<u>17,758</u>	<u>446</u>
Net change in fund balance	\$ --	\$ --	\$ 49,562	\$ (8,779)	\$ (17,734)	\$ 14,420	\$ 25,135	\$ 16,418	\$ 11,564	\$ 778
Debt service as a percentage of noncapital expenditures:	0.00%	0.00%	2.03%	1.78%	1.74%	1.72%	1.86%	1.66%	1.36%	1.35%
Expenditures (2):										
General government	\$ 43,254	\$ 47,090	\$ 59,857	\$ 58,434	\$ 59,228	\$ 55,274	\$ 53,409	\$ 65,106	\$ 65,271	\$ 64,020
Public protection	176,075	186,132	200,927	210,021	221,671	234,963	242,782	259,208	281,771	299,802
Public ways and facilities	27,232	30,794	43,801	36,702	24,441	32,560	31,890	30,926	23,117	32,301
Health and sanitation	87,286	103,760	106,767	110,424	117,342	130,160	139,106	149,855	160,095	155,148
Public assistance	94,921	99,982	104,726	105,933	105,203	107,408	116,916	120,572	125,547	130,962
Education	2,386	2,518	2,691	2,645	2,783	2,763	2,773	2,894	3,269	3,223
Recreational and cultural services	7,562	7,907	8,947	8,959	10,305	9,420	9,615	10,462	11,941	11,232
Debt service	9,391	9,474	8,680	9,218	9,566	10,016	11,323	10,807	9,237	9,555
Capital outlay	16,814	14,075	20,175	20,820	35,862	36,155	21,601	24,429	38,197	28,598
Total expenditures	<u>\$464,921</u>	<u>\$501,732</u>	<u>\$556,571</u>	<u>\$563,156</u>	<u>\$586,401</u>	<u>\$618,719</u>	<u>\$629,415</u>	<u>\$674,259</u>	<u>\$718,445</u>	<u>\$734,841</u>

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)

Fiscal Year	(1) Secured	(2) Unsecured	(3) Unitary	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate (%)
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
2008 - 2009	59,457,127	2,795,296	806,086	(1,928,671)	61,129,838	1.00000

Notes:

- (1) Local assessed 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. Most of the amount reported is unitary but includes a small amount of other state-assessed property.
- (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

<u>Fiscal Year</u>	<u>County Direct Rates</u>		<u>Overlapping Rates</u>		<u>Total</u>
	<u>Santa Barbara County</u>	<u>General</u>	<u>Cities (1)</u>	<u>Schools (2)</u>	
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%	
2008 - 2009	1.00000%	0.00010%	0.01307%	1.01317%	

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 represent 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, 2009 AND JUNE 30, 2000 (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, 2009 and June 30, 2000:

June 30, 2009:

<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 2008-09</u>	<u>Percentage of Total Secured Tax Levy Fiscal Year 2008-09</u>
Exxon Corporation	Petroleum & Gas	\$ 351,666	0.60%	\$ 3,609	0.62%
Verizon California Inc.	Utility	211,928	0.36%	2,418	0.42%
Biltmore Hotel	Hotel	185,336	0.32%	2,111	0.37%
United Launch Alliance	Aerospace	185,656	0.32%	2,106	0.36%
Southern California Gas Co.	Utility	169,424	0.29%	1,894	0.33%
Fairway BB Property	Residential	146,893	0.25%	1,505	0.26%
Raytheon Company	Light Manufacturing	133,250	0.23%	1,454	0.25%
Southern California Edison Co.	Utility	132,538	0.23%	1,508	0.26%
Ht-Santa Barbara Inc	Hotel	127,000	0.22%	1,393	0.24%
Pacific Offshore Pipeline Co.	Petroleum & Gas	116,709	0.20%	1,196	0.21%
Ten largest taxpayers		1,760,400	3.02%	19,194	3.32%
All other taxpayers		56,574,142	96.98%	558,621	96.68%
Total		<u>\$ 58,334,542</u>	<u>100.00%</u>	<u>\$ 577,815</u>	<u>100.00%</u>

June 30, 2000:

<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 1999-00</u>	<u>Percentage of Total Secured Tax Levy Fiscal Year 1999-00</u>
Exxon Corporation	Petroleum & Gas	\$ 638,617	2.24%	\$ 6,786	2.58%
GTE California Incorporated	Utility	222,353	0.78%	2,357	0.89%
Southern California Gas Co.	Utility	149,612	0.53%	1,576	0.60%
Pacific Offshore Pipeline Co.	Petroleum & Gas	141,888	0.50%	1,508	0.57%
Applied Magnetics Corporation	Electromagnetic Systems	107,886	0.38%	1,178	0.45%
Gaviota Gas Plant Co.	Utility	102,518	0.36%	1,089	0.41%
Southern California Edison Co.	Utility	95,120	0.33%	1,007	0.38%
Pacific Gas and Electric Company	Utility	79,561	0.28%	841	0.32%
Raytheon Company	Light Manufacturing	73,027	0.26%	702	0.27%
Fess Parker Doubletree	Hotel	67,563	0.24%	690	0.26%
Ten largest taxpayers		1,678,145	5.90%	17,734	6.73%
All other taxpayers		26,783,746	94.10%	245,719	93.27%
Total		<u>\$ 28,461,891</u>	<u>100.00%</u>	<u>\$ 263,453</u>	<u>100.00%</u>

Notes:

- (1) 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 2008-09 total is based on secured \$59,457,127 plus unitary \$806,086 less exemptions of \$1,928,671. The 1999-00 total is based on secured \$28,767,002 plus unitary \$711,158 less exemptions of \$1,016,269.
- (2) 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)

Fiscal Year	(1) Taxes Levied	(2) Collections within the fiscal year of the levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
1999 - 2000	282,449	278,432	98.58%	3,997	282,429	99.99%
2000 - 2001	306,687	301,590	98.34%	5,079	306,669	99.99%
2001 - 2002	333,424	329,327	98.77%	4,077	333,404	99.99%
2002 - 2003	355,912	351,584	98.78%	4,294	355,878	99.99%
2003 - 2004	385,715	381,887	99.01%	3,757	385,644	99.98%
2004 - 2005	419,530	415,040	98.93%	4,341	419,381	99.96%
2005 - 2006	466,497	460,518	98.72%	5,233	465,751	99.84%
2006 - 2007	516,452	505,691	97.92%	9,068	514,759	99.67%
2007 - 2008	555,687	542,365	97.60%	8,552	550,917	99.14%
2008 - 2009	577,815	561,873	97.24%	-	561,873	97.24%

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				
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	
2008 - 2009	64,513	3,707	-	--	--	8,803	15	-	7,009	84,047	0.14%	195	

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)

Fiscal Year	(1) Assessed Value	(2) Legal Debt Limit	Total net applicable debt	(3) Legal Debt Margin	Legal Debt Margin / Debt Limit
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%
2008 - 2009	61,129,838	764,123	--	764,123	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, 2009 (in thousands)

2008-2009 Assessed Valuation:	\$ 61,129,838
Redevelopment Incremental Valuation:	3,415,245
Adjusted Assessed Valuation:	<u>\$ 57,714,593</u>

<u>Overlapping Tax and Assessment Debt:</u>	<u>Percent Applicable (1)</u>	<u>Debt (3)</u>
Allan Hancock Joint Community College District	99.772%	\$ 65,306
Santa Barbara Community College District	100.000%	\$ 47,000
High School Districts	99.998-100%	121,929
Unified School Districts	100%	51,891
Goleta Union School Districts	100%	21,505
Orcutt School District	100%	13,575
Santa Barbara School District	100%	26,826
Other School District	100%	38,076
Lompoc Healthcare District	100%	74,500
Santa Ynez River Water Conservation District ID No.1	100%	860
Solvang Assessment District	100%	95
Special District 1915 Act Bonds	100%	8,960
Total Overlapping Tax and Assessment Debt		<u>\$ 470,523</u>

<u>Direct and Overlapping General Fund Obligation Debt:</u>		
Santa Barbara County General Fund Obligations	100%	\$ 73,315
Allan Hancock Joint Community College District Certificates of Participation	99.772%	6,780
Santa Maria Joint Union High School District Certificates of Participation	99.998%	25,369
Santa Maria-Bonita School District Certificates of Participation	99.996%	22,814
Santa Ynez Valley Union High School District Certificates of Participation	100%	3,780
Buellton School District Certificates of Participation	100%	2,325
College School District Certificates of Participation	100%	7,295
Solvang School District Certificates of Participation	100%	1,305
City of Carpinteria Certificates of Participation	100%	1,270
City of Santa Barbara Certificates of Participation	100%	3,935
City of Santa Maria General Fund Obligations	100%	15,255
Carpinteria Sanitary District General Fund Obligations	100%	14,405
Santa Maria Cemetery District Certificates of Participation	100%	1,320
Total Gross Direct and Overlapping General Fund Obligation Debt		<u>179,168</u>
Less: Carpinteria Sanitary District (100% self-supporting)		<u>(14,405)</u>
Total Net Direct and Overlapping General Fund Obligation Debt		<u>\$ 164,763</u>

Gross Combined Total Debt	\$ 649,691 (2)
Net Combined Total Debt	\$ 635,286

<u>Ratio to 2008-09 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	0.77%

<u>Ratios to Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$73,315)	0.13%
Gross Combined Total Debt	1.13%
Net Combined Total Debt	1.10%

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 April 16, 2009.

Source:

California Municipal Statistics, Incorporated

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

(1) Year	(2) Population	(4) Personal Income	Per Capita Personal Income	(5) School Enrollment	(6) Unemployment Rate
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	16,500,000 (7)	39.4 (7)	68	4.0%
2006	422	17,500,000 (7)	41.5 (7)	67	3.5%
2007	424	18,300,000 (7)	43.2 (7)	67	3.8%
2008	429	18,300,000 (3)	42.7 (3)	66	5.2%
2009	431	17,500,000 (3)	40.6 (3)	66	8.2%

Detail of estimated population, as of January 1, 2009 (whole numbers):

Incorporated Cities	
Buellton	4,740
Carpinteria	14,409
Goleta	30,476
Guadalupe	6,534
Lompoc	42,892
Santa Barbara	90,308
Santa Maria	92,542
Solvang	5,446
Total of Incorporated	287,347
Total of Unincorporated Areas	143,965
Total Population	431,312

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**

June 30, 2008			June 30, 1999		
Company or Organization	Jobs (1)	Percent of Total County Employment	Company or Organization	Jobs (2)	Percent of Total County Employment
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**

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Paid employees										
Policy & executive	--	--	98	94	93	95	88	98	99	91
Law & justice	--	--	236	213	211	208	217	221	223	212
Public safety	--	--	1,389	1,383	1,367	1,357	1,415	1,425	1,443	1,405
Health & public assistance	--	--	1,685	1,667	1,652	1,660	1,706	1,688	1,704	1,654
Community resources & public facilities	--	--	583	556	552	519	524	502	506	476
General government & support services	--	--	464	441	432	425	436	432	438	437
General county programs	--	--	19	29	19	14	34	40	34	31
Resource Recovery	--	--	94	93	91	91	91	90	90	91
Laguna Sanitation	--	--	14	14	13	13	15	15	15	16
Total County employees	--	--	4,582	4,490	4,430	4,382	4,526	4,511	4,552	4,413
Actual full-time equivalent employees										
Policy & executive	--	--	92	88	87	88	87	91	90	83
Law & justice	--	--	227	209	207	205	206	214	216	205
Public safety	--	--	1,319	1,321	1,298	1,287	1,331	1,365	1,394	1,356
Health & public assistance	--	--	1,595	1,589	1,560	1,563	1,596	1,598	1,615	1,573
Community resources & public facilities	--	--	556	536	527	498	473	476	473	445
General government & support services	--	--	435	422	413	405	410	408	414	414
General county programs	--	--	18	28	18	14	28	38	34	30
Resource Recovery	--	--	91	88	86	87	86	85	86	86
Laguna Sanitation	--	--	14	14	13	13	16	15	15	16
Total County employees	--	--	4,347	4,295	4,209	4,160	4,233	4,290	4,337	4,208

Note:

- (1) County employees by function/program is only available for the last eight 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):**

Fiscal Year	Full-Time Equivalents
1999-2000	4,386
2000-2001 (4)	4,239
2001-2002	4,347
2002-2003	4,295
2003-2004	4,209
2004-2005	4,160
2005-2006	4,233
2006-2007	4,290
2007-2008	4,337
2008-2009	4,208

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	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Law & justice										
Filed felonies-District Attorney	--	--	2,249	2,287	2,389	2,799	3,040	3,040	2,610	2,578
Filed misdemeanors-District Attorney	--	--	11,771	12,071	13,558	13,691	13,195	14,781	14,622	14,532
Public Defender's total new caseload	--	--	22,700	23,400	25,600	26,700	22,900	25,302	24,939	21,859
Public safety										
Fire emergency responses	--	--	8,400	8,750	9,400	9,500	9,700	10,163	11,090	11,392
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	1,563,910
Processed and booked adult offenders-Sheriff	--	--	16,967	17,496	17,535	19,582	17,747	18,403	17,915	17,992
Juvenile referrals processed- Probation	--	--	6,000	6,000	6,300	6,400	6,589	6,822	6,287	5,880
Cases supervised-Probation	--	--	7,100	7,400	10,550	10,579	10,191	11,678	11,986	10,509
Institutional care for minors-Probation (days)	--	--	63,100	63,400	58,300	52,280	62,375	67,154	68,730	68,286
Submit reports on adult offenders- Probation	--	--	2,500	2,500	11,300	11,900	12,264	12,551	12,458	15,504
Health & public assistance										
ADMHS clients served	--	--	12,357	12,568	13,253	14,807	13,059	13,629	14,565	13,637
Established orders for child support	--	--	n/a	13,809	13,818	14,985	15,469	16,965	14,635	14,630
Assistance claims paid to eligible recipients	--	--	n/a	60,000	62,500	64,500	64,200	65,405	65,686	71,249
Patient treatments at Public Health clinics	--	--	100,000	100,000	112,000	116,100	118,400	123,000	126,200	134,450
Community resources & public facilities										
Building inspections	--	--	39,500	28,700	27,800	34,900	34,000	40,034	33,800	21,523
Enhanced or maintained road lanes (miles)	--	--	124	190	150	117	117	246	102	100
Flood control work requests	--	--	169	234	145	200	185	112	110	180
General government & support services										
Clerk-Recorder-Assessor										
Recorded documents & vital copies issued	--	--	110,000	139,000	170,000	131,000	123,700	135,000	108,000	99,000
Resource Recovery										
Waste recycled (tons per month)	--	--	5,900	10,000	10,200	8,857	8,177	8,270	7,692	7,074
Landfill waste disposal (tons per month)	--	--	17,200	18,345	19,910	20,510	19,679	18,483	17,964	17,099

Note:

Operating Indicators by function/program is only available for the last eight 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	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Policy & executive										
Buildings			Occupied with general government and support services.							
Law & justice										
Court buildings	--	--	9	9	9	9	9	9	7	7
Other buildings	--	--	4	4	4	5	5	5	5	5
Public safety										
Fire stations	--	--	15	15	15	15	15	16	16	16
Fire trucks	--	--	39	39	39	41	41	42	41	43
Ambulances	--	--	4	4	4	4	4	4	4	4
Sheriff sub stations	--	--	2	2	2	2	2	2	2	3
Patrol units	--	--	49	49	49	49	49	49	49	49
Aircrafts	--	--	5	5	5	5	5	5	5	5
Jail and detention facilities	--	--	6	6	6	6	6	6	6	6
Administration buildings	--	--	8	8	8	8	8	8	9	9
Health & public assistance										
Clinics	--	--	5	5	5	5	6	7	7	7
Administration buildings	--	--	5	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	2,469
Day use & camping parks	--	--	24	24	24	24	21	21	22	22
Open space areas (County developed)	--	--	29	29	29	29	17	17	17	17
Outdoor events center	--	--	1	1	1	1	1	1	1	1
Veterans buildings	--	--	3	3	3	3	3	3	3	3
Seawalls	--	--	2	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	1,685
Bridges	--	--	43	44	44	44	112	112	112	112
Traffic signals	--	--	25	25	25	25	25	25	25	26
Roads heavy equipment	--	--	36	40	43	43	43	48	51	49
Sanitary sewers (miles of collection)	--	--	160	160	160	160	160	160	111	121
Treatment capacity (million gallons per day)	--	--	2	4	4	4	4	4	4	4
Resource Recovery heavy equipment	--	--	53	55	60	65	65	69	69	82
General government & support services										
Buildings	--	--	4	4	4	5	5	5	5	5

Notes:

- (1) Capital assets and infrastructure statistics by function/program is only available for the last eight 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 (TRAN) - 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).

