S&P: AA
(See "RATINGS")

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings and urt decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each se Rental Payment paid by the County under the Sublease designated as and evidencing and representing interest and received by the Owners of the ertificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from ate of California personal income taxes. In the further opinion of Special Counsel, interest is not a specific preference item for purposes of the federal dividual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when lculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the crual or receipt of the interest portion of the Base Rental Payments or the ownership or disposition of the Certificates. See "TAX MATTERS."

$23,600,000
COUNTY OF SANTA BARBARA
2008 CERTIFICATES OF PARTICIPATION

$17,000,000
Series A-1

$6,600,000
Series A-2

ated: Date of Delivery **Due: December 1, as shown on inside cover**

The $23,600,000 aggregate principal amount of County of Santa Barbara 2008 Certificates of Participation, comprised of $17,000,000 principal nount of Series A-1 Certificates (the "Series A-1 Certificates") and $6,600,000 principal amount of Series A-2 Certificates (the "Series A-2 ertificates" and together with the Series A-1 Certificates, the "Certificates") are being executed and delivered to provide funds, together with other wfully available moneys, to: (i) finance the costs of acquisition, installation and construction of capital improvements (collectively, the "Project");) pay capitalized interest on all or a portion of the Series A-1 Certificates; (iii) fund a reserve fund as security for the Certificates; and (iv) pay certain sts associated with the delivery of the Certificates. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS."

The Certificates evidence and represent the proportionate, undivided interest of the owner thereof in the base rental payments (the "Base Rental yments") to be made by the County of Santa Barbara, California (the "County") to the Santa Barbara County Finance Corporation, Inc. (the Corporation") pursuant to the terms of a Sublease, dated as of June 1, 2008 (the "Sublease"), by and between the Corporation and the County, pursuant which the County will lease certain real property and buildings, structures, fixtures and improvements thereon (the "Demised Premises") from the orporation. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The County covenants under the Sublease that, so long as the Demised Premises are available for use and occupancy by the County, the County ill take such action to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefore and to aintain certain types of insurance on the Demised Premises, the obligation of the County to make Base Rental Payments is subject to abatement in e event of damage or destruction to, or condemnation of or title defects to the Demised Premises or any portion thereof. See "INVESTMENT ONSIDERATIONS–Abatement."

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2008 (the "Trust Agreement") by and among e County, the Corporation and U.S. Bank National Association, as trustee (the "Trustee"). The Certificates will be delivered as fully registered rtificates, without coupons, in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New ork, New York ("DTC"). Ownership interests in the Certificates will be available to the beneficial owners thereof in denominations of $5,000 or any tegral multiple thereof under the book-entry system maintained by DTC. Purchasers of the Certificates will not receive physical certificates presenting their ownership interest in the Certificates. So long as DTC or its nominee is the registered owner of the Certificates, payments of the incipal component of and interest with respect to the Certificates will be made directly to DTC or its nominee, which will in turn remit such payments the beneficial owners of the Certificates. Interest due with respect to the Certificates is payable on each June 1 and December 1, commencing ecember 1, 2008.

The Series A-1 Certificates are subject to optional and extraordinary prepayment prior to their stated maturities as described herein. The eries A-2 Certificates are subject to optional and extraordinary prepayment prior to their stated maturities as described herein. See "THE ERTIFICATES–Prepayment Provisions."

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN BLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR HICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION F THE COUNTY TO MAKE BASE RENTAL PAYMENTS CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR ESTRICTION.

An investment in the Certificates involves risk. For a discussion of factors that should be considered in evaluating an investment in the Certificates, addition to the other matters presented in this Official Statement, see "INVESTMENT CONSIDERATIONS."

MATURITY SCHEDULE
(See Inside Cover)

This cover page contains certain information for general reference only. It is ***not*** intended as a summary of this transaction. Investors are advised read the entire Official Statement in its entirety to obtain information essential to making an informed investment decision.

The Certificates are offered when, as and if delivered and received by the Underwriter subject to the approval of certain legal matters by Orrick, errington & Sutcliffe LLP, California, Special Counsel to the County. Certain legal matters will be passed upon for the Corporation and the County by ounty Counsel and by Lofton & Jennings, San Francisco, California, Disclosure Counsel and for the Underwriter by Fulbright & Jaworski L.L.P., os Angeles, California, Underwriter's Counsel. It is anticipated that the Certificates will be available in book-entry only form through the facilities of TC in New York, New York, on or about June 26, 2008.

Banc of America Securities LLC

ated: June 12, 2008.

MATURITY SCHEDULE

$23,600,000
COUNTY OF SANTA BARBARA
2008 CERTIFICATES OF PARTICIPATION

$17,000,000 Series A-1

Maturity (December 1)	Principal Component	Interest Rate	Price or Yield	CUSIP No.† (801321)
2011	$655,000	4.000%	2.870%	JY7
2012	680,000	4.000	3.160	JZ4
2013	710,000	4.000	3.310	KA7
2014	735,000	4.000	3.480††	KB5
2015	765,000	4.000	3.640††	KC3
2016	800,000	4.000	3.800††	KD1
2017	830,000	4.000	3.960††	KE9
2018	865,000	4.000	4.110	KF6
2019	895,000	4.000	4.240	KG4
2020	935,000	4.200	4.380	KH2
2021	970,000	4.375	4.500	KJ8
2022	1,015,000	4.500	4.600	KK5
2023	1,060,000	4.500	4.700	KL3
2024	1,110,000	4.625	4.750	KM1
2025	1,160,000	4.625	4.800	KN9
2026	1,215,000	4.750	4.850	KP4
2027	1,270,000	4.750	4.900	KQ2
2028	1,330,000	4.750	4.950	KR0

$6,600,000 Series A-2

Maturity (December 1)	Principal Component	Interest Rate	Price or Yield	CUSIP No.† (801321)
2008	$140,000	3.000%	1.750%	KS8
2009	330,000	3.000	2.000	KT6
2010	340,000	3.000	2.460	KU3
2011	350,000	3.000	2.870	KV1
2012	360,000	4.000	3.160	KW9
2013	375,000	4.000	3.310	KX7
2014	390,000	4.000	3.460	KY5
2015	405,000	4.000	3.610	KZ2
2016	425,000	4.000	3.760	LA6
2017	440,000	4.000	3.910	LB4
2018	460,000	4.000	4.060	LC2
2019	475,000	4.000	4.190	LD0
2020	495,000	4.200	4.330	LE8
2021	515,000	4.300	4.450	LF5
2022	540,000	4.375	4.550	LG3
2023	560,000	4.500	4.650	LH1

† Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the County, the Corporation or the purchaser(s) take any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2008 Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

†† Priced to call at 100% on December 1, 2013.

The information contained herein has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter. All summaries of the Sublease, the Lease, the Trust Agreement, the Assignment Agreement and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

No dealer, broker, salesperson or other person has been authorized by the County, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Certificates shall under any circumstances create any implication that there has been no change in the affairs of the County, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "budget" "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the County or the Corporation. These forward-looking statements speak only as of the date of this Official Statement. The County and the Corporation disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the County or the Corporation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE CERTIFICATES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal security laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

COUNTY OF SANTA BARBARA, CALIFORNIA
BOARD OF SUPERVISORS

Salud Carbajal, *Chair, 1st District*
Joseph Centeno, *Vice Chair, 5th District*
Janet Wolf, *2nd District*
Brooks Firestone, *3rd District*
Joni Gray, *4th District*

COUNTY OFFICIALS

Michael F. Brown, *County Chief Executive Officer*
Bernice James, *Treasurer-Tax Collector*
Harry Hagen, *Assistant Treasurer Tax-Collector*
Stacey Matson, *Investment and Debt Officer*
Robert W. Geis, *Auditor-Controller*
Theo Fallati, *Assistant Auditor-Controller*
Julie Hagen, *Chief Deputy Controller*
Daniel Wallace, *County Counsel*
Anne Rierson, *Deputy County Counsel*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Special Counsel

Lofton & Jennings
San Francisco, California
Disclosure Counsel

U.S. Bank National Association
Los Angeles, California
Trustee

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VICINITY MAP

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$23,600,000
COUNTY OF SANTA BARBARA
2008 CERTIFICATES OF PARTICIPATION

$17,000,000	**$6,600,000**
Series A-1	**Series A-2**

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Certificates to potential investors is made only by means of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Trust Agreement (defined below) or the Sublease (defined below). See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–DEFINITIONS."

General; Purpose

The purpose of this Official Statement, including the cover page and the appendices hereto, is to furnish information in connection with the execution and delivery of $23,600,000 aggregate principal amount of County of Santa Barbara 2008 Certificates of Participation, comprised of $17,000,000 principal amount of Series A-1 Certificates (the "Series A-1 Certificates") and $6,600,000 principal amount of Series A-2 Certificates (the "Series A-2 Certificates" and together with the Series A-1 Certificates, the "Certificates"). The Certificates will be executed and delivered pursuant to a Trust Agreement (the "Trust Agreement") dated as of June 1, 2008 by and among the County of Santa Barbara (the "County") the Santa Barbara County Finance Corporation, Inc. (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee").

The Certificates are being delivered to: (i) finance the costs of the acquisition, installation and construction of capital improvements (collectively, the "Project"); (ii) pay capitalized interest on all or a portion of the Series A-1 Certificates; (iii) fund a reserve fund as security for the Certificates; and (iv) pay certain costs of delivery associated with the Certificates, all as more fully described herein. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS."

Security and Sources of Payment

General. The County owns certain real property and buildings, structures, fixtures and improvements thereon (the "Demised Premises") that the County, as lessor, will lease to the Corporation, as lessee, pursuant to the terms and conditions of a Lease, dated as of June 1, 2008 (the "Lease"). Pursuant to the terms and conditions of a Sublease, dated as of June 1, 2008 (the "Sublease"), by and between the Corporation, as lessor and the County, as lessee, the Corporation will sublet the Demised Premises to the County. The Certificates represent proportionate undivided interests of the registered owners thereof (the "Owners") in certain Base Rental Payments to be made by the County pursuant to the Sublease as rental for the Demised Premises. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

Pursuant to an Assignment Agreement, dated as of June 1, 2008 (the "Assignment Agreement"), the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, all of its rights, title and interest in the Lease and the Sublease, including its right to receive Base Rental Payments, and its right to exercise such rights and remedies conferred on the Corporation under the Sublease as may be necessary to enforce payments of the Base Rental Payments when due or otherwise to protect its interests in the event of a default by the County thereunder and its right of entry in and upon the Demised Premises as provided in the Sublease. All rights assigned by the Corporation pursuant to the Assignment Agreement will be exercised by the Trustee in accordance with the provisions of the Trust Agreement.

Under the Sublease, the County is required to make all Base Rental Payments in immediately available funds to the Trustee for the use and occupancy of the Demised Premises, which payments are scheduled in both time and amount to provide sufficient funds to pay, when due, the principal component of and interest with respect to the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES–Base Rental Payments."

Covenant to Budget and Appropriate. The County agrees and covenants in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due thereunder in each of its annual budgets and to a make the annual necessary annual appropriations for all such payments. Such agreement and covenants are deemed to be and are construed as duties of the County imposed by law. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

Right of Substitution and Release. Pursuant to the Sublease, the County and the Corporation may substitute other real property and the improvements, buildings, fixtures and equipment thereon for all or any portion of the Demised Premises and may release any portion of the Demised Property upon satisfaction of certain conditions. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

Abatement of Lease Payments. The obligation of the County to make Base Rental Payments under the Sublease is subject to partial or complete abatement during any period in which, by reason of material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy by the County of any portion of the Demised Premises. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES–Abatement." and "INVESTMENT CONSIDERATIONS–Abatement." Abatement of Base Rental Payments under the Sublease could result in Owners receiving less than the full amount of principal and interest on the Certificates, except to the extent proceeds of insurance (including rental interruption insurance) or condemnation awards or moneys in the Reserve Fund (defined herein) are available to make payments of principal of or interest on the Certificates (or the relevant portion thereof) during periods of abatement of Base Rental Payments.

The County may elect to use insurance proceeds for repair, replacement or reconstruction of the Demised Premises or may apply such proceeds to the prepayment of the Certificates. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

The obligation of the County to make Base Rental Payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental Payments constitute a debt of the County, the State or any of any political subdivision thereof within the meaning of any Constitutional or statutory debt limitation or restriction.

Reserve Fund

Pursuant to the Trust Agreement, a Reserve Fund is established for the benefit of the Owners of the Certificates in an amount equal to the Reserve Requirement (as defined herein). Amounts on deposit in the Reserve Fund will be used for the payment when due of all Base Rental Payments and under the Sublease and payments with respect to the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES–Reserve Fund" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Funds and Accounts."

On the date of delivery of the Certificates, the Corporation will deposit proceeds from the Certificates in the amount of $1,985,842.50 into the Reserve Fund as security for the Certificates, which amount is equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES–Reserve Fund."

Investment Considerations

An investment in the Certificates involves risk. Investors are advised to read the entire Official Statement to obtain information essential to making an informed decision to invest in the Certificates. For a discussion of certain investment considerations and risk factors that should be considered by prospective purchasers of the Certificates, in addition to the other matters presented in this Official Statement, see "INVESTMENT CONSIDERATIONS"

The County

The County of Santa Barbara was established by an act of the Legislature of the State of California (the "State") on February 18, 1850 and encompasses approximately 2,774 square miles of which approximately one-third is located in the Los Padres National Forest.

The County is a general law county and political subdivision of the State of California and its rights, powers, privileges, authority, functions and duties are established by the Constitution and laws of the State. For additional information regarding the County, see APPENDIX A–"GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF SANTA BARBARA" and APPENDIX B–"COUNTY OF SANTA BARBARA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

The Corporation

The Santa Barbara County Finance Corporation, Inc. (the "Corporation") was organized in July, 1983, as a California nonprofit public benefit corporation. The Corporation was formed for the specific and primary purpose of providing financial assistance to the County and other entities within the County in acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. See "THE CORPORATION."

Continuing Disclosure

The County has covenanted for the benefit of the beneficial owners of the Certificates to provide certain financial information and operating data relating to the County by no later than nine months after the end of each Fiscal Year commencing with the report for the Fiscal Year ended June 30, 2008 (each an "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with each National Recognized Municipal Securities Repository and with any then existing State Repository (collectively, the "Repositories"). The notices of material events will be

filed with the Repositories. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX F–"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The County has never failed to comply in all material respects with any previous undertaking pursuant to said Rule.

Reference to Documents

This Official Statement contains summaries of the Certificates, the security for the Certificates, the Trust Agreement, the Lease, the Sublease, the Assignment Agreement, the Corporation, the County, the Project and certain other information relevant to the delivery of the Certificates. Such descriptions do not purport to be comprehensive or definitive. The audited financial statements of the County for the Fiscal Year ended June 30, 2007 are included in APPENDIX B. The proposed form of legal opinion of Special Counsel with respect to the Certificates is set forth in APPENDIX E. The information set forth in this Official Statement has been furnished by the County and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the County or the Underwriter and is not to be construed as a representation by the Underwriter. Copies of documents referred to herein and information concerning the Certificates are available upon request from the County Auditor-Controller, County of Santa Barbara, 105 East Anapamu Street, Room 303, Santa Barbara, California 93101. The County may impose a charge for copying, mailing and handling.

THE PROJECT

The County will apply a portion of the net proceeds of the Certificates to finance certain capital improvement projects and equipment, or such other equipment or capital improvement substituted for the following which are identified in a Request of the County delivered to the Trustee (collectively, the "Project"):

Tajiguas Landfill Project. The County expects to use approximately $6.0 million of the proceeds of the Certificates to install a low permeability liner at the Tajiguas Landfill. The installation of this liner is part of a multi-phased project that will expand the landfill to provide sufficient capacity to meet the disposal needs of the County for approximately 15 years. This liner phase will cover approximately 10 acres and will provide an additional two years of capacity. Each of the phased liner projects are required to be installed in order to protect groundwater in accordance with State environmental requirements. Construction and installation of the liner is expected to commence in April 2008 and be completed in November 2008.

Redevelopment Projects. The County will advance approximately $13.4 million of the proceeds of the Certificates to the Santa Barbara County Redevelopment Agency (the "Agency") pursuant to the terms of a Repayment Agreement dated as of June 1, 2008. The Agency will use such amounts to acquire, install and construct certain capital improvements in the Isla Vista Redevelopment Project Area, including, but not limited to the widening of sidewalks; improvements to intersections; acquisition of land, development of parking improvements; expansion and development of park facilities; various road, public utilities and storm drain improvements; and construction and installation of landscaping improvements. Implementation of the Redevelopment Projects is expected to commence in June 2008 and be completed in June 2010.

The County reserves the right to substitute other projects at a later date. Prospective purchasers of the Certificates should also be aware that certain of the Project components listed above may only be partially funded with proceeds of the Certificates and may receive additional funding from other sources, including the General Fund of the County.

ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS

The Certificate proceeds are estimated to be used as set forth below:

TABLE 1
ESTIMATED SOURCES AND USES

	Series A-1	Series A-2	Total
Sources:			
Par Amount of Certificates	$17,000,000.00	$6,600,000.00	$23,600,000.00
Less: Net Original Issue Discount	(88,260.45)	–	(88,260.45)
Plus: Original Issue Premium	–	25,391.15	25,391.15
TOTAL SOURCES	$16,911,739.55	$6,625,391.15	$23,537,130.70
Uses:			
Deposit to Project Fund	$13,400,000.00	6,000,000.00	$19,400,000.00
Deposit to Reserve Fund	1,430,479.77	555,362.73	1,985,842.50
Deposit to Capitalized Interest Fund(1)	1,863,096.43	–	1,863,096.43
Delivery Costs(2)	218,163.35	70,028.42	288,191.77
TOTAL USES	$16,911,739.55	$6,625,391.15	$23,537,130.70

(1) Represents capitalized interest on all of the Series A-1 Certificates through December 1, 2010 and on a portion of the Series A-1 Certificates through June 1, 2011.

(2) Includes rating fees, legal fees, initial Trustee fees, printing costs, Underwriter's discount, and other expenses. For information regarding the Reserve Requirement for the Certificates, see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES–Reserve Fund." For information regarding the Underwriter's discount for the Certificates, see "UNDERWRITING."

THE CERTIFICATES

Description of the Certificates

The Certificates will be executed, sold and delivered in the aggregate principal amount of $23,600,000, comprised of $17,000,000 principal amount of Series A-1 Certificates and $6,600,000 principal amount of Series A-2 Certificates, and will be dated their date of delivery. Interest with respect to the Certificates will be payable at the rates per annum set forth on the inside cover page hereof, payable semiannually on June 1 and December 1, commencing December 1, 2008 (each, an "Interest Payment Date"), and will mature on December 1 in each of the designated years and in the principal amounts shown on the inside cover of this Official Statement.

The Certificates will be executed, sold and delivered in fully registered form without coupons, in denominations of $5,000 each or any integral multiple thereof. The Certificates will be issued in book-entry only form, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Certificates. So long as Cede & Co., as nominee of DTC, is the registered owner of the Certificates, payments of the principal of, premium, if any, and interest on the Certificates will be made directly to

DTC. Disbursement of such payment to Direct Participants and Indirect Participants is the responsibility of the Direct Participants and the Indirect Participants, each such term as hereinafter defined. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Prepayment Provisions

Optional Prepayment of Series A-1 Certificates. The Series A-1 Certificates maturing on or before December 1, 2013, are not subject to optional prepayment prior to their respective stated Certificate Payment Dates.

The Series A-1 Certificates maturing on or after December 1, 2014, are subject to prepayment prior to their stated Certificate Payment Date, at the option of the County, from any available source of funds, as a whole or in part on any date on or after December 1, 2013 at 100% of the principal amount evidenced and represented thereby without premium, plus interest evidenced and represented thereby accrued to the date of prepayment.

Optional Prepayment of Series A-2 Certificates. The Series A-2 Certificates maturing on or before December 1, 2018, are not subject to optional prepayment prior to their respective stated Certificate Payment Dates.

The Series A-2 Certificates maturing on or after December 1, 2019, are subject to prepayment prior to their stated Certificate Payment Date, at the option of the County, from any available source of funds, as a whole or in part on any date on or after December 1, 2018 at 100% of the principal amount evidenced and represented thereby without premium, plus interest evidenced and represented thereby accrued to the date of prepayment.

Extraordinary Prepayment. The Certificates of both Series are subject to prepayment prior to their respective Certificate Payment Dates, upon notice, on any date as a whole or in part from such Certificate Payment Dates from proceeds of insurance received for damage or destruction of the Demised Premises or portions thereof and from eminent domain and title insurance proceeds with respect to the Demised Premises at a prepayment price equal to the 100% of the principal amount or such part thereof evidenced and represented by the Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for payment, without premium.

Prepayment Procedures

Selection of Certificates for Prepayment. If less than all the Outstanding Certificates of a Series are to be prepaid on any one date, the Trustee is required to select the Certificate Payment Dates of the Certificates of such Series to be so prepaid and the amount of Certificates with such respective Certificate Payment Dates in accordance with the provisions contained in a Request of the County delivered in accordance with the Sublease. In connection with an "Extraordinary Prepayment" as described above, the Request of the County shall provide that the Certificates shall be selected among Series and Certificate Payment Dates so that the annual Base Rental Payments payable after the prepayment is as nearly proportional as practicable to the annual Base Rental Payments prior to such prepayment. If less than all the Outstanding Certificates of any one Certificate Payment Date of any Series are to be prepaid on any one date, the Trustee is required to select the Certificates of such Certificate Payment Date of such Series to be prepaid by lot in any manner that the Trustee deems appropriate and fair, and the Trustee is required to promptly notify the Corporation and the County in writing of the numbers of the Certificates so selected for prepayment in whole or in part on such date.

Notice of Prepayment. The Trustee is required under the Trust Agreement to give notice of prepayment by first class mail to the respective Owners of any Certificates designated for prepayment in whole or in part prior to their prepayment date. Notice of prepayment is required to be mailed by first class mail, not less than 30 nor more than 60 days prior to the prepayment date, to (i) the Securities Depositories and (ii) one or more Information Services. Each notice of is required to state the date of notice, the prepayment date, the prepayment place and the prepayment price, shall designate the Series, the Certificate Payment Dates, CUSIP numbers, if any, and the serial numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates of a Series between two stated numbers, both inclusive, have been called for prepayment, (in the case of any Certificate called for prepayment in part only) state the part of the principal amount evidenced and represented thereby which is to be prepaid, and state that the interest evidenced and represented by the Certificates of a Series or parts thereof designated for prepayment will cease to accrue from and after such prepayment date and that on such prepayment date there will become due and payable on each of the Certificates of a Series or parts thereof designated for prepayment the prepayment price evidenced and represented thereby.

Neither failure of the Trustee to mail any notice of prepayment nor any defect in the notice so mailed will affect the sufficiency of the proceedings for the prepayment of any of the Certificates of a Series for which notice was properly given.

Effect of Notice of Prepayment. If notice of prepayment is given as described in the Trust Agreement and money for the payment of the prepayment price of the Certificates of a Series or parts thereof to be prepaid is held by the Trustee, then on the prepayment date designated in such notice, the Certificates or such parts thereof so called for prepayment will become payable at the prepayment price evidenced and represented thereby as specified in such notice; and from and after the date so designated interest evidenced and represented by the Certificates or such parts thereof so called for prepayment will cease to accrue, such Certificates or such parts thereof will cease to be entitled to such benefit, protection or security of the Trust Agreement and the Owners of such Certificates will have no rights in respect of the Trust Agreement except to receive payment of the prepayment price evidenced and represented by the Certificates or such parts to be prepaid.

Additional Certificates

The County and the Corporation may execute and deliver Additional Certificates on a parity with the Certificates, pursuant to the Trust Agreement. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS –TRUST AGREEMENT."

Debt Service Requirements

The County is required to make Base Rental Payments to the Corporation pursuant to the Sublease five days prior to each June 1 and December 1, which amounts will be deposited into the Base Rental Payment Fund established under the Trust Agreement to pay the principal of and interest represented by the Certificates. The Base Rental Payment Schedule required for the Certificates is shown in the table on the following page.

TABLE 2
DEBT SERVICE REQUIREMENTS

Period	Series A-1			Series A-2			Total Annual
Ending	Principal	Interest	Total	Principal	Interest	Total	Debt Service
12/1/2008	–	$318,043.85	$318,043.85	$140,000	$111,841.11	$251,841.11	$569,884.96
6/1/2009	–	369,341.25	369,341.25	–	127,780.00	127,780.00	–
12/1/2009	–	369,341.25	369,341.25	330,000	127,780.00	457,780.00	1,324,242.50
6/1/2010	–	369,341.25	369,341.25	–	122,830.00	122,830.00	–
12/1/2010	–	369,341.25	369,341.25	340,000	122,830.00	462,830.00	1,324,342.50
6/1/2011	–	369,341.25	369,341.25	–	117,730.00	117,730.00	–
12/1/2011	$655,000	369,341.25	1,024,341.25	350,000	117,730.00	467,730.00	1,979,142.50
6/1/2012	–	356,241.25	356,241.25	–	112,480.00	112,480.00	–
12/1/2012	680,000	356,241.25	1,036,241.25	360,000	112,480.00	472,480.00	1,977,442.50
6/1/2013	–	342,641.25	342,641.25	–	105,280.00	105,280.00	–
12/1/2013	710,000	342,641.25	1,052,641.25	375,000	105,280.00	480,280.00	1,980,842.50
6/1/2014	–	328,441.25	328,441.25	–	97,780.00	97,780.00	–
12/1/2014	735,000	328,441.25	1,063,441.25	390,000	97,780.00	487,780.00	1,977,442.50
6/1/2015	–	313,741.25	313,741.25	–	89,980.00	89,980.00	–
12/1/2015	765,000	313,741.25	1,078,741.25	405,000	89,980.00	494,980.00	1,977,442.50
6/1/2016	–	298,441.25	298,441.25	–	81,880.00	81,880.00	–
12/1/2016	800,000	298,441.25	1,098,441.25	425,000	81,880.00	506,880.00	1,985,642.50
6/1/2017	–	282,441.25	282,441.25	–	73,380.00	73,380.00	–
12/1/2017	830,000	282,441.25	1,112,441.25	440,000	73,380.00	513,380.00	1,981,642.50
6/1/2018	–	265,841.25	265,841.25	–	64,580.00	64,580.00	–
12/1/2018	865,000	265,841.25	1,130,841.25	460,000	64,580.00	524,580.00	1,985,842.50
6/1/2019	–	248,541.25	248,541.25	–	55,380.00	55,380.00	–
12/1/2019	895,000	248,541.25	1,143,541.25	475,000	55,380.00	530,380.00	1,977,842.50
6/1/2020	–	230,641.25	230,641.25	–	45,880.00	45,880.00	–
12/1/2020	935,000	230,641.25	1,165,641.25	495,000	45,880.00	540,880.00	1,983,042.50
6/1/2021	–	211,006.25	211,006.25	–	35,485.00	35,485.00	–
12/1/2021	970,000	211,006.25	1,181,006.25	515,000	35,485.00	550,485.00	1,977,982.50
6/1/2022	–	189,787.50	189,787.50	–	24,412.50	24,412.50	–
12/1/2022	1,015,000	189,787.50	1,204,787.50	540,000	24,412.50	564,412.50	1,983,400.00
6/1/2023	–	166,950.00	166,950.00	–	12,600.00	12,600.00	–
12/1/2023	1,060,000	166,950.00	1,226,950.00	560,000	12,600.00	572,600.00	1,979,100.00
6/1/2024	–	143,100.00	143,100.00	–	–	-	–
12/1/2024	1,110,000	143,100.00	1,253,100.00	–	–	–	1,396,200.00
6/1/2025	–	117,431.25	117,431.25	–	–	–	–
12/1/2025	1,160,000	117,431.25	1,277,431.25	–	–	–	1,394,862.50
6/1/2026	–	90,606.25	90,606.25	–	-	–	–
12/1/2026	1,215,000	90,606.25	1,305,606.25	–	–	–	1,396,212.50
6/1/2027	–	61,750.00	61,750.00	–	–	–	–
12/1/2027	1,270,000	61,750.00	1,331,750.00	–	–	–	1,393,500.00
6/1/2028	–	31,587.50	31,587.50	–	–	–	–
12/1/2028	1,330,000	31,587.50	1,361,587.50	–	–	–	1,393,175.00
TOTAL	$17,000,000	$9,892,471.35	$26,892,471.35	$6,600,000	$2,446,756.11	$9,046,756.11	$35,939,227.46

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Pledge Under the Trust Agreement

The Certificates represent a proportionate interest in Base Rental Payments to be made by the County to the Corporation under the Sublease. The Base Rental Payments are irrevocably pledged to the Trustee for the benefit of the Owners for the payment of the interest and principal evidenced and represented by the Certificates. The Corporation, pursuant to the Assignment Agreement, assigns to the Trustee certain of its rights under the Sublease, including, but not limited to, (i) all rights of the Corporation to receive and collect all of Base Rental Payments from the County under the Sublease; (ii) the right to receive and collect any proceeds of any insurance maintained pursuant to the Sublease with respect to the Demised Premises, or any condemnation award (or proceeds of sale under threat of condemnation) paid with respect to the Demised Premises; and (iii) the right to exercise such rights and remedies conferred on the Corporation under the Sublease as may be necessary or convenient to enforce payment of the Base Rental Payments and any other amounts required to be deposited in the Base Rental Payment Fund or the Insurance Proceeds Fund established under the Trust Agreement, or otherwise to protect the interests of the Owners in the event of a default by the County under the Sublease.

The obligation of the County to make Base Rental Payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the County to make Base Rental Payments constitute a debt of the County, the State or any of political subdivision thereof within the meaning of any Constitutional or statutory debt limitation or restriction.

Deposit of Base Rental Payments

The Trustee is required under the Trust Agreement to deposit the Base Rental Payments as received into the Base Rental Payment Fund. All moneys deposited in the Base Rental Payment Fund are held in trust by the Trustee for the benefit of the Owners of the Certificates and will be disbursed, allocated, and applied solely for the uses and purposes set forth in the Trust Agreement.

So long as any Certificates are Outstanding, the Trustee will apply amounts on deposit in the Base Rental Payment Fund to pay *first* the interest evidenced and represented by the Certificates to but not including their respective Interest Payment Dates and *second* the principal evidenced and represented by the Certificates on their respective Certificate Payment Dates.

Reserve Fund

General. A Reserve Fund for the Certificates is established by the Trust Agreement and is required to be funded in the amount of the Reserve Requirement, which is an amount equal to the lesser of: (i) 10% of the original principal amount of the Certificates; (ii) 125% of the average annual principal and interest with respect to all Outstanding Certificates or (iii) the maximum annual principal amount and interest with respect to all Outstanding Certificates. On the date of delivery of the Certificates, proceeds in the amount of $1,985,842.50, which is equal to the maximum annual principal amount and interest with respect to the Certificates, will be deposited into the Reserve Fund, which amount is equal to the Reserve Requirement.

Application of Reserve Fund. If on the Business Day before the date any payment of principal or interest is required to be made, the amount on deposit in the Base Rental Payment Fund is insufficient to make such payment, the Trustee is required to immediately notify the County of the fact and amount of such insufficiency. If on any Interest Payment Date the amount on deposit in the Base Rental Payment

Fund is insufficient to pay the interest due with respect to the Certificates on such date, or if on any Certificate Payment Date the amount on deposit in the Base Rental Payment Fund is insufficient to pay the principal due with respect to the Certificates on such date, the Trustee is required to transfer *pro rata* from between subaccounts within the Reserve Fund and deposit in the Base Rental Payment Fund an amount sufficient to make up such deficiency.

Amounts in the Reserve Fund in excess of the Reserve Fund Requirement will be transferred on or about May 15 and November 15 of each year to the Base Rental Payment Fund or to such other fund as directed by a Request of the County.

Pursuant to the Trust Agreement, the County may satisfy the Reserve Fund Requirement, in whole or in part, at any time by the deposit with the Trustee for the credit of the Reserve Fund of a surety bond, an insurance policy or letter of credit, or any combination thereof.

Covenant to Budget and Appropriate

The County agrees and covenants in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Sublease in its annual budgets and to make the necessary annual appropriations for all such payments, and to furnish to the Trustee within 30 days after the final adoption thereof a Certification that the budget for the ensuing Fiscal Year appropriates sufficient monies to make all payments due under the Sublease and to furnish to the Corporation copies of each annual budget of the County within 60 days after the final adoption thereof.

The Base Rental Payments are irrevocably pledged to the Trustee for the benefit of the Owners of the Certificates. The County is required to make each Base Rental Payment to the Trustee no later than five days before each June 1 or December 1 which will be sufficient to pay, when due, the scheduled principal and interest represented by the Certificates. Base Rental Payments are not subject to acceleration.

Pursuant to the Sublease, the County agrees to pay to the Corporation as Additional Rental such amounts in each year as are required for the payment in full of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement or assignment of the Sublease, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Corporation and the Trustee in connection with the Demised Premises, the Sublease, the Assignment Agreement and the Trust Agreement and all taxes, assessments and governmental charges of any nature whatsoever levied or imposed by any governmental authority against the Corporation, the Demised Premises or the rentals and the other payments required to be made by the County.

The obligation of the County under the Sublease to appropriate funds to pay Base Rental Payments and Additional Rental is not limited to any particular source of funds; and the County is required to pay the Base Rental Payments and Additional Rental due under the Sublease from any lawfully available funds of the County including, without limitation, amounts available from the General Fund. See also "COUNTY FINANCIAL INFORMATION–Long Term Obligations–*Direct and Overlapping Debt.*"

Insurance

Casualty Insurance. The County is required to procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, insurance against loss or damage to any structure constituting any part of the Demised Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. The extended coverage insurance is required, as nearly as

practicable, to cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance is required to be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises, excluding the cost of excavations, of grading and filling and of the land. The County may, in its discretion, insure the Demised Premises under blanket insurance policies which insure not only the Demised Premises but also other properties as long as such blanket insurance policies comply with the requirements of the Sublease. The County may, at its election, provide for casualty insurance partially or wholly by means of a self-insurance program meeting the requirements set forth in the Sublease. The net proceeds of such insurance are required to be applied as provided in the Trust Agreement. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 for all losses in any year.

Business Interruption Insurance. The County is required to procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, business interruption insurance to cover loss, total or partial, of the use of any structures constituting any part of the Demised Premises as the result of any of the hazards covered by the casualty insurance, in an amount sufficient to pay the total Base Rental Payments for a period of at least 24 months. The net proceeds of such insurance are required to be paid to the Trustee for deposit in the Base Rental Payment Fund.

Title Insurance. The County is required to obtain title insurance on the Demised Premises, in the form of a leasehold owners title policy, in an amount equal to the sum of the aggregate principal components of the Base Rental, issued by a company of recognized standing duly authorized to issue the same, payable to the Trustee, subject only to Permitted Encumbrances.

Application of Insurance and Condemnation Proceeds. The proceeds of any casualty or title insurance with respect to the Demised Premises, if received by the Corporation or the County, is required to be paid immediately to the Trustee for deposit into the Insurance Proceeds Fund and used to repair or replace the Demised Premises or if the County elects not to repair or replace the property damaged, destroyed or taken, for deposit into the Prepayment Account and applied to the prepayment of Outstanding Certificates pursuant to the Trust Agreement at the earliest possible prepayment date.

The proceeds of any condemnation award are required to be deposited by the Trustee in the Prepayment Account and applied to the prepayment of Outstanding Certificates pursuant to the Trust Agreement at the earliest possible prepayment date.

Abatement

The Base Rental Payments will be abated during any period in which, by reason of material damage or destruction, other than by condemnation, there is substantial interference with the use and occupancy by the County of any portion of the Demised Premises. The amount of such abatement will be such that the resulting Base Rental Payments do not exceed the lesser of (i) the amount necessary to pay the originally scheduled Base Rental Payments remaining unpaid and (ii) the fair rental value for the use and possession of the Demised Premises not so damaged or destroyed. Such abatement will continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Demised Premises so damaged or destroyed. In the event of any such damage or destruction, the Sublease will continue in full force and effect and the County waives any right to terminate the Sublease by virtue of any such damage or destruction. See "INVESTMENT CONSIDERATIONS–Abatement of Lease Payments."

Eminent Domain

If the Demised Premises (or portions thereof such that the remainder is not usable for public purposes by the County) is taken under the power of condemnation or eminent domain, the term of the Sublease will cease as of the day that possession is taken. If less than the entire Demised Premises is taken under the power of condemnation or eminent domain and the remainder is usable for public purposes by the County at the time of such taking, then the Sublease will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due under the Sublease in an amount equivalent to that proportion of the Base Rental thereunder which the fair market value of the portion taken bears to the fair market value of the Demised Premises as a whole. So long as any of the principal components of the Base Rental remain unpaid any award made in eminent domain proceedings for taking the Demised Premises or any portion thereof will be applied to the prepayment of the principal components of Base Rental Payments and any remaining balance of any such award will be applied to the making of Additional Rental. Any such award made after all of the Base Rental and Additional Rental have been fully paid, or provision therefor made, will be paid to the Corporation and to the County as their respective interests may appear.

Default

If the County defaults in the observance or performance of any agreement, condition, covenant or term contained under the Sublease, then the Corporation or its assignee may exercise any and all remedies available pursuant to law or granted pursuant to the Sublease. In the event of default, the Corporation or its assignee may (i) maintain the Sublease in full force and effect and recover rent and other monetary charges as they become due without terminating the County's right to possession regardless of whether or not the County has abandoned the Demised Premises; or (ii) terminate the Sublease notwithstanding any re-entry or re-letting of the Demised Premises and to re-enter the Demised Premises and remove all persons in possession thereof and all personal property whatsoever situated upon the Demised Premises. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–LEASE." See "INVESTMENT CONSIDERATIONS–Limitations on Exercise of Remedies" for a discussion on the limitations on the Trustee's ability to exercise certain remedies if the City defaults under the Lease.

Demised Premises

Pursuant to the Sublease, the County will lease to the Corporation each of the premises described below (collectively, the "Demised Premises").

Santa Barbara Juvenile Hall. This single-story, approximately 22,467 square foot, steel frame, wood truss, reinforced concrete and brick building and was constructed in 1965. This building is located at 4500 Hollister Avenue in the unincorporated area of the County. The County Juvenile Probation offices are located in this building.

Probation Headquarters Building. This two-story, approximately 21,728 square foot, steel frame, wood truss, reinforced concrete and stucco building is located on an approximately 0.96 acre site and was constructed in 1965 and remodeled in the early 1990s. This building is located at 117 East Carrillo Street in the City of Santa Barbara and includes 32 surface parking spaces. The main County Probation offices are located in this building.

Betteravia Building A-Probation. This two-story, approximately 24,762 square foot, steel frame, wood truss, reinforced concrete building is located on an approximately 1.69 acre site and was constructed in 1991. This building is located at 2121 South Centerpointe Parkway in the City of Santa Maria and includes an elevator and surface parking for approximately 108 vehicles.

Betteravia Building B. [illegible] eel frame, wood truss, reinforced concrete and [illegible] ere site and was constructed in 1991. This building is located at 2115 South Centerpointe Parkway in the City of Santa Maria. The County Public Health Department operates a clinic in this building.

The following table summarizes the details of the Demised Premises:

Demised Premises	Address	Original Completion Date	Approx. Acreage of Site	Approx. Building Square Footage	Term of Sublease	Estimated Value
Santa Barbara Juvenile Hall Building	4500 Hollister Avenue	1965	–	22,467	12/1/2028	$9,400,000[1]
Probation Headquarters Building	117 East Carrillo Street	1965	0.96	21,728	12/1/2028	9,000,000[2]
Betteravia Building A-Probation	2121 South Centerpointe Parkway	1991	1.69	24,762	12/1/2028	5,000,000[3]
Betteravia Building B	2115 South Centerpointe Parkway	1991	2.24	25,075	12/1/2023	5,000,000[4]
TOTAL						$28,400,000

(1) Represents the replacement cost-new value of this building as of April 11, 2008 based upon a review completed by Schott & Company Real Estate Appraisal & Consulting (the "Appraiser").

(2) Based upon an appraisal of this building completed by the Appraiser as of April 11, 2008.

(3) Represents the estimated "as is" market value of this building as of April 8, 2008 based upon an appraisal of this building completed by the Appraiser.

(4) Estimated by the County based upon an appraisal of Building A Probation, which was constructed at the same time as this component of the Demised Premises, has a similar footprint and is constructed of similar materials.

Source: County of Santa Barbara.

Substitution and Release of Demised Premises

The County and the Corporation may substitute and release real property as part or in place of the Demised Premises for purposes of the Lease and the Sublease, but only after the County has filed with the Corporation and the Trustee with copies to each rating agency then providing a rating for the Certificates, certain information required by the Sublease. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

INVESTMENT CONSIDERATIONS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

No Acceleration Upon Default

If the County defaults on its obligations to make Base Rental Payments, a remedy of the Trustee, as assignee of the Corporation, is to sue for the Base Rental Payments as they become due. **In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The** County, while it is lessee, will only be liable for the Base Rental Payments on an annual basis, and the Trustee, as assignee of the Corporation, would be required to seek a separate

judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in California. Alternatively, the Trustee could take possession of the Demised Premises and re-let it if the County is in default. However, the value of the Demised Premises to another party is uncertain, and, given the essential nature of the governmental function of the Demised Promises, it is also uncertain whether a court would permit the exercise of the remedies of repossession and re-letting of the Demised Premises.

Limitations on Remedies

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against counties in the State. Additionally, enforceability of the rights and remedies of the Owners of the Certificates and the obligations incurred by the County may be subject to the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect. Equity principles may limit the enforcement of certain remedies. Such limitations on remedies could result in delays, limitations or modification of Owners' rights.

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the County, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against counties in the State.

Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the County, there are no involuntary petitions in bankruptcy. If the County were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited from taking any steps to enforce their rights under the Sublease, and from taking steps to collect amounts due from the County under the Sublease.

Base Rental Payments Not a Debt of the County

The obligation of the County to make Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental Payments from any source of available funds, and the County has covenanted in the Sublease that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The County is currently liable and may become liable on other obligations

payable from general revenues, some of which may have a priority over the Base Rental Payments. See also "COUNTY FINANCIAL INFORMATION–Long Term Obligations–*Direct and Overlapping Debt*"

The County has the capacity to enter into other obligations which may constitute additional charges against its general revenues. To the extent that additional obligations are incurred by the County the funds available to make Base Rental Payments may be decreased. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other activities before making Base Rental Payments and other payments due under the Sublease.

See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Article XIII B of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Sublease, the County covenants to take such action as may be necessary to include Base Rental Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX E–"PROPOSED FORM OF LEGAL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Sublease constitutes a valid and binding obligation of the County. As to the practical realization of remedies upon default by the County, see "–Limitations on Remedies" and "–Limited Recourse Upon Default."

Abatement

The Sublease provides that the amount of Base Rental Payments and Additional Payments will be abated during any period in which there is substantial interference with the use and possession of all or a portion of the Demised Premises by the County by condemnation, damage, destruction or title defect. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES–Abatement" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE." Such abated Base Rental Payments, together with other available moneys, if any, may not be sufficient to pay principal and interest represented by the Certificates in the amounts and at the rates set forth herein. In such an event, all Owners of the Certificates would forfeit a *pro rata* portion of interest attributable to abated Base Rental Payments payable during the period of abatement and, to the extent Certificates mature during a period of abatement, the Owners of such Certificates would forfeit a *pro rata* portion of principal attributable to such abated Base Rental Payments. The failure to make such payments of principal and interest would not under such circumstances constitute a default under the Trust Agreement, the Sublease or the Certificates.

It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Sublease or at the time of the abatement. If the latter, it may be that the value of the Demised Premises could be substantially higher or lower than its value at the date of delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

Limited Recourse Upon Default

If the County defaults on its obligations to make Base Rental Payments with respect to the Demised Premises, the Trustee will have the right to re-enter the Demised Premises and either terminate the Sublease or re-let the Demised Premises. In the event such re-letting occurs, the Sublease provides that the County would be liable for any deficiency in Base Rental Payments that results there from. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

No assurance can be given that the Trustee will be able to re-let the Demised Premises so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Demised Premises.

No Acceleration

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The County will be liable only for Base Rental Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest. APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

No Liability by Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners of Certificates with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Sublease or Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement. The Corporation has no assets or revenues.

Natural Disasters

The obligation to pay Lease Payments may be adversely affected if the Demised Premises are damaged or destroyed by natural disasters such as earthquake, flood or wildfire.

While the County currently maintains both earthquake insurance and flood insurance with respect to the Demised Premises, the County has no obligation to continue either form of insurance through the remainder of the lease term. Damage or destruction to the Demised Premises caused by earthquake or flood could result in abatement of Base Rental Payments.

Pursuant to and under the circumstances described in the Sublease, the County is required to maintain or is permitted to self-insure for casualty, workers' compensation and standard comprehensive public entity liability. The County may not self-insure for loss of use and occupancy of any portion of the Demised Premises. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Insurance to be Maintained by the County." However, no assurance can be given that such insurance or self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise.

Wildfires. The County is exposed to a variety of wildfire hazard conditions ranging from very low levels of risk along the coastal portions of the County, to extreme hazards in the inland and chaparral covered hillsides of the Santa Ynez Mountains and the Los Padres National Forest. Currently, fire hazard severity is a function of fuel conditions, historic climate, and topography. Population density or the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated as having a "Very High Severity Hazard," "High Hazard," or "Moderate Hazard." In the County, most of the area that has been designated as having a "Very High Severity Hazard" are located in the Santa Ynez Mountains and the Los Padres National Forest. These areas exhibit the combination of vegetative fuel, topography, and human proximity that contribute to an extreme fire hazard potential. The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is less.

The State, particularly Southern California, is periodically subject to wild fires. Beginning on October 24, 2003, several fires occurred in San Bernardino County, San Diego County and Ventura County where they collectively burned more than 750,000 acres, destroyed 3,346 homes, and resulted in 20 deaths since. The County was unaffected by these fires.

During Fiscal Year 2007-2008, the County experienced the second largest (at the time) fire disaster in the recorded history of the State. Because the damage was mostly contained to the Los Padres National Forest, damage to public property was estimated at only approximately $2.3 million. The State Office of Emergency Services ("OES") is expected to fund approximately 75% of the estimated costs.

When wildfires scorch thousands of acres in Southern California, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding as described below.

Flooding. Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (*i.e.* not in a floodplain) and has less than a 1% chance of flooding each year as being within a Non-Special Flood Hazard Area (a "NSFHA"). Both the Demised Premises and the Project are located in areas designed by FEMA as subject to low to moderate flood risk. The County can make no representation that future maps will not be revised to include the Demised Premises within an area deemed subject to flooding. The County is obligated under the Sublease to maintain flood insurance on the Demised Premises. The occurrence of flooding to the Demised Premises could result in an abatement of Lease Payments and could have an adverse effect on the ability of the County to make timely Lease Payments.

The County most recently experienced flooding in Fiscal Year 2000-01 and Fiscal Year 2004-05. In Fiscal Year 2000-01 the County experienced a series of powerful winter storms that produced heavy rains, high winds and heavy surf in both the incorporated and unincorporated areas of the County. Damage to public property, including infrastructure, was estimated at approximately $3.5 million. Heavy rains in early 2005 resulted in damage to roads throughout the County. The County Public Works Division estimated construction costs of approximately $14 million for repairs including emergency repairs, debris removal and permanent restoration projects. Approximately 75% of the cost of such projects were paid for by FEMA and OES and were spread over a three year period. During Fiscal Year 2004-05, approximately 74% of the cost was paid by FEMA and approximately 25% was paid for by OES. The remaining $900,000 was funded from County resources.

Seismic Factors. Generally, seismic activity occurs on a regular basis in the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity.

Both the City of Santa Barbara and the County have a program requiring the retrofitting of certain property to meet higher standards of earthquake safety. Implementation of this program is ongoing and will continue for some years. There has been no major earthquake with an epicenter located in the County since August 1978; however, a number of faults located both within and outside of the County could become the site of quake activity impacting the County. The 1994 earthquake in Los Angeles County, which was centered in Northridge and was felt in the County, did not result in any deaths, injuries or property damage in the County according to the County Office of Emergency Services. In December 2003, an earthquake registering 6.5 on the Richter scale occurred with an epicenter 11 miles northeast of San Simeon. This earthquake resulted in some property damage in the County including but not limited to the Cities of Guadalupe and Santa Maria. The County is in the process of retrofitting the Santa Barbara and Santa Maria Courthouses. Approximately 75% of this cost is expected to be paid with funds received from the Federal Hazard Mitigation Grant Program. The remaining costs are expected to be paid by the County from available funds.

Hazardous Substances

Owners and operators of real property may be required to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is best well known and widely applicable of these laws. In addition, California laws impose particular requirements with regard to hazardous substances. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal ability of the property owner to develop the affected property or other adjacent property, and the value of the affected property or adjacent property. The County has no actual knowledge of existing hazardous substances on the Demised Premises.

State Funding of Counties

The County receives a portion of its funding from subventions by the State. In Fiscal Year 2007-08, approximately 11% of the General Fund Budget is expected to consist of payments from the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the County and other counties in the State. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in this and future fiscal years is uncertain at this time. For a discussion of the potential impact of State budget actions for Fiscal Year 2005-06 through Fiscal Year 2007-08 on the County in particular, and other counties in the State generally, see "COUNTY FINANCIAL INFORMATION–State Budget Acts."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended on several occasions in various respects. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and or bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster or in the event of certain transfers to children or spouses or of the elderly or disabled to new residences.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B of the California Constitution

On October 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 fiscal year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91 each appropriations limit must be

recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitations of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs. Appropriations for "qualified capital outlays" are excluded from the limits of Proposition 111.

For Fiscal Year 2006-07, the County's Article XIII B limit was $535,268,977 (audited) and budgeted appropriations subject to limitation were $152,509,393 (audited). For Fiscal Year 2007-08, the County's Article XIII B limit is $568,134,492 (unaudited) and budgeted appropriations subject to limitation are $153,657,138 (unaudited). The County has never exceeded its Article XIII B appropriations limit and does not anticipate having any difficulty in operating within the appropriations limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 likely will be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The County believes that no existing County-imposed taxes deposited into its General Fund will be affected by the voter approval requirements of Proposition 218, although as indicated below certain tax levies may be affected by Proposition 62. The voter approval requirements of Proposition 218 reduce the flexibility of counties to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must

confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. The County does not believe that it is currently collecting fees, charges or assessments subject to repeal by Article XIII D. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. If such repeal or reduction were to occur, the County's ability to repay the Certificates could be adversely affected.

Proposition 62

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al. ("La Habra")*. In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The County has imposed no taxes to which Proposition 62 could apply.

Proposition 1A

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the vehicle license fee (the "VLF"). The State legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local government's property, sales and vehicle license fee revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. *First,* beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. *Second,* Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Commencing in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Future Initiatives and Changes of the Law

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 62 and 1A, were adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the County's revenues. In addition, the State legislature could amend or enact laws resulting in a reduction of moneys available to the County, or enact legislation with the approval of the electorate amending the State Constitution, which could result in a reduction of moneys available to the County.

THE CORPORATION

The Santa Barbara County Finance Corporation, Inc. was organized in July, 1983, as a California nonprofit corporation. The Corporation was formed for the specific and primary purpose of providing financial assistance to the County and other entities within the County in acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation was formed at the request of the County and consists of a five-member Board of Directors selected by the Board. The Directors of the Corporation receive no compensation. The Corporation has no financial liability to the Owners of the Certificates with respect to the payment of Base Rental Payments by the County or with respect to the performance by the County of the other agreements and covenants it is required to perform under the legal documents relating to the Certificates.

THE COUNTY

The County of Santa Barbara was established by an act of the Legislature of the State of California on February 18, 1850 and encompasses approximately 2,774 square miles.

The County is a general law county and political subdivision of the State of California and its rights, powers, privileges, authority, functions and duties are established by the Constitution and laws of the State. The County is divided into five districts on the basis of registered voters and population, as required by State statute. Supervisors are elected from each district by the voters of the district to serve staggered four-year terms. The Chairman is elected by and from members of the Board of Supervisors (the "Board of Supervisors"). The Board of Supervisors exercises the powers of the County.

For additional information regarding the County, see APPENDIX A–"GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF SANTA BARBARA."

COUNTY FINANCIAL INFORMATION

General

The County has sustained a consistent moderate population growth rate over the last 10 years, increasing in population from approximately 393,500 in 1999 to approximately 425,655 in 2008. Unemployment rates have historically remained below the unemployment rates of the State of California. According to the United States Bureau of Labor Statistics, from 1997 to 2006 (the most recent year for which such statistics are available), the average annual unemployment rate for the County was approximately 4.6%, while it was approximately 5.8% for the State of California and approximately 4.9% for the United States for the same period.

As the following statistical and financial information set forth under this heading demonstrates, the County has weathered the economic challenges of the past several years relatively well. This can be attributed to a variety of factors, including a diverse local economy and expanded commercial activity in the County. These economic trends in the County should, however, be viewed in the context of the continuing economic difficulties being experienced by the State of California. For further details regarding the County see APPENDIX A–"GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF SANTA BARBARA."

Experience of County Management

A key element of the County's fiscal stability is the experience and continuity of its management team. The members of the Debt Advisory Committee represent many years of combined County experience. Brief resumes of the key County officials are set forth below.

Michael F. Brown, County Chief Executive Officer. Mr. Brown was appointed as County Chief Executive Officer in November 1996 and has 40 years of local government experience. Prior to his appointment with the County, he served as the City Manager of Tucson, Arizona, the City Manager of Berkeley, California, the Deputy City Manager and Budget Director of Hartford and he held the position of First Deputy Commissioner of Housing of the State of Connecticut. Mr. Brown holds a Bachelors Degree in Government from California State University at Northridge and a Masters Degree in Public Policy from the University of Texas at Austin. He received further post graduate education at the Yale School of Management, the New York University Real Estate Institute, and the University of California at Berkeley, Goldman School of Public Policy. Mr. Brown is a Credentialed Manager of the International City/County Management Association and Chairman of its Center for Performance Management, serves on the County's Treasury Oversight Committee and is a member of the County's Debt Advisory Committee.

Bernice James, Treasurer/Tax Collector/Public Administrator. Ms. James was first elected as Treasurer-Tax Collector on March 2, 2002, and was reelected in June 2006. She has served over 28 years in County government. Prior to her election, she served as Assistant Treasurer-Tax Collector-Public Administrator from 1995 to 2002. She also held management positions in the Auditor-Controller, County Executive, and General Services departments. She is a graduate in Business Administration from the University of Arizona. Ms. James is a trustee of the Santa Barbara County Employees' Retirement System and has been elected as its chair for the last three years. She is also a member of, and the chair of, the County's Debt Advisory Committee.

Robert W. Geis, Auditor-Controller. Mr. Geis was first elected Auditor-Controller in 1990 and took office in 1991. Mr. Geis is serving his fifth term of office. During his 29 years with the County he has also served as an internal auditor, a departmental business manager and the Assistant Treasurer-Tax Collector. Prior to joining the County, he gained business and management experience working for a large multinational corporation. Mr. Geis earned a bachelor's degree in business administration from The Ohio State University. He is a Certified Public Accountant (CPA) licensed in California and a Certified Public Finance Officer (CPFO). As a current member and past president of the State Association of County Auditors, he remains abreast of current fiscal and legislative issues throughout the State. He currently is a member of the Government Finance Officers Association, the County's Debt Advisory Committee and the City of Santa Barbara's Infrastructure Financing Taskforce.

State Budgets

Currently, approximately 11% of the County's Fiscal Year 2007-08 General Fund Budget consists of payments from the State. The financial condition of the State has an impact on the level of these revenues. In past years the State reduced revenues to counties to help solve the State's budget problems, although Proposition 1A provides certain protections to counties. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A." The State has also diverted other revenues such as cigarette taxes and motor vehicle in lieu taxes from counties to the State.

Property tax revenues received by local governments declined more than 50% following passage of Proposition 13. Subsequently, the State Legislature enacted measures to provide for the redistribution of the State's General Fund surplus to local agencies, the reallocation of certain State revenues to local

agencies and the assumption of certain governmental functions by the State to assist municipal issuers to raise revenues. Total local assistance from the State General Fund was budgeted at approximately __% of General Fund expenditures in recent years, including the effect of implementing reductions in certain aid programs.

To the extent the State should be constrained by its Article XIII B appropriations limit, or its obligation to conform to Proposition 98, or other fiscal considerations, the absolute level, or the rate of growth, of State assistance to local governments may be reduced. Any such reductions in State aid could compound the serious fiscal constraints already experienced by many local governments, particularly counties.

The following information concerning the State has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analysts Office websites. The estimates and projections provided below are based upon various assumptions which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The County believes such information to be reliable however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

State Budget Acts

Fiscal Year 2006-07. The 2006-07 Budget Act (the "State 2006 Budget Act") was adopted by the Legislature on June 27, 2006 and signed by the Governor on June 30, 2006. The State 2006 Budget Act assumed Fiscal Year 2006-07 revenues of $94.4 billion and expenditures of $101.3 billion, resulting in an operating short-fall of $7 billion, which partly reflected the prepayment of $2.8 billion in budgetary debt obligations, leaving the State General Fund with a year-end reserve of $2 billion, compared to the $9 billion year-end reserve in Fiscal Year 2005-06.

The State 2006 Budget Act, among other things, (i) allocated new revenues to K-12 and community college education, increases funding for higher education, and prepaid approximately $2.8 billion in budgetary debt, which was roughly consistent with the Governor's budget revision released on May 13, 2006; (ii) made partial repayments of debt; (ii) funds a budget stabilization account; (iv) made augmentations to health, resources, corrections and local governments (including increased funding for county block grants for California Work Opportunity and Responsibility Kids, Child Welfare Services, and foster care; additional funding for local law enforcement and local flood control; and largely one-time funding to hospitals to increase patient capacity to meet public health emergencies, such as an avian flu pandemic); and (v) made the first payment of a proposed settlement in the amount of $2.9 billion, which will be paid over six years commencing in Fiscal Year 2007-08, related to a lawsuit involving school funding.

The State 2006 Budget Act did not include any ERAF transfers from redevelopment agencies.

Fiscal Year 2007-08. The 2007-08 Budget Act (the "State 2007 Budget Act") was adopted by the Legislature on August 21, 2007 and signed by the Governor, after using his line item veto authority to reduce State General Fund appropriations by $703 million, on August 24, 2007. The State 2007 Budget projects $102.3 billion in budget-year revenues, an increase of 6.5% from Fiscal Year 2006-07; authorizes expenditures of an equal amount (an increase of 0.6% from Fiscal Year 2006-07); and leaves the State General Fund with a year-end reserve of $4.1 billion (the same as assumed for Fiscal Year 2006-07), comprised of $2.6 billion in the State's Special Fund for Economic Uncertainties and $1.5 billion in the Budget Stabilization Account, which Account was established when voters approved Proposition 58 in March 2004.

The State 2007 Budget Act proposes a major redirection of transportation funds, reductions in social services, and a variety of other actions to eliminate a significant shortfall in Fiscal Year 2007-08, including among other things, (i) increases in funding for county Medi-Cal administration costs; (ii) a partial repayment of Proposition 42 transportation suspensions that occurred in Fiscal Years 2003-04 and 2004-05 as required by Proposition 1A; (iii) an assumption that $1 billion in one-time revenues from the sale of EdFund, the State's nonprofit student loan guaranty agency will be received; and (iv) a suspension of a California Work Opportunity and Responsibility to Kids cost-of-living adjustment (a "COLA") for one year and permanently delays the State Supplemental Security income/State Supplementary Program COLA for five months.

Based on the policies contained in the State 2007 Budget Act, according the State Legislative Analyst's Office, the nonpartisan fiscal and policy advisor to the State, the State will face operating shortfalls of more than $5 billion in both Fiscal Year 2008-09 and Fiscal Year 2009-10 because many of the solutions enacted in the State 2007 Budget Act are of a one-time nature.

Fiscal Year 2008-09 Governor's Budget. The 2008-09 Governor's Budget (the "2008 Governor's Budget"), released on January 10, 2008, estimates that unless action is taken to close a projected $3.3 billion budget deficit for Fiscal Year 2007-08, the State faces a projected deficit that will grow to $14.5 billion by the end of Fiscal Year 2008-09. The 2008 Governor's Budget projects that State General Fund revenues for Fiscal Year 2007-08 and Fiscal Year 2008-09 would be lower than originally projected in connection with the adoption of the State 2007 Budget Act, primarily due to a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, natural disasters and rising energy prices.

The 2008 Governor's Budget includes 10% across-the board reductions to all State General Fund departments and programs, Boards, Commissions and elected offices, including the legislative and judicial branches, except where such a reduction conflicts with the State Constitution (*e.g.* reductions in Proposition 42 and contributions to public retirement systems) or is impractical (*e.g.* reductions in debt service payments or departments that generate significant revenue). In addition, the 2008 Governor's Budget includes numerous measures to restore the State's rainy day reserve and secure adequate cash flow, including the sale of approximately $3.3 billion in Economic Recovery Bonds by the end of February 2008, transfer of approximately $1.5 billion from the Budget Stabilization Account to the State General Fund in the Fiscal Year 2007-08 and elimination of a $1.5 billion transfer to the Budget Stabilization Account in Fiscal Year 2008-09, and delays in payments to counties for the administration of certain human services and mental health programs. State General Fund revenues and transfers for Fiscal Year 2008-09 are projected at $104.6 billion and expenditures are projected at $100.9 billion.

The 2008 Governor's Budget contains several proposals of concern for the County, including, a one-to-two month delay in making first quarterly payments to counties for Medi-Cal administration, a two-month delay in the quarterly advance to counties for the Early and Periodic Screening, Diagnosis and Treatment Program, a two-month delay in disbursements for programs in the Department of Social Services, and a one-to-five month delay in gas tax disbursements for local streets and roads.

Pursuant to Proposition 58 (known as the California Balanced Budget Act), the Governor also called a fiscal emergency, with the goal of starting many of the reductions proposed in the 2008 Governor's Budget immediately to address the projected $3.3 billion deficit in Fiscal Year 2007-08. Under Proposition 58 the Governor has authority to declare a fiscal emergency if he determines that the State faces substantial revenue shortfalls or expenditure increases. The Governor is then required to call a special session of the State Legislature and to propose legislation to address the fiscal emergency. If the State Legislature does not approve and send legislation to the Governor to address the fiscal emergency within 45 days, the State Legislature is prohibited from acting on any other bills or adjourning in joint recess until such legislation is passed.

On February 20, 2008, the State Legislative Analyst's Office (the "LAO") released its annual report entitled "The 2008-09 Budget: Perspectives and Issues" (the "Report"). In its overview of the State's fiscal picture, the Report states in analyzing the fiscal picture of the State that:

> A declining economic outlook, sagging revenues, and rising costs have created bleak prospects for the State's budget. Over the current and budget years [2007-08 and 2008-09], the Governor identified a gap of $14.5 billion between revenues and expenditures and proposes more than $17 billion in solutions to bring the state's budget back into balance. These budget-balancing actions include the issuance of additional deficit-financing bonds, higher revenue accruals, and budget reductions across most state programs.

The Report concludes that, primarily due to the continued deterioration of the State's revenue outlook, the LAO projects that the State's budget shortfall (prior to any corrective actions) has increased to about $16 billion, that as a consequence, the reserve at the end of Fiscal Year 2008-09 under the Governor's budget policies would be $1.1 billion, which is $1.6 billion less than forecasted by the administration.

The Report also includes an alternative budget approach to assist the Legislature in developing a more balanced and targeted method in addressing the State's budget shortfall as compared to the reliance of the 2008 Governor's Budget primarily on budget cuts. The Report and other reports by the LAO (which are not incorporated into this Official Statement) may be reviewed on the LAO's website at www.lao.ca.gov.

The County cannot predict whether the State Legislature will enact future legislation requiring additional or increased future shifts of revenues to the State General Fund, and, if so, the effect on the distribution of future County revenues.

May Revision. On May 14, 2008, the Governor released the May Revision of the State budget for 2008-09 (the "May Revision"). The May Revision projects a budget deficit of approximately $17.2 billion, an increase of approximately $2.75 billion over the deficit projected in January 2008. Left unaddressed, the deficit is projected to grow to $24.3 billion based on updated revenue projections, revised caseload estimates and higher costs. The May Revision proposes a combination of spending and revenue solutions to address the budget deficit and provide a reserve of $2 billion.

In the May Revision, the Governor proposes enactment of a constitutional amendment, the Budget Stabilization Act, to prevent spending temporary increases in revenues on ongoing programs and provide the State with mechanisms to avoid future budget crises; creation of a Revenue Stabilization Fund (the "RSF"), only available for transfers to the General Fund to bring revenues up to the long-term average in years with below average revenue growth, capitalization of the RSF in Fiscal Year 2008-09 to provide $5.1 billion for transfer to the State General Fund; and establishment of a bipartisan Tax Modernization Commission to recommend ways to stabilizes the State's revenues, bring the tax system into better alignment with the economy and improve the State's economic competitiveness. In addition, the May Revision proposes improving the performance of the State's lottery by providing operational flexibility, securitizing future lottery revenues resulting from the improved performance to fund the RSF, and implementing a fail-safe mechanism, similar to that established by Chapter 10, Statutes of 1983, to ensure that the RSF has a sufficient balance for transfer to the State General Fund. In the event the RSF balance is insufficient, the fail-safe mechanism would trigger a one cent sales tax increase until the RSF reaches the targeted fund balance of 15% of State General Fund tax revenues or June 30, 2011, whichever occurs first.

The County is unable to predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would eventually be taken by the State to balance its budget, as required by law. Accordingly, the County cannot predict the final form of the State budget or the impact that such budgets will have on its finances and operations or the actions to be taken in the future. If adopted by the State Legislature, the 2008 Governor's Budget, as amended by the May Revision, is not expected to have a material adverse effect on the ability of the County to make the required Base Rental Payments with respect to the Certificates.

County Budget Process

The County is required by State law to adopt on or before August 31 each year a fiscal line item budget setting forth estimated expenditures, revenues, and fund balances available so that appropriations during the next fiscal year will not exceed available financing. However, the County has, by resolution, extend on a permanent basis or for a limited period, this date from August 31 to October 2. Set forth below is a summary of the County budget process.

First, after release of the Governor's Proposed Budget in January, the County Executive Director prepares a preliminary forecast of the County's budget based on current year expenditures, the assumptions and projections contained in the Governor's Proposed Budget and other projected revenue trends.

Second, the County Executive Officer presents the County's Proposed Budget to the Board for adoption. Absent the adoption of a final County budget by June 30, the current existing budget is continued into the new fiscal year until a final budget is adopted.

Third, between January and the time the State adopts its own budget, representatives of the County Executive Officer monitor, review and analyze the State budget and all adjustments made by the State legislature. The County makes adjustments to its Adopted Budget throughout the year based on the State's Budget and other factors.

In order to ensure that the budget remains in balance throughout the fiscal year, the County Executive Officer monitors actual expenditures and revenue receipts each month. In the event of a projected year-end deficit, steps are taken, in accordance with the State Constitution, to reduce expenditures. On a quarterly basis, the Auditor-Controller's and County Executive Officer's staff prepares a report that details the activity within each budget category and provides summary information on the status of the budget. Actions that are necessary to ensure a healthy budget status at the end of the fiscal year are recommended in the quarterly budget status reports. Other items which have major fiscal impacts are also reviewed quarterly. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the costs of regulation or provisions of services. See "INVESTMENT CONSIDERATIONS–Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations."

Recent County General Fund Budgets

Presented below is a description of the County's comparative budgetary and expenditure experience for Fiscal Years 2006-07 and 2007-08. For the audited financial results of the County for Fiscal Year 2006-07, see APPENDIX B–"COUNTY OF SANTA BARBARA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

Fiscal Year 2006-07. The Fiscal Year 2006-07 County budget was adopted on June 16, 2006. The County's Fiscal Year 2006-07 General Fund adopted budget is approximately 5% higher than the Adjusted Budget for the prior Fiscal Year. The Fiscal Year 2006-07 General Fund budget anticipated an

approximately 3% increase in revenues compared to the prior Fiscal Year. As a result, the County budgeted to increase the Strategic Reserve by $8 million.

Fiscal Year 2007-08. The Fiscal Year 2007-08 County General Fund budget was adopted on June 15, 2007. The County's Fiscal Year 2007-08 adopted budget is approximately 2% higher than the Adjusted Budget for the prior Fiscal Year. For Fiscal Year 2007-08, the General Fund contingency is budgeted at 2% of budgeted expenditures. Due to the decline in the housing market, building permit revenue was budgeted at $3.8 million (an amount only 5.6% higher than in Fiscal Year 2006-07) and property transfer taxes were budgeted at $3.1 million (an amount 11% lower than in Fiscal Year 2006-07).

The table below shows the County's General Fund Adopted Budgets for Fiscal Years 2005-06 and 2006-07 and the Adopted Budget for Fiscal Year 2007-08.

TABLE 3
COUNTY OF SANTA BARBARA
GENERAL FUND BUDGET SUMMARY

	Fiscal Year 2005-06 Adjusted Budget	Fiscal Year 2006-07 Adjusted Budget	Fiscal Year 2007-08 Adopted Budget
Expenditure Appropriations:			
Policy & Executive	$11,613,090	$12,507,372	$13,693,968
Law & Justice	23,613,365	25,294,265	27,133,020
Public Safety	160,441,814	175,673,446	180,295,532
Health & Public Assistance	2,251,052	5,153,142	5,290,669
Community Resources & Public Facilities	35,817,141	36,215,970	43,006,371
Support Services	47,477,061	52,174,752	51,639,757
Operating/Equity Transfers	57,424,545	63,871,215	60,891,216
Transfers to Debt Service	4,875,076	5,178,037	4,966,427
Provisions for Reserves	548,705	608,809	20,000
Provisions for Designations	25,510,605	38,563,725	21,379,414
General County Programs	8,501,323	7,451,653	7,424,965
TOTAL EXPENDITURE APPROPRIATIONS	$378,073,777	$422,692,386	$415,741,339
Available Funds:			
Fund Balance Available	$8,563,123	$16,206,264	$11,433,714
Taxes	148,222,204	164,887,000	176,410,000
Licenses, Permits and Franchises	14,638,307	15,577,530	16,148,357
Fines, Forfeitures, and Penalties	4,630,445	4,851,809	4,655,800
Use of Money and Property	4,313,694	2,751,969	3,004,949
Intergovernmental Revenue-State	49,750,301	46,387,826	44,096,372
Intergovernmental Revenue-Federal	11,315,120	15,423,493	12,129,195
Intergovernmental Revenue-Other	198,301	518,650	1,025,607
Charges for Services	63,240,325	68,367,452	70,232,442
Other Financing Sources	51,471,951	56,935,428	57,759,635
Miscellaneous Revenue	3,195,003	3,168,886	1,978,618
Changes to Reserves	592,451	758,349	20,000
Changes to Designations	17,942,552	26,857,730	16,846,650
TOTAL AVAILABLE FUNDS	$378,073,777	$422,692,386	$415,741,339

Source: County Auditor-Controller.

Fiscal Year 2008-09. In spring 2007, local economic indicators began to show signs of weakening and revenues began to show signs of softening. As a result, on September 25, 2007, the County Executive Officer presented a report to the Board of Supervisors identifying 16 certain and potential issues, that would have an effect on the development of the Fiscal Year 2008-09 budget. Among the issues identified were increases in retirement costs due to changes in the actuarial methodology and assumptions approved by the Retirement Board, increases in salary and benefit costs and structural deficits in the Sheriff and Alcohol, Drug and Mental Health Services departments.

On November 6, 2007, the Board of Supervisors adopted a set of Budget Principles to establish the priorities and processes to be followed by the County Executive Officer and his staff in developing the Fiscal Year 2008-09 budget and future budgets. These Budget Principles include: maintaining the Strategic Reserve and the General Fund Contingency, implementing full cost recovery for County services, unless otherwise prohibited, maintaining the annual $1 million contribution to the Strategic Reserve, if funds are available, implementation of Countywide expense and cost reductions, and maintaining designations for capital maintenance and repair, new capital projects and roads/concrete repair.

In addition, the County identified expenditure reductions, revenue enhancements and the use of reserve and designations as an alternative means to balance the Fiscal Year 2008-09 budget.

The Fiscal Year 2008-09 County General Fund budget was adopted on June 13, 2008. The Fiscal Year 2008-09 Adopted Budget for the General Fund is approximately $5,457,058 or 1.31% higher than the Adopted Budget for the prior Fiscal Year. For Fiscal Year 2008-09, the General Fund Contingency is budged at 0.19% of budgeted expenditures. The Fiscal Year 2008-09 Adopted Budget maintains essential core services and the policies adopted by the Board of Supervisors.

Accounting Policies, Reports and Audits

The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized when the fund liability is incurred. Proprietary funds use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when they are incurred.

The California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County and is responsible for controlling expenditures within budget expenditures. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 20 years. See APPENDIX B–"COUNTY OF SANTA BARBARA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are divided into three categories: (i) governmental funds; (ii) proprietary funds; and (iii) fiduciary funds.

Periodically, the County adopts new accounting and financial standards to conform with releases by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 45, Accounting and Financial Reporting by Employers of Postemployment Benefits other than Pensions (OPEB). For a discussion of GASB 45, see "–Postemployment Benefits."

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.

The County maintains 60 individual governmental funds (*e.g.* General Fund, special revenue funds, debt service funds and capital projects) combined into 29 for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Public Health, Social Services, Alcohol Drug and Mental Health Services, Flood Control District and Capital Projects Funds which are considered major funds. Information for the remaining 22 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds: account for information of the same type as the government-wide financial statements, only in more detail. There are of two different types: (i) Enterprise Funds (to report the same functions presented as business-type activities in the government-wide financial statements and account for solid waste operations, sanitation services and transit operations) and (ii) Internal Service Funds (an accounting device used to accumulate and allocate costs internally among the County's various functions and account for information technology services, vehicle operations and maintenance, risk management and insurance and communications functions).

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.

Presented in Table 3 is the County's General Fund Balance Sheets for Fiscal Years 2005 through 2007. Presented in Table 4 is the County's Combined Statement of General Fund Revenue, Expenditures and Changes in Fund Balance for Fiscal Years ended June 30, 2005 through 2007. More detailed information from the County's audited financial report for the Fiscal Year ending June 30, 2007 appears in APPENDIX B to this Official Statement.

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TABLE 4
COUNTY OF SANTA BARBARA
GENERAL FUND BALANCE SHEETS
($ IN 000'S)

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007
Assets:			
Cash and investments	$17,539	$32,274	$39,558
Accounts Receivable:			
Taxes	16,078	18,621	24,406
Licenses, permits and franchises	629	700	1,066
Fines, forfeitures and penalties	27	22	20
Use of money and property	829	1,171	1,094
Intergovernmental	7,507	7,587	7,539
Charges for services	3,886	2,595	3,119
Other	156	252	18
Due from other funds	6,651	6,871	4,386
Prepaid items	188	181	50
Impounds Receivable	723	290	–
Other receivables	10,402	1,916	1,754
Advances to other funds	1,759	1,759	1,759
Restricted cash and investments	67,109	58,072	12,121
TOTAL ASSETS	**$133,483**	**$132,311**	**$96,890**
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$3,291	$2,430	2,567
Salaries and benefits payable	6,464	7,695	8,581
Due to Other Funds	–	–	–
Other payables	45	78	69
Notes Payable	55,000	47,000	–
Interest Payable	1,787	131	–
Deposits Payable	5,714	5,797	6,508
Unearned Revenue	–	–	–
Deferred revenue	9,884	340	237
TOTAL LIABILITIES	**82,185**	**63,471**	**17,962**
Fund Balance:			
Reserved for:			
Receivables and prepaids	4,663	4,094	3,309
Imprest cash	18	15	15
Debt Service	–	–	–
Property tax loss reserve	4,515	5,044	5,632
Unreserved			
Designated reported in:			
General Fund	33,538	43,481	58,488
Special Revenue Funds	–	–	–
Capital Projects Fund	–	–	–
Undesignated	–	–	–
General Fund	8,564	16,206	11,484
Special Revenue Funds	–	–	–
Capital Projects Fund	–	–	–
TOTAL FUND BALANCES	**51,298**	**68,840**	**78,928**
TOTAL LIABILITIES AND FUND BALANCES	**$133,483**	**$132,311**	**$96,890**

Source: County Auditor-Controller.

Major Expenditures

As illustrated in the table below, the major expenditures for the County in each Fiscal Year are public protection and public assistance.

TABLE 5
COUNTY OF SANTA BARBARA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
($ IN 000'S)

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007
Revenues:			
Taxes	$136,774	$158,556	$172,676
Licenses, permits, and franchises	13,054	13,513	13,782
Fines, forfeitures, and penalties	4,202	5,380	4,955
Use of money and property	4,761	5,664	4,446
Intergovernmental	51,904	60,660	58,418
Charges for current services	63,851	61,079	69,611
Other	2,189	3,682	3,292
TOTAL REVENUES	276,715	308,534	327,180
Expenditures:			
Current:			
Policy and executive	10,229	10,824	11,846
Law and justice	22,360	23,064	24,824
Public safety	147,468	158,988	174,218
Health and public assistance	2,232	2,240	5,088
Community resources and facilities	33,668	32,356	32,985
General government and support services	39,624	44,645	46,607
General county programs	3,465	5,562	6,467
Debt Service:			
Principal	407	294	220
Interest	1,713	1,993	133
Capital Outlay	1,771	–	–
TOTAL EXPENDITURES	262,937	279,966	302,388
Excess (deficiency) of Revenues Over(Under) Expenditures	13,778	28,568	24,792
Other Financing Sources (Uses):			
Transfers in	44,569	50,411	53,335
Transfers (out)	(54,626)	(61,509)	(68,139)
Proceeds from sale of capital assets	15	72	100
Long-term debt issued	–	–	–
Insurance Discount on Long Term Debt	–	–	–
TOTAL OTHER FINANCING SOURCES (USES)	(10,042)	(11,026)	(14,704)
Net change in Fund Balances	3,736	17,542	10,088
Fund Balances - Beginning	47,562	51,298	68,840
Fund Balances - Ending	$51,298	$68,840	$78,928

Source: County Auditor-Controller.

Major Revenues

The County derives its revenues from a variety of sources including taxes (property and sales), licenses, permits and franchises issued by the County, fines, forfeits and penalties collected by the County, use of County property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues.

The approximate percentages of the County's total General Fund revenues for Fiscal Years 2005-06 and 2006-07 and the budgeted amount for Fiscal Year 2007-08 are presented in the table below.

TABLE 6
COUNTY OF SANTA BARBARA
GENERAL FUND BUDGET ACTUAL AND ADOPTED
FISCAL YEARS 2005-06 AND 2006-07 AND BUDGETED FISCAL YEAR 2007-08
($ IN 000'S)

	Actual 2005-06		Actual 2006-07		Adopted Budget 2007-08	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes (Property and Sales)	$158,556	51.39%	$172,676	52.78%	$176,410	53.51%
Licenses, Permits and Franchises	13,513	4.38	13,782	4.21	16,148	4.90
Fines, Forfeits, and Penalties	5,380	1.74	4,955	1.51	4,656	1.41
Use of Money and Property	5,664	1.84	4,446	1.36	3,005	0.91
Intergovernmental	60,660	19.66	58,418	17.86	57,251	17.37
Charges for Services	61,079	19.80	69,611	21.28	70,232	21.30
Other	3,682	1.19	3,292	1.01	1,979	0.60
TOTAL	$308,534	100.00%	$327,180	100.00%	$329,681	100.00%

Source: County Auditor-Controller.

Ad Valorem Property Taxes

Overview. Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (i) filing a civil action against the taxpayer; (ii) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for recording in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law allows exemptions from *ad valorem* property taxation of $7,000 of full value of owner occupied dwellings. However, the State reimburses all local taxing authorities for the loss of revenues imputed on these exemptions. The State Constitution and various statutes provide exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, and charitable institutions.

The California Community Redevelopment Law authorizes redevelopment agencies to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, in such project areas, local taxing authorities, such as the County, realize tax revenues only on the assessed valuations for the year the Redevelopment Agency was formed.

Under California law currently in effect, these tax collections are allocated approximately 27.0% to the County, 11.6% to cities, 6.4% to dependent special districts, 4.6% to independent special districts, 42% to schools and 5.3% to redevelopment agencies within the County.

The assessed valuations within the County as of June 30 for the past 10 Fiscal Years are shown in the Table below.

TABLE 7
COUNTY OF SANTA BARBARA
ASSESSED VALUATIONS
FISCAL YEARS 1998-99 THROUGH 2007-08
($ in thousands)

Fiscal Year	Secured	Unsecured	Unitary	Exemptions	Net Assessed Valuation
1998-99	$27,046,286	$1,919,184	$703,596	($967,844)	$28,701,222
1999-00	28,767,002	1,972,146	711,158	(1,016,269)	30,434,037
2000-01	31,368,402	1,933,553	724,164	(1,021,757)	33,004,362
2001-02	34,127,745	2,070,319	774,256	(1,100,743)	35,871,577
2002-03	36,623,758	2,360,050	825,982	(1,208,338)	38,601,452
2003-04	39,518,502	2,320,621	726,740	(1,301,099)	41,264,764
2004-05	43,022,881	2,426,901	743,530	(1,372,516)	44,820,796
2005-06	47,838,453	2,458,096	737,982	(1,544,353)	49,490,178
2006-07	52,791,691	2,546,922	769,814	(1,587,094)	54,521,333
2007-08	56,836,827	2,571,179	833,438	(1,772,777)	58,468,667

Source. County of Santa Barbara Auditor-Controller's Office, Property Tax Division.

A summary of tax levies and collections within the County as of June 30 for the past 10 Fiscal Years is shown in the Table below.

Table 8
COUNTY OF SANTA BARBARA
SUMMARY OF TAX LEVIES AND COLLECTIONS
FISCAL YEARS 1997-98 THROUGH 2007-08
($ IN 000'S)

Fiscal Year (June 30)	Secured and Unitary Taxes Levied	Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent		Amount	Percent
1997-98	$249,087	$245,891	98.72%	$3,185	$249,077	100.00%
1998-99	263,453	260,526	98.89	2,914	263,444	100.00
1999-00	282,449	278,432	98.58	3,992	282,425	99.99
2000-01	306,687	301,590	98.34	5,059	306,646	99.99
2001-02	333,424	329,327	98.77	4,052	333,378	99.99
2002-03	355,912	351,584	98.78	4,218	355,803	99.97
2003-04	385,715	381,887	99.01	3,643	385,530	99.95
2004-05	419,530	415,040	98.93	4,162	419,202	99.92
2005-06	466,497	460,518	98.72	3,353	464,871	99.65
2006-07	516,452	505,691	97.92	4,092	509,228	98.71
2007-08†	555,321	340,555	61.33	N/A	N/A	N/A

† Property taxes are due in two installments and become delinquent on December 10, with respect to the installment due on November 1 and on April 10, with respect to the installment due on February 1. The information shown for Fiscal Year 2007-08 reflects collections through March 13, 2008 only.
Source: County Auditor-Controller.

The Teeter Plan. In Fiscal Year 1993-94, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive 100% of the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

Pursuant to the State law, the County is required to establish a tax losses reserve fund to cover losses that may occur as a result of sales of tax-defaulted property. Once the tax losses reserve fund reaches a level of 1% of the total of all taxes and assessments levied on the secured roll for that year, any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund as provided in the State Revenue and Taxation Code. State law permits any county to draw down the tax losses reserve fund to a balance equal to one percent of the total of all taxes and assessments levied on the secured roll for that year, or 25% of the current year delinquent secured tax levy. Any draw on the tax losses reserve fund is made following adoption of a resolution by the Board of Supervisors by September 1 of any Fiscal Year. As of June 30, 2007 the balance in the tax losses reserve fund was $5,631,935.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent Fiscal Year the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent Fiscal Year after a public hearing, discontinue the Teeter Plan as to any tax levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

In Fiscal Year 2006-07 there were 215 assessment appeals resolved affecting the assessment roll values for Fiscal Years 2003-04 through 2006-07. These appeals affected the assessments for 166 parcels which had an aggregate original assessed value of $846,310,576. The aggregate assessed value for these parcels was reduced by $36,080,047 representing a 4.26% decline in the total assessed valuation within the County.

Effect of Foreclosures on Property Tax Collections. As described above under "–The Teeter Plan," once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest is required to be paid before the property can be transferred to a new owner.

In addition, as required under the Teeter Plan (described above), the County maintains a tax losses reserve fund, to cover potential losses that may result if tax-defaulted property is sold by the County for less than the amount of the taxes owed. The County has not conducted any sales of tax-defaulted property in the last five Fiscal Years.

Based on information provided by a private real estate information service as of calendar year 2007, mortgage holders had sent 1,844 notices of default with respect to properties located within the County compared to 756 for calendar year 2006, and 688 trustee deeds had been recorded in calendar year 2007 (indicating that the property has been lost to foreclosure), compared to 115 during calendar year 2006. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In California, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, although the County has been impacted as well, particularly in the unincorporated areas of the County.

County Investment Pool

Funds held by the County in the Investment Pool (the "County Pool") are invested in accordance with the Treasurer's Investment Policy Statement prepared by the County Treasurer-Tax Collector (the "Treasurer") as authorized by Section 53601 of the Government Code of California. The Investment Policy is updated and submitted to the Board of Supervisors annually and the most recent update was approved on February 12, 2008. Although the Investment Policy permits the purchase of asset backed securities, none are currently being purchased and there are no collateralized debt obligations or asset

backed securities currently held in the County Pool. See APPENDIX C–"COUNTY OF SANTA BARBARA INVESTMENT POLICY" for a summary of the current Investment Policy. A complete copy of the County's current Investment Policy is available upon request from the County Treasurer-Tax Collector and on the Treasurer's website at http://www.countyofsb.org/ttcpapg/fnp/investmentpolicy.pdf.

The County Pool represents moneys entrusted to the Treasurer by the County and schools and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be held by the Treasurer. The Treasurer accepts funds only from agencies located within the County.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. Income is distributed to the pool participants quarterly based on their average daily cash balance.

The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition and value of investments of the portfolio will change over time depending on cash flow demands, as investments mature, or are sold, and as new investments are purchased and with fluctuations in interest rates generally.

Funds on deposit with the Treasurer are managed in accordance with the following objectives; *first*, preservation of principal of each participant through the purchase of high quality investments; *second*, meeting the liquidity demands of pool participants; and *third*, achieving a market value of return.

The portfolio structure of the County Pool as of April 30, 2008, was as follows:

Instrument	Par Amount	Percent
Commercial Paper	$285,230,000	29.9%
Negotiable CDs	62,500,000	6.6
Medium Term Corporate Notes	150,131,000	15.8
Farm Credit	40,311,004	4.2
FHLB	127,108,524	13.3
FNMA	123,443,794	13.0
FHLMC	124,154,703	13.0
LAIF	40,000,000	4.2
TOTAL	$952,879,025	100.0%

The weighted average days to maturity as of April 30, 2008 was 600 days.

The County believes that the County Pool is prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

For additional information concerning County investments, see APPENDIX B–"COUNTY OF SANTA BARBARA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

Employees

A summary of County full-time equivalent ("FTEs") employees follows. Some employees are hired under various federally funded programs.

Fiscal Year	Number of FTE Employees[1]
2003-04	4,209
2004-05	4,160
2005-06	4,233
2006-07	4,290
2007-08	4,341[2]

(1) Excludes temporary employees, contract employees and commissioners.
(2) Budgeted employees.
Sources: County of Santa Barbara payroll records as of June 30, 2004 through June 30, 2007, and the Adopted Fiscal Year 2007-08 Budget.

Labor Relations. County employees are represented by the nine bargaining units listed below.

The County has never experienced any major employee strikes or work stoppages.

TABLE 9
COUNTY OF SANTA BARBARA
LABOR ORGANIZATION UNIT CONTRACT EXPIRATION DATES

Labor Organization	Number of Employees	Contract Expiration Date
Deputy Sheriff's Association	512	2/22/2009
Sheriff's Managers Association	34	4/19/2009
Deputy District Attorney's Association	47	10/4/2009
Probation Peace Officers Association	253	10/4/2009
Firefighters Local 2046	193	3/7/2010
SEIU Local 630	2,092	10/3/2010
SEIU Local 535	480	10/3/2010
Engineers and Technicians Association	149	10/3/2010
Union of American Physicians and Dentists	32	10/3/2010
TOTAL	3,792	

Source: County of Santa Barbara, Human Resources.

County Employee Retirement Plans

General. The Santa Barbara County Employees' Retirement System (the "Retirement System") was organized under the provisions of the 1937 County Employees' Retirement Act (the "Retirement Act") and became effective on January 1, 1944. The Retirement System operates a cost-sharing multiple employer defined benefit plan. Members include all permanent full-time employees and those part-time employees working at least 40 hours per pay period, for the County, County Courts, Air Pollution Control District, Carpinteria Cemetery District, Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Oak Hill Cemetery District, Mosquito and Vector Management District of Santa Barbara County, Santa Barbara County Association of Governments, Santa Maria Cemetery District and , Summerland Sanitary District. The County and these 10 other participating employers are collectively referred to as the "Employers." Employees of the County represent approximately 92% of the

membership within the Retirement System. During Fiscal Year 2006-07, the County made 94.3% of the annual Employer contributions to the Retirement System.

The Retirement System is administered by a board (the Retirement Board") consisting of nine members and two alternates. The Board of Supervisors appoints four Retirement Board members and the members of the Retirement System elect six members (including the two alternates). The County Treasurer is an *ex-officio* member of the Retirement Board.

The Retirement System has four retirement plans, three of which are currently available to new employees. All new General member employees are enrolled in the contributory General Plan 5 and all new Safety members are enrolled in the contributory Safety Plan 5 of Safety Plan 6. Non-contributory General Plan 2 is closed for new membership. All plans provide benefits as defined by the Retirement Act upon retirement, death or disability of members 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, based upon the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the Los Angeles/Riverside/Orange County area, subject to a 3% maximum increase. In addition to the basic cost-of-living increases, Supplemental Cost-of Living adjustments ("Supplemental COLAs") may be provided by the Retirement Board to maintain the purchasing power of retiree and beneficiary allowance at no less than 80% of the original benefit.

The following table shows membership in the Retirement System for the last five calendar years.

TABLE 10
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
MEMBER POPULATION
(As of June 30)

	2003	2004	2005	2006	2007
Retirees and Beneficiaries[1]	2,345	2,440	2,561	2,679	2,812
Terminated Employees[2]	660	717	757	778	1,137
Active Plan Participants[3]	4,573	4,503	4,505	4,640	4,625
Vested	2,698	2,911	3,117	3,181	3,121
Non Vested	1,875	1,592	1,388	1,432	1,504

(1) Currently receiving benefits.
(2) Includes terminated employees entitled to benefit but not yet receiving them.
(3) Entitled to benefits but not yet receiving them.
Sources: Santa Barbara County Public Employees' Retirement System Financial Statements, for the Fiscal Years ended December 31, 2003 through 2007.

Funding Policy. Contributions to the Retirement System are made by members and Employers at rates recommended by an independent actuary, approved by the Retirement t Board, which rates are then adopted by the Board of Supervisors. For certain bargaining units, a portion of the members' contribution is paid for by the County. Employee contributions are based upon each individual member's age of entry into the Retirement System. Member and employer contributions are allocated to various legally required reserve accounts.

An actuarial valuation is required under the Retirement Act at least every three years. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Retirement System. The Retirement Act requires the Retirement Board to recommend to the Board of Supervisors and the other Employers such changes in rates of interest, in the

rate of contribution of members, and in the Employers' appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Act requires the Employers to implement such changes.

Employer contributions are determined under the Entry Age Normal Actuarial Cost Method, permitted by California Government Code Section 31453.5. The Entry Age Normal method defines the Normal Cost as the level percentage of salary necessary to fund the projected future benefit over the period from the date of entry to the date of separation from active service. The Actuarial Accrued Liability is the cost allocated to years prior to the actuarial valuation date; comprised of the excess of the total value of benefits over the value of future member contributions and the value of future on going annual costs allocated to the Retirement System by the actuarial cost method used for providing benefits (future costs) and are made during the working lifetime of the members (the "Normal Cost"). The difference between the Actuarial Accrued Liability and the Actuarial Value of Assets is called the "Unfunded Actuarial Accrued Liability" or "UAAL" and is amortized over 15 years from the date each new liability is first recognized.

For certain bargaining units, a portion of the members' contribution is paid for by the County. Employee contributions are based upon the age of entry into the Retirement System of each individual member. Employee contribution cannot be withdrawn until separation from employment. Set forth below is the schedule of the County of Santa Barbara contribution rates for the Retirement System.

TABLE 11
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Plan	2003-04	2004-05	2005-06	2006-07	2007-08†
General					
Plan 2	4.62%	5.27%	7.69%	8.99%	10.81%
Plan 5A	11.66	12.13	14.36	15.51	17.26
Plan 5B	11.33	12.04	14.38	15.63	17.26
Plan 5C	–	–	–	–	17.26
Safety					
Plan 4A	22.83	26.10	30.82	33.73	34.04
Plan 4B	19.57	22.90	27.68	30.53	28.83
Plan 4C	–	–	–	30.57	31.86
Plan 4D	–	–	–	–	31.60
Plan 6A	–	–	–	–	34.04
Plan 6B	–	–	–	–	31.60

† Preliminary. Does not reflect increases to be implemented on July 1, 2008.

Sources: Actuarial Valuation Reports of the Santa Barbara County Employees' Retirement System for the Fiscal Years ended June 30, 2004 through 2007 and the Santa Barbara County Employees' Retirement System.

When measuring assets for determining the UAAL, the Retirement System has elected to "smooth" gains and losses to reduce volatility. If in any year, the actual investment return on the Retirement System's assets is lower or higher than the actuarial assumed rate of return (which is 8.16%), then the shortfall or excess is smoothed or spread over a 5-year period. The impact of this will result in "smoothed" assets which are lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. As a result of the smoothing practice, as of June 30, 2007, there were approximately $165 million of deferred gains to be recognized over the next five years.

Investment Policy, Historical Investment Return. The Retirement Board adopted an investment policy statement and related policies (the "Investment Policy") to ensure that the Retirement System is managed prudently and in compliance with the Retirement Act. These policies set investment return and risk objectives and provide for extensive diversification of assets, securities, lending, commission recapture, value-added strategies, proxy voting, and corporate governance issues.

Objectives. The overall goal of the Retirement System is to provide timely and sufficient benefits to its participants and their beneficiaries, as required under the plan, through a carefully planned and executed investment program.

The Retirement System seeks to produce a return on investment that is based on levels of liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions. While the Retirement Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is justifiable.

The Investment Policy of the Retirement System is required at all times to comply with existing and future applicable State and federal regulations including but not limited to the State Constitution as amended by Proposition 21 (Public Pension Fund Investments).

Responsibility of Retirement Board. The Retirement Board is responsible for determining the specific allocation of the investments among the various asset classes considered prudent given the liability structure of the Retirement System. The long-term allocation guidelines are expressed in terms of ranges for each asset class to provide sufficient flexibility to take advantage of shorter-term market opportunities as they may occur. The asset allocation, which is the System's investment structure, is required to be sufficiently diversified to maintain risk at a reasonable level as determined by the Retirement Board without imprudently sacrificing return. The Retirement Board is required to determine performance benchmarks against which the asset allocation plan is reviewed to ensure that the asset mix remains appropriate to meet the long-term goals of the retirement program. The Retirement Board annually reviews its Investment Policy.

In accordance with the asset allocation guidelines the Retirement Board selects external investment managers with demonstrated experience and expertise whose investment styles collectively will implement the Investment Policy. The Retirement Board sets guidelines for these managers and regularly reviews their investment performance against stated objectives.

Asset Allocation and Target Mix. The Retirement Board adopted an evolving long-term strategic asset allocation policy in January 2006. Based on this framework, the current asset allocation guidelines are as follows:

Type of Investment	Minimum	Maximum	Target
Domestic Investments:			
Equities (Russell 3000 Mandate)			
Russell 1000 Index	19.0%	23.0%	21.0%
Core			16.0
Enhanced			5.0
Broad Growth	7.0	9.0	8.0
Large Value	12.0	14.0	13.0
Small Growth	2.0	3.0	2.5
Small Value	2.0	3.0	2.5
TOTAL DOMESTIC EQUITY			**47.0**
Fixed Income (Lehman Universal Mandate)			
Core Index	8.0	10.0	9.0
Active Core	14.0	17.0	16.0
TOTAL DOMESTIC FIXED			**25.0**
International Investments			
Equities (MSCI ACWI ex US Mandate)			
Passive EAFE	2.5	4.5	3.5
Active Non-US	10.5	14.5	12.5
Emerging Markets	1.0	3.0	2.0
TOTAL INTERNATIONAL EQUITIES			**18.0**
Real Estate/Real Return:	3.5	6.5	5.0
Alternatives	2.5	5.5	4.0
Cash	0.0	2.0	1.0
TOTAL PORTFOLIO			**100.0%**

Based on the investment policies of the Retirement Board, the Retirement Board has adopted, upon the recommendations of the actuary, an actuarial assumed rate of return of 8.16%.

The net investment return on the market value of the Retirement System's assets was 17.2% for the year ended June 30, 2007, 12.6% for the three years then ended and 11.7 % for the five years then ended. This compares to the 8.16% actuarial assumed rate of return that the Retirement System's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much is expected to be earned on the assets of the Retirement System in future years). If a lower investment return rate assumption were used, then the UAAL would be greater, as would the Employers' and employees' annual contributions for normal costs. The Employers are responsible for making contributions relating to UAAL. Conversely, the use of a higher investment return rate assumption would result in a smaller UAAL and smaller Employers' and employees' annual contributions. Actual investment results that are higher or lower than the assumed rate of return will also affect the UAAL and the Employers' annual contributions.

Summary of Current Investments. The following table shows the type of investments held in the Retirement Systems portfolio as of June 30, 2007.

TABLE 12
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF CURRENT INVESTMENTS
AS OF JUNE 30, 2007
($ IN 000'S)

Investment	Percent	Market Value
Domestic Equity	49.6%	$943,273
Large Cap	44.1	838,306
Small Cap	5.5	104,716
International Equity	18.2	345,740
Emerging Market Equity	2.8	53,610
Domestic Fixed income	24.1	458,091
Real Estate/Real Return	2.4	78,782
Alternatives	0.5	9,960
Cash	0.6	10,613
TOTAL INVESTMENTS	100.0%	$1,900,713

Source: Second Quarter 2007 Investment Performance Report, prepared by Pension Consulting Alliance.

Funding Status. As of June 30, 2007, the date of the Valuation, valuation assets of the Retirement System were approximately $1.620 billion, the actuarial accrued liability was approximately $1.959 billion and the funded ratio was approximately 82.7%. The actuarial value of assets may increase or decrease as a result of investment results of the Retirement System increasing or decreasing below the actuarially assumed rate of 8.16% per annum as a consequence of increases or decreases in the securities market. No assurance can be given that the actuarial value of assets of the Retirement System will not materially decrease.

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Set forth below is five-year historical trend information about the Retirement Systems. The values reported below represent actuarial values; note that these values differ from the market values:

TABLE 13
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
($ in 000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)[1] Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b–a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2003	$1,346,665	$1,454,864	92.6%	$108,199	$257,237	42.1%
6/30/2004	1,379,170	1,578,769	87.4	199,599	266,960	74.8
6/30/2005	1,443,824	1,687,632	85.6	243,808	267,785	91.0
6/30/2006	1,552,776	1,809,656	85.8	256,880	287,382	89.4
6/30/2007	1,735,489	2,074,542	82.7	339,053	294,163	115.3

(1) Actuarial Accrued Liability.
(2) Unfunded Actuarial Accrued Liability.
Source: Actuarial Valuation Report as of June 30, 2007 prepared by Milliman.

Analysis of the dollar amounts of assets available for benefits, accrued liability and unfunded accrued liability in isolation can be misleading. Expressing net assets available for benefits as a percentage of the pension plan provides one indication of the funding status of the Retirement System. Analysis of this percentage over time indicates whether the Retirement System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded accrued liability and annual covered payroll are both affected by inflation. Expressing the prefunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Retirement System's progress made in accumulating sufficient assets to pay benefits when due.

An unfunded actuarial accrued liability is the present value of accrued plan benefits determined under the actuarial funding method used by the Retirement System to determine contributions. An unfunded actuarial accrued liability takes into account a member's service rendered to the calculation date and it includes the effect of projected salary increases. An unfunded actuarial accrued liability is the difference between the actuarial accrued liability and assets available to pay for the liability. The (prefunded) actuarial accrued liability has been calculated on a basis consistent with the funding method used by the Retirement System to calculate Employer contributions.

Significant assumptions used in the actuarial valuation of the Retirement System include (a) rate of return on the investment of present and future assets of 8.16% per year compounded annually, (b) projected salary increases of 4.0% per year attributable to inflation and varying percentages (based on years of service and other factors) attributable to merit and longevity increases, each compounded annually and (c) pre-retirement demographic assumptions based on experience analysis. Another important assumption is post-retirement mortality.

TABLE 14
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF REVENUES NET ASSETS AND RETURN ON MARKET VALUE
Fiscal Years 2002-03 through 2006-07

	Source of Revenues			Net Assets	
Fiscal Year (June 30)	Employee Contributions	Net County Contributions	Gross Investment Income/ (Loss)[1]	At Market Value End of Year[2]	Net Return at Market Value
2003	$12,796,575	$33,799,166	$57,301,619	$1,169,417	4.6%
2004	13,633,762	39,334,678	190,516,408	1,346,619	15.7
2005	14,827,847	46,720,797	143,795,225	1,476,158,019	9.9
2006	15,057,589	53,976,749	170,316,018	1,628,958,290	10.6
2007	15,853,139	63,395,296	276,581,566	1,900,461,294	17.2

(1) Net of Investment Expenses.
(2) Net of benefits paid, administrative costs, refund of contributions and other deductions.
Sources: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report for the Year ended June 30, 2006; Experience Study for July 1, 2003 through June 30, 2006 prepared by Buck Consultants, Investigation of Experience for July 1, 2003 through June 30, 2007 prepared by Milliman, and Actuarial Valuation Reports for the Santa Barbara County Employees' Retirement System for the Fiscal Year ended June 30, 2007 prepared by Milliman.

For additional information on the Retirement System see Note 11–"Employee Benefit Programs" in APPENDIX B–"COUNTY OF SANTA BARBARA, CALIFORNIA, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

The Retirement System issues publicly available financial reports that include financial statements and required supplementary information. Copies of the reports may be obtained by writing the Santa Barbara County Public Employees' Retirement System, 3916 State Street, Suite 210, Santa Barbara, California 93105.

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 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 which are limited by Section 415(b).

This plan is administered through a third-party administrator. 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, 2007, there were two retired members participating in this plan and the actual contribution made by the County was $23,000.

Deferred Compensation Plans

The County offers three deferred compensation plans: the Santa Barbara County Supplemental Retirement Plan; the County of Santa Barbara Employee Contribution Deferred Compensation Plan and County of Santa Barbara Social Security Compliance Deferred Compensation Plan.

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 agreements with employee bargaining groups and the County or by appropriate action taken by the County. This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for this plan. The County's actual contributions to the Santa Barbara County Supplemental Retirement Plan for the last five Fiscal Years are set forth below:

TABLE 15
SANTA BARBARA COUNTY SUPPLEMENTAL RETIREMENT PLAN
COUNTY CONTRIBUTIONS

Fiscal Year Ending (June 30)	Contribution
2003	$136,000
2004	141,000
2005	143,000
2006	149,000
2007	158,000

Source: County of Santa Barbara.

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 eligible to participate in the Retirement System. This plan allows participants to defer a portion of their current income until future years (currently up to a maximum of $15,500) and to defer such funds and earnings from state and federal taxation until withdrawal. Employees age 50 and over can defer an extra $5,000 for a total annual deferral of $20,500. The age 50+ catch-up provision is not available in any year the pre-retirement catch-up is utilized. The pre-retirement catch-up is available to employees for one or more of the last three calendar years before attaining normal retirement date. The pre-retirement catch-up is limited to the lesser of (i) the regular dollar limit (currently $15,500) or (ii) compensation eligible for deferral that was not deferred in any prior tax year. The deferred compensation is not available to participants until termination, retirement, death, unforeseeable emergency or by qualified loan. This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for this plan.

County of Santa Barbara Social Security Compliance Deferred Compensation Plan. The County of Santa Barbara 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 this plan.

The County's actual contributions to the County of Santa Barbara Social Security Compliance Deferred Compensation Plan for the last five Fiscal Years are set forth below:

TABLE 16
COUNTY OF SANTA BARBARA SOCIAL SECURITY COMPLIANCE DEFERRED COMPENSATION PLAN
COUNTY CONTRIBUTIONS

Fiscal Year Ending (June 30)	Contribution
2003	$100,000
2004	97,000
2005	88,000
2006	108,000
2007	100,000

Source: County of Santa Barbara.

Other Post-Employment Benefits

Description. The Retirement System administers a postretirement medical program for retired members and their eligible dependents. Benefits were initially established by the County and the Retirement System pursuant to a judgment and stipulated settlement among the County, the Retirement System and retirees. In accordance with the settlement, the County and the Retirement System agreed to provide a retiree healthcare subsidy in the amount of $8 per month per year of service for members of the Retirement System who had retired on or before June 24, 1988 and who participated in a County sponsored health plan. For those members who did not participate in a County sponsored health plan, the subsidy was continued at the amount of $1.47 per month per year of service. The settlement also stipulated that "excess earnings" (as defined in the California Government Code County Employees Retirement Law of 1937) would be used to fund the initial benefits. Since that time the Retirement Board has used "excess earnings" to expand the benefits to $15 and $4 per month per year of service, respectively. The Retirement Board has also expanded coverage to provide these benefits to all retirees meeting the eligibility requirements.

The County, the other employer plan sponsors, and the Retirement System have not executed a formal plan document that provides for these benefits. Under the new accounting rules, GASB 43 and 45 will require that the liability related to the substantive plan must be determined for the Retirement System and the employers, respectively. The substantive plan is the plan as understood (whether written or unwritten) by the County (and other plan sponsors) and its employees. GASB 43 and 45 are not limited to the reporting of vested benefits.

GASB 43. In June 2004, GASB issued Statement No. 43, Financial Reporting for Postemployment Benefit Plans other than Pension Plans ("GASB 43"), addressing how state and local governments should account for and report their costs and obligations related to post-employment health care when administered by a defined benefit pension plan. GASB 43 generally requires that plan fiduciaries and administrators account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

The Retirement System has established a Health Coverage Reserve and a Supplemental Health Coverage Reserve to pay for these post retirement health benefits. These reserves have been established in the Retirement System trust fund. The value of the reserve assets at June 30, 2006 was $94,235,000. A GASB 43 disclosure of the liability related to post employment retiree health benefits was required for the plan effective as of Fiscal Year 2006-07. As a preliminary step, the actuary for the Retirement System

completed a report for Fiscal Year 2005-06, and the actuary calculated the actuarial accrued liability as of June 30, 2006 at $90,146,000 for these health insurance benefits.

As of March 1, 2008, the Retirement System had not issued its financial statements for the plan year ended June 30, 2007. A new actuary (Milliman) issued a new draft GASB 43 Actuarial Valuation report dated December 13, 2007 containing a number of revised assumptions and a number of assumptions to be considered for adoption by the Retirement Board. The Retirement Board changed actuaries through a Request for Proposal process after the prior firm experienced significant turnover in actuarial staff. The value of the health reserve assets at June 30, 2007 was $93,530,000. Milliman calculated the actuarial accrued liability as of June 30, 2007 at $111,326,000. The significant change from the report issued by the prior actuary was due to a change in retiree health plan participation from 60% to 75%, assuming more retirees in future years would elect to use the $15 health plan insurance offset versus the $4 in lieu supplemental cash benefit, per month per year of service respectively. Other significant changes were the assumptions for longer retiree life expectancy and refund of contributions on vested terminations. The Retirement Board has not taken any action to initiate a funding plan to pay for the increased liability.

A number of technical compliance issues may not permit the Retirement System or the County to report the assets and related liability in this manner. These issues include the lack of a formal plan that sets up a separate qualified trust, a determination of the vested status of benefits, the sources of the reserves, the future distribution of excess earnings and interest crediting policies.

The Retirement System has funded the health reserves (and thereby the benefits themselves) through a practice of distributing "excess earnings." This practice transfers assets away from the actuarially funded, vested benefits (core pension benefits), which practice is not in compliance with Internal Revenue Code (IRC) Section 401(a). Under the Internal Revenue Code, all pension assets and their earnings must be used solely for the defined benefit plan. It must be "impossible" for pension assets to be used for any other purpose other than the payment of pension benefits. (IRC Section 401(a)(2).

Milliman has not calculated future transfers of "excess earnings" as part of the substantive plan for calculation of the GASB 43 liability. If the Retirement Board's policy is to continue the transfer of "excess earnings" to fund health benefits, GASB 43 requires that the past pattern of distributions be included in the calculation to determine the liability for health benefits. The Retirement Board adopted the Milliman report; however, the Retirement Board also adopted a resolution confirming modifications in actuarial assumptions that did not explicitly confirm Milliman's actuarial assumption related to "excess earnings". As recently as January 29, 2008 the Retirement Board considered a request to continue the distribution of "excess earnings" for retiree health, and tabled the request, which is contrary to the assumption made in the Milliman report.

The Retirement System's interest crediting policy and practice has been to credit most reserves, including non-valuation reserves (health reserves) with the actuarial assumption rate of 8.16%, irrespective of the actual rate of return. The Retirement System discloses rates of return for all assets even though a portion of the return is diverted to non-valuation assets. The actuary (Milliman) and the Retirement Board have not taken into consideration the actual rate of return in the establishment of the contribution rates, the overall funding of the core defined benefit plan, and other issues.

As of June 30, 2007, the Retirement System's actuary (Milliman) reported $93,530,000 as a reserve for retiree health benefits. The County and the Retirement Board have been advised by tax counsels that using plan assets to pay retiree health subsidies is not in compliance with federal law. Failure to change this practice threatens the qualified status of the plan and the tax-favored treatment of benefits for current employees, retirees, and their beneficiaries. The Board of Supervisors and the Retirement Board have been working to develop a solution that complies with federal law. To date, they have not agreed upon a solution.

The County proposed that the Retirement System treat all assets, including those currently in the health and contingency reserves, as valuation assets, and that the Retirement System give the County an accurate contribution rate for the basic pension benefit for Fiscal Year 2008-2009 that takes into account this correction to the actuarial valuation for June 30, 2007. The County further proposed that the County assume responsibility for payment of the medical subsidy of $15 per month per year of service for current retirees enrolled in the County's medical plans. The County would make the payments to the medical care insurers on a pay-as-you-go basis and on a non-taxable basis (not affecting any vesting of such benefit). In the future the County would consider implementing a 401(h) or a 115 trust. The assets currently in the health reserve would go back to the core pension benefit. The liability for this benefit would be shown on the County's financial statements for purposes of GASB 43 and 45. The Retirement System would be relieved of reporting the retiree medical plan's unfunded liability. The County also proposed that the Retirement System continue to pay the in-lieu supplemental retirement benefit of $4 per month per year of service to current retirees who are not enrolled in the County's medical plans, on a taxable basis. The assets currently in the retiree health reserve would go back to the core pension benefit. The liability for this benefit would be reported on the Retirement System's financial statements for purposes of GASB 25 as part of the basic pension benefit.

On May 28, 2008, the Retirement Board adopted a different proposal summarized as follows: Staff of the Retirement Board was directed to cease providing the $15 benefit directly to retirees from assets of the Retirement System, effective June 30, 2008. Effective June 30, 2007, the Health Reserve shall be eliminated on the books of the Retirement System and the assets of such reserve will be reallocated as follows: (1) to the Supplemental Cash Benefit Reserve, in the amount of $8,100,000, to be treated as a non-valuation asset, for funding the $4 benefit on an ongoing basis; (2) to the 2007-2008 Health Benefit Reserve, in the amount of $7,000,000, to fund the $15 benefit already paid or committed to be paid by the Retirement System in Fiscal Year 2007-2008; (3) to the Retired Member Benefit Reserve, in the amount of $78,430,416, to be treated as a valuation asset for so long as the County and the other plan sponsors pay the $15 benefit. The employer contribution rates for the basic pension benefit previously provided to the County and other plan sponsors will be modified accordingly. The Retired Member Reserve will be segregated from other valuation assets and separately identified on the books of the Retirement System as having come from "excess earnings." The Retirement System maintains that such reserve would be available to pay supplemental benefits if the County and other plan sponsors do not pay the $15 benefit from their own funds, and the reserve would not be transferred into employer advance reserves in the Retirement System or be considered part of such employer reserves. The Retirement System will continue to pay the $4 benefit to retirees who are not eligible for or who do not elect the $15 benefit from the Supplemental Cash Benefit Reserve. At any time on or after July 1, 2008, if the County and the other plan sponsors do not pay the $15 benefit, as soon as practical thereafter, the Retirement System will commence providing a supplemental benefit, in an equivalent amount, on a taxable basis. In that case, all funds in the Retired Member Benefit Reserve will be transferred to the Supplemental Benefit Reserve and will be deemed non-valuation assets for purposes of the next actuarial valuation. The Supplemental Benefit Reserve will be the sole source of funding the supplemental benefits to be provided by the Retirement System under this proposal. The benefits so provided may not exceed the funds available in the Supplemental Benefit Reserve. The Supplemental Benefit Reserve would be the sole source of funding of the supplemental benefits under this proposal, but the Retirement Board maintains that it may credit "excess earnings" to the reserve. Should the Supplemental Benefit Reserve be insufficient to pay this annual amount of the supplemental benefits, the Retirement Board may pro rate the remaining reserve funds among retirees and survivors. The Retirement Board maintains that it does not intend to create an unfunded liability for participating employers as a result of this proposed funding of supplemental benefits.

Also at the May 28, 2008 Retirement Board meeting, a Retirement Board Trustee requested that the distribution of 2006-2007 "excess earnings" be put on the agenda for the July 2008 Retirement Board meeting. The County does not agree with the distribution of "excess earnings" while the Retirement

System maintains an unfunded liability. During the Fiscal Year 2006-07, the unfunded actuarial accrued liability grew from $256,880,000 to $339,053,000. The County also does not agree with the proposal adopted by the Retirement Board. On June 13, 2008, the County filed a complaint in Superior Court *(The County of Santa Barbara v. Board of Retirement, SBCERS, Case No. 1300995)* to seek resolution of these issues. The County does not believe that the eventual outcome of the litigation will have a material negative impact on the ability of the County to make any of its debt service payments on existing obligations or the Certificates.

GASB 45. In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers and Postemployment Benefits other than Pension (OPEB) ("GASB 45"), addressing how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the income statement. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements will be effective for the County's Fiscal Year ending June 30, 2008.

GASB 45 also requires the calculation of an Annual Required Contribution (the "ARC") which consists of: (i) the normal cost, for the post-retirement benefits; (ii) amortization of costs attributed to past service; and (iii) an adjusting element to reflect difference between funding and expensing in previous years. However, there is no requirement under GASB 45 that the ARC actually be funded.

For fiscal years beginning after December 15, 2006, GASB 45 requires that post-retirement medical plan liabilities be recognized on an accounting basis, if there are no dedicated assets or funding arrangements.

The County and the other plan sponsors have not yet determined their liability for OPEB. However, the County is taking steps to have this liability determined under the appropriate timetable in compliance with GASB 45. Due to the complexities of this issue, the County has consulted with its own tax counsel and actuary (Mercer) to determine a preliminary working estimate of the OPEB liability for the County.

Currently, the Retirement System is treating the designated reserves as providing non-taxable medical payments to retirees who participate in the County-sponsored health plan. The Retirement System's treatment of the $15 subsidy for health insurance premiums to retirees is inconsistent with the Internal Revenue Code. The Retirement System had previously proposed that the Retirement System and the County establish an IRC Section 401(h) account within the Retirement System's qualified plan to remedy this inconsistency.

As a result of an independent evaluation of the Retirement System by a third party (Kroll/Mercer) commissioned by the County, the Board of Supervisors directed the County Executive Officer and County Auditor-Controller to work with the Retirement System to resolve the status of funding retiree health benefits, and the Retirement Board created a committee to work with the County. The County has retained tax counsel to review the issues described above and consider necessary future action. In that regard, the County is aware that there is an array of tasks (such as formalizing the benefit structure, establishing the rate structure, reviewing the vesting requirements and selecting the legal structure) that

could affect the reporting of the assets and liabilities related to retiree health benefits and the basic pension benefit. The County and Retirement Board have been pursuing a resolution to the issues that have been raised with regard to the funding of retiree health benefits and the pension system. The County intends to file an Internal Revenue Service submission for their Voluntary Correction Program to address the retiree health issue. The submission would identify the problem area, the cause of the problem, and proposed solution(s) for Internal Revenue Service approval. At this time, the County is unable to predict the exact timing of any guidance that may be obtained from the Internal Revenue Service 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 penalties, and/or request that the Retirement System reallocate assets between pension liabilities and retiree health liabilities. The amount of any additional fees, penalties, reallocation, and contributions is unknown at this time.

The retiree health reserves funded by "excess earnings" have been used to pay for non-taxable health subsidies and taxable health subsidies ($15 non-taxable and $4 taxable) to retirees. The County and the Retirement System need a formal IRC 401(h) plan to pay the non-taxable portion of the benefit or must devise another tax compliant plan. A 401(h) plan must be subordinate to the retirement benefits, a separate account must be established and maintained for the retiree medical benefits, and the benefits can only be funded by employer's contributions actually made to the separate account. The Retirement System proposed a 401(h) plan but the County Board of Supervisors did not adopt it because the plan did not stop the distribution of "excess earnings" and it provided for a transfer of the funds in the health reserves to the 401(h) account. The County forwarded to the Retirement System a 401(h) plan that would stop the distribution of "excess earnings" and transfer the health reserves back to the core pension benefit. The County and the Retirement Board have not been able to develop a mutually agreeable 401(h) plan. As an alternative, the County had proposed to fund the health subsidies on an annual basis as provided for in the Internal Revenue Code. The County may choose to establish a 401(h) account or to establish a trust separate from the Retirement System with the Retirement System or another entity acting as trustee. Regardless of the form of the trust, the County would be required to formalize a plan document in order to establish such an account or trust.

Using the new Retirement System's actuarial report for the year ended June 30, 2007 that increased the Actuarial Accrued Liability of the System to $111,326,000 for all plan sponsors, the plan sponsors would have to report an even larger liability, approximated at $165,000,000 using a lower discount rate (4%). The County does not have a retiree premium implicit rate subsidy. While the Retirement Board considered proposed increases by retirees this year, no adjustments were made to the post retirement medical benefits. The County also believes that the Retirement System cannot approve increases in retiree health benefits without participation of the plan sponsors. Therefore, at this time the County believes it is reasonable to interpret the substantive plan to disclose the current level of benefits. Future adjustments, if any, to those benefits will be reported in future financial disclosures.

At this time, because the Retirement System is treating certain reserves as non-valuation assets, the County is paying an inflated contribution rate on the UAAL portion of the total rate. The County is not funding the retiree health benefit because the Retirement System has not established a rate for this benefit. The net effect is an overall under funding of the benefits.

The County is also required by the Federal Office of Management and Budget to submit to an annual cost allocation plan under OMB Circular A-87. This requires all assets be used to calculate pension costs and retiree medical costs to be claimed under federal programs. The cognizant agency of the Federal government requires a certification that all assets of the pension fund be treated as actuarial valuation assets. The Retirement System continues to treat the contingency reserve as non valuation assets which could result in disallowed cost reimbursements from federal and State funding sources.

The County does not believe that the situation regarding pension and OPEB described above will have a material negative impact on the ability of the County to make any of its debt service payments on existing obligations or on the Certificates.

Risk Management

The County has established risk financing internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits. These funds have been established for losses related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters, medical malpractice, unemployment and providing health benefits to employees, retirees and their dependents. During the last 10 Fiscal Years, there were no claims settlements that exceeded insurance coverage.

Excess coverage is provided through the California State Association of Counties Excess Insurance Authority. CSAC Excess Insurance Authority ("CSAC-EIA") is a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The joint powers agreement provides for additional assessments to members if the pool was to become under funded. The CSAC-EIA is solvent and does not foresee additional assessment. Self-insurance and Authority limits are as follows:

Type of Coverage	Self-Insurance	CSAC Excess Insurance
General Liability	$500,000 per occurrence	$25,000,000
Medical Malpractice	$500,000 per occurrence	10,000,000
Workers' Compensation	$500,000 per occurrence	150,000,000

The County purchases property insurance from commercial companies through a pool comprised of a majority of Counties within the State. The shared policy limits for the County's "All Risk" coverage is $600 million with a $10,000 deductible. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. The County also maintains earthquake coverage with shared policy limits of $365 million.

Intrafund Borrowing and Cash Flow

General Fund expenditures tend to occur in relatively level amounts throughout the Fiscal Year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays and uneven payments from other government agencies, the two largest sources of County revenues.

The County has not issued any Tax and Revenue Anticipation Notes since Fiscal Year 2005-06.

Long Term Obligations

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's General Fund supported obligations and direct and overlapping debt.

No General Obligation Debt. The County has no outstanding general obligation debt.

Certificates of Participation. As of June 30, 2007, the County had outstanding certificates of participation (collectively, the "Outstanding COPs") in the aggregate amount of $59,143,000 which are payable from General Fund revenues. The proceeds of these Outstanding COPs have been used for the acquisition, construction and renovation of major capital facilities within the County and to advance refund previously issued debt.

Lease Obligations. In addition, leases entered into in connection with the above certificates of participation, the County has outstanding capital leases payable from the General Fund in the amount of $5,015,000 as of June 30, 2007.

Direct and Overlapping Debt. The direct and overlapping debt of the County as of June 1, 2008, according to California Municipal Statistics, Inc., is shown in the table below. The County makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

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TABLE 17
COUNTY OF SANTA BARBARA
STATEMENT OF DIRECT AND OVERLAPPING DEBT

2007-08 Assessed Valuation: $59,252,550,383 (includes unitary utility valuation)
Redevelopment Incremental Valuation: 3,092,900,573
Adjusted Assessed Valuation: $56,159,649,810

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/08
Allan Hancock Joint Community College District	99.762%	$ 66,586,147
High School Districts	99.998-100.	125,764,122
Unified School Districts	100.	52,995,971
Goleta Union School District	100.	22,120,000
Orcutt School District	100.	13,955,000
Santa Barbara School District	100.	27,657,109
Other School Districts	100.	36,960,093
Lompoc Healthcare District	100.	74,500,000
Santa Ynez River Water Conservation District, I.D. No. 1	100.	910,000
Solvang Assessment District No. 90-1	100.	95,000
Special District 1915 Act Bonds	100.	3,825,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$425,368,442
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County General Fund Obligations	**100. %**	**$ 56,460,000** (1)
Allan Hancock Joint Community College District Certificates of Participation	99.762	7,197,828
Santa Maria Joint Union High School District Certificates of Participation	99.998	25,369,493
Santa Maria-Bonita School District Certificates of Participation	99.996	23,194,072
Santa Ynez Valley Union High School District Certificates of Participation	100.	3,920,000
Buellton School District Certificates of Participation	100.	3,300,000
College School District Certificates of Participation	100.	7,295,000
Solvang School District Certificates of Participation	100.	1,570,000
City of Carpinteria Certificates of Participation	100.	1,375,000
City of Santa Barbara Certificates of Participation	100.	4,300,000
City of Santa Maria General Fund Obligations	100.	15,255,000
Carpinteria Sanitary District General Fund Obligations	100.	15,000,000
Santa Maria Cemetery District Certificates of Participation	100.	1,320,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$165,556,393
Less: Carpinteria Sanitary District (100% self-supporting)		15,000,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$150,556,393
GROSS COMBINED TOTAL DEBT		$590,924,835 (2)
NET COMBINED TOTAL DEBT		$575,924,835

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and state contractual obligations within the Department of Water Resources.

Ratios to 2007-08 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.....0.72%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($56,460,000).....0.10%
Gross Combined Total Debt 1.05%
Net Combined Total Debt.....1.03%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $10,580

Source: California Municipal Statistics, Inc.

Treasury Oversight Committee

Pursuant to California Government Code Section 27131 the Treasurer nominates members to serve on a Treasury Oversight Committee (TOC). The Board of Supervisors adopts a resolution confirming the nominated members. The TOC consists of 6 members and convenes quarterly. The TOC reviews the Treasurer's Investment Policy and the Treasurer's quarterly Investment pool Report. The County Auditor-Controller's Office performs quarterly reviews and an annual Cash & Investment Audit, and the results of the quarterly reviews and the annual audit are presented promptly to the Board of Supervisors.

Land Use Litigation

The County recently received a decision from the California Court of Appeals in *Adam Brothers vs. County of Santa Barbara.* In its fourth amended complaint, the plaintiffs alleged that the County violated the equal protection and substantive due process rights of the plaintiffs when the County and its employees and consultants fraudulently delineated wetlands on property acquired by Adam Brothers. The jury found for the plaintiffs and awarded $5.5 million in compensatory damages against the County and $120,000 in punitive damages against three individual defendants. In addition, the trial court awarded $1 million in attorneys costs and fees. On March 4, 2008, the California Court of Appeals: (i) reversed the Superior Court's 2004 judgment for the plaintiffs with respect to their constitutional claims, which removed the $5.2 million awards of damages ($4.579 million to Adam Brothers and $892,500 to Iceberg Holdings) that were based on those claims; (ii) affirmed the Superior Court's invalidation of County's wetland delineation; (iii) affirmed the Superior Court's denial of plaintiff's request for declaratory relief and injunctive relief regarding County's designation of their land as "open space;" and (iv) directed that County and the individual County appellants shall recover their costs.

The plaintiffs filed a petition for review with the Supreme Court of California on April 14, 2008.

Failed Petitions to Split the County and Form a New County

In 1997 and in 2006, petitions were submitted to the voters proposing to divide the County. Both of those ballot measures failed to receive sufficient voter support. The County is unable to predict if future petitions to divide the County will be submitted to the voters for approval and the effect of such a proposal, if approved, would have on the County and its finances.

Future Financings

The County expects to undertake the construction of a new jail in the northern part of the County during the next three Fiscal Years. The total cost of this project is estimated to be approximately $80.3 million, of which approximately 70% will be paid for with State bond funds with the remainder to be paid for by the County.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the County, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment paid by the County designated as and comprising interest and received by Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Special Counsel expresses no opinion regarding any other tax consequences related to the accrual or receipt of the interest portion of the Base Rental Payments or the ownership or disposition of the Certificates. A complete copy of the proposed form of opinion of Special Counsel is contained in Appendix E hereto.

To the extent the issue price of any Certificate Payment Date of the Certificates is less than the amount to be paid on the Certificate Payment Date of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount." The accrual of original issue discount, to the extent properly allocable to each Owner thereof, is treated as interest with respect to the Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of any Certificate Payment Date of the Certificates is the first price at which a substantial amount of such Certificates Payment Date of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any Certificate Payment Date of the Certificates accrues daily over the term to such date on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment upon the scheduled principal payment date) of such Certificates. Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable on their respective Certificate Payment Dates (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of securities, like the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Owner. Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest with respect to obligations such as the Certificates. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest with respect to the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the Certificates being included in gross income for federal income tax purposes, possibly from the date of original delivery of the Certificates. The

opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of delivery of the Certificates may adversely affect the value of, or the tax status of interest with respect to, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may otherwise affect an Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Owner or the Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to the Certificates ends with the delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the Owners regarding the tax-exempt status of interest represented by the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt securities is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of securities presenting similar tax issues, may affect the market price for, or the marketability of, the Certificates, and may cause the County or the Owners to incur significant expense.

CERTAIN LEGAL MATTERS

Orrick, Herrington & Sutcliffe LLP will render an opinion with respect to the validity of the Sublease, a copy of which approving opinion is attached hereto as APPENDIX E–"PROPOSED FORM OF LEGAL OPINION." Copies of such approving opinion will be available at the time of delivery of the Certificates. Certain legal matters will be passed upon for the Corporation and the County by County Counsel, by Lofton & Jennings, San Francisco, Disclosure Counsel, and for the Underwriter by Fulbright & Jaworski L.L.P., Los Angeles, California. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The fees of Special Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the delivery of the Certificates.

NO MATERIAL LITIGATION

At the time the Certificates are delivered, the County will deliver an opinion of County Counsel to the effect that there is no litigation pending or, to the knowledge of the officers or attorneys of the County, threatened, against the County in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Certificates, or (ii) questioning or affecting the validity of the Certificates or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Certificates, or (iv) questioning or affecting the validity or enforceability of the Sublease, the Lease or Trust Agreement.

At all times, including the date of this Official Statement, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of the County's activities. Such matters, include, but are not limited to, employment, land use and contract matters and could, if determined adversely to the County, affect expenditures by the County, and in some cases, its revenues. The County and County Counsel are of the opinion that there are no pending actions that are likely to have a material adverse effect on the ability of the County to pay the principal of, premium, if any, and interest with respect to the Certificates when due.

RATINGS

Moody's Investors Service ("Moody's") and Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned ratings of "A1" and "AA," respectively, to the Certificates. Such ratings reflect only the views of such rating agencies and the County makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings may be obtained from Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and from Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10004. There is no assurance that such ratings will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse affect on the market price of the Certificates. The County undertakes no responsibility either to bring to the attention of owners of the Certificates any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal.

UNDERWRITING

The Certificates are being purchased for reoffering by Banc of America Securities LLC (the "Underwriter") pursuant to the terms of a Contract of Purchase. The Underwriter is obligated under the Contract of Purchase to purchase all of the Certificates if any are purchased. The Underwriter may offer and sell the Certificates to dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The initial public offering prices of the Certificates may be changed from time to time by the Underwriter.

Series A-1 Certificates

The Underwriter has agreed to purchase the Series A-1 Certificates at a price of $16,846,514.99 which represents the principal amount of the Series A-1 Certificates, less a net original issue discount in the amount of $88,260.45, less an Underwriter's discount in the amount of $65,224.56.

Series A-2 Certificates

The Underwriter has agreed to purchase the Series A-2 Certificates at a price of $6,600,068.68 which represents the principal amount of the Series A-2 Certificates, plus a net original issue premium in the amount of $25,391.15, less an Underwriter's discount in the amount of $25,322.47.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement, the County has agreed to provide, or cause to be provided, by no later than the nine months after the end of each Fiscal Year, commencing with the report due for Fiscal Year 2007-08, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-l2(b)(5) adopted by the Securities and Exchange Commission (each, a "Repository") certain annual financial information and operating data, including its audited financial statements, of the type set forth in APPENDIX B of this Official Statement, with respect to the County's preceding fiscal year, and to provide or cause to be provided, to each Repository in a timely manner, notice of the certain events set forth in the Form of Continuing Disclosure Agreement set forth in APPENDIX F. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-l2(b)(5).

The County has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The County's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior prepayment or payment in full of all of the Certificates. The undertakings in the Continuing Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Underwriter and the Owners and beneficial owners, from time to time of the Certificates, and shall create no rights in any other person or entity.

MISCELLANEOUS

The references herein to the Sublease, the Lease, the Trust Agreement and the Assignment Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the County and following delivery of the Certificates will be on file at the offices of the Trustee in Los Angeles, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or Owners of any of the Certificates.

The execution and delivery of this Official Statement has been duly authorized by the Board.

COUNTY OF SANTA BARBARA

By: /s/ Bernice James
Treasurer-Tax Collector

MISCELLANEOUS

The references herein to the Sublease, the Lease, the Trust Agreement and the Assignment Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the County and following delivery of the Certificates will be on file at the offices of the Trustee in Los Angeles, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or Owners of any of the Certificates.

The execution and delivery of this Official Statement has been duly authorized by the Board.

COUNTY OF SANTA BARBARA

By: /s/ Bernice James
Treasurer-Tax Collector

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APPENDIX A

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY OF SANTA BARBARA

There follows in this Official Statement a brief description of the County of Santa Barbara, California (the "County"), together with current information concerning its economy and governmental organization, its major revenue sources, and funds.

General

The County was established by an act of the Legislature on February 18, 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Santa Barbara as the County seat. The County covers approximately 2,274 square miles, of which approximately one-third is located in the Los Padres National Forest, and is located on the California coast approximately 100 miles north of Los Angeles and approximately 300 miles south of San Francisco. The County is bordered by San Luis Obispo County to the north, Kern County on the east, Ventura County to the south and the Pacific Ocean on the west. The County contains eight incorporated cities, which represented approximately 66.7% of the aggregate population in the County as of January 1, 2008.

County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected by district to a four-year term, serves as the County's legislative body. Elections held every two years on a staggered basis. A Chair is elected annually by and from the Members of the Board of Supervisors. Also elected are the Assessor/County Clerk-Recorder, the Auditor-Controller, the District Attorney, the Superintendent of Schools and the Sheriff and Treasurer/Tax Collector/Public Administrator. A County Chief Executive Officer and the County Counsel are appointed and hired by the Board of Supervisors.

The County Chief Executive Officer manages the day-to-day business and activities of the County's departments pursuant to policies established by the Board of Supervisors, and the County Counsel provides legal counsel to the Board of Supervisors.

The County provides a wide range of services to its residents, including police protection, medical and health services, library services, judicial institutions including support programs, road maintenance, airport service, parks and a variety of public assistance programs. Other services provided by special districts, which are governed by the Board of Supervisors, include fire protection, lighting, sanitation and flood control.

Population

According to the Department of Finance estimates, the population in the County grew by approximately 3% between 2004 and 2008.

TABLE A-1
POPULATION OF SANTA BARBARA COUNTY
AND INCORPORATED CITIES
(As of January 1)

Area	2004	2005	2006	2007	2008
Incorporated:					
Buellton	4,452	4,524	4,526	4,663	4,700
Carpenteria	14,348	14,251	14,106	14,123	14,271
Goleta	30,691	30,471	30,136	30,169	30,400
Guadalupe	6,303	6,256	6,393	6,397	6,541
Lompoc	42,209	42,076	41,734	41,015	42,957
City of Santa Barbara	90,379	89,959	83,137	89,456	90,305
Santa Maria	85,238	88,247	89,787	90,383	91,110
Solvang	5,574	5,540	5,486	5,495	5,555
SUBTOTAL†	279,194	281,224	281,304	282,651	285,839
Unincorporated	135,892	136,207	138,685	141,774	142,816
TOTAL	415,086	417,431	419,989	424,425	428,655

Source: State of California, Department of Finance, Table 2: E-4 Population Estimates for Cities, Counties and State 2001-2008 with 2000 DRU Benchmark.

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Industry and Employment

The following Table A-2 compares estimates of the labor force, civilian employment and unemployment for County residents, State residents and United States residents between 2003 through 2007.

TABLE A-2
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGE FOR YEARS 2003 THROUGH 2007

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2003				
County	209,600	199,000	10,600	5.1%
State	17,418,700	16,227,000	1,190,500	6.8
United States	146,510,000	137,736,000	8,774,000	6.0
2004				
County	213,000	202,900	10,100	4.7
State	17,538,800	16,444,500	1,094,300	6.2
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
County	215,800	206,400	9,400	4.4
State	17,695,400	16,782,300	958,100	5.4
United States	149,321,000	141,730,000	7,591,000	5.1
2006				
County	214,200	205,500	8,700	4.1
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
County	217,400	207,900	9,500	4.4
State	18,188,100	17,208,900	974,200	5.4
United States	153,124,000	146,047,000	7,078,000	4.6

Source. State Employment Development Department, Labor Market Information Division

The largest industries in the County (Santa Barbara-Santa Maria-Goleta Metropolitan Statistical Area (an "MSA"), in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as set for the below. An MSA is a geographic entity defined by the U.S. Office of Management and Budget for use by federal statistical agencies in collecting, tabulating, and publishing federal statistics. A metropolitan area contains a core urban area of 50,000 or more population. Each metropolitan area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

TABLE A-3
COUNTY OF SANTA BARBARA
(SANTA BARBARA-SANTA MARIA-GOLETA MSA)
EMPLOYMENT BY INDUSTRY GROUP
ANNUAL AVERAGES[1]

Industry Employment[2]	2003	2004	2005	2006	2007
Agriculture	16,200	16,000	16,300	15,400	15,900
Natural Resources and Mining	800	800	900	1,100	1,200
Construction	8,600	9,700	10,100	10,500	10,500
Manufacturing	13,300	13,200	13,600	13,600	13,200
Trade, Transportation and Utilities	27,300	27,700	27,900	28,200	28,200
Information	4,100	4,000	4,100	4,000	3,900
Finance, Insurance, and Real Estate	8,400	8,500	8,600	8,700	8,200
Professional and Business Services	21,100	22,100	22,800	22,300	22,500
Education and Health Services	19,300	19,600	19,400	19,500	20,300
Leisure and Hospitality	21,700	21,900	22,400	22,700	22,700
Other Services	5,800	5,600	5,700	5,800	5,900
Government	35,600	35,900	36,400	36,100	37,000
TOTAL[3]	182,200	184,900	188,200	187,900	189,500

(1) Based on the North American Industry Classification System or NAICS.
(2) Based on place of work.
(3) "Total" may not be precise due to independent rounding.
Source: State of California, Employment Development Department.

Agriculture

The County is comprised of approximately 1,775,360 square acres, of which approximately 723,074 acres (representing 40.7%) were zoned and in production for agricultural uses in calendar year 2006. In 2007, the total gross value of agricultural products and crops was $1.103 billion, an increase of $86.6 million compared to 2006 due primarily to the increase in the value of strawberries which represented approximately 28.3% of the total value in 2007. The value of agricultural production since 2003 is set forth in Table A-4 below.

TABLE A-4
COUNTY OF SANTA BARBARA
TOP 10 AGRICULTURAL PRODUCTION BY VALUE
CALENDAR YEARS 2003 THROUGH 2007

Agricultural Product	2003	2004[1]	2005	2006[2]	2007[2]
Strawberries	$142,898,737	$186,066,115	$202,616,827	$231,391,853	$312,754,997
Broccoli	117,388,731	113,153,407	112,690,506	128,873,188	131,070,223
Wine Grapes	65,848,251	83,427,478	160,365,223	107,377,849	99,918,573
Head Lettuce	71,239,293	51,062,252	59,191,137	66,950,045	87,845,590
Celery	33,655,806	31,007,372	27,453,638	41,691,008	39,686,202
Avocadoes	55,385,731	29,353,518	29,017,588	40,287,927	20,811,595
Cauliflower	43,595,172	35,790,197	39,288,326	37,415.108	46,107,384
Leaf Lettuce	23,606,533	17,953,657	23,976,443	26,851,912	25,705,118
Cattle	23,431,109	28,610,862	30,791,535	26,603,767	27,340,291
Gerbera Cut Flowers[3]	18,035,705	21,956,946	–[3]	–[3]	23,564,547
Lemons	–[4]	–[4]	19,211,743	–[4]	814,804,520
Lily Cut Flowers	–[5]	–[5]	–[5]	18,910,555	288,517,513
Subtotal Top Ten Crops	595,085,068	598,381,804	704,602,968	726,353,212	814,804,520
All Other Crops	262,931,515	307,005,691	292,997,610	290,381,932	288,517,513
TOTAL	$858,016,583	$905,387,495	$997,600,578	$1,016,735,144	1,103,322,033
Percent Change	11.19%	5.52%	10.18%	1.92%	8.5%

(1) Revised.
(2) Preliminary.
(3) Gerbera Cut Flowers were not one of the top 10 agricultural products or crops in this calendar year.
(4) Lemons were not one of the top 10 agricultural products or crops in this calendar year.
(5) Lily Cut Flowers were not one of the top 10 agricultural products or crops in this calendar year.
Source: County of Santa Barbara Department of Agriculture/Weights and Measures.

Major Employers

The following Table A-5 provides a listing of principal employers headquartered or located in the County and their employment levels.

TABLE A-5
COUNTY OF SANTA BARBARA
PRINCIPAL EMPLOYERS
(AS OF APRIL 2007)

Firm	Product or Service	Employment	% Total County Employment
University of California, Santa Barbara	Education	9,501	5.04%
Vandenberg Air Force Base	Air Force Base	4,782	2.54
County of Santa Barbara	Government	4,214	2.24
Santa Barbara School District	Education	2,968	1.58
Santa Barbara Cottage Hospital	Health Care	2,518	1.34
Santa Barbara City College	Education	2,360	1.25
Raytheon Electronic Systems	Electronics	1,33	6.87
Santa Maria-Bonita Schools District	Education	1,600	0.85
City of Santa Barbara	Government	1,487	0.79
Lompoc Unified School District	Education	1,427	0.76
SUBTOTAL		32,490	17.25
All Others	Various	155,860	82.75
TOTAL		188,350	100.00%

Sources: State Employment Development Department, Labor Market Information Division and University of California, Santa Barbara Economic Forecast Project, 2007.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-6 below presents the latest available total effective buying income and median household effective buying income for the County, the State and the nation for the calendar years 2003 through 2007.

TABLE A-6
COUNTY OF SANTA BARBARA
PERSONAL INCOME
CALENDAR YEARS 2002 THROUGH 2006†

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2006†		
County	$17,490	$43,510
State	1,436,446	39,626
United States	10,968,393	36,714
2005		
County	16,500	40,968
State	1,348,255	37,462
United States	10,284,356	34,757
2004		
County	15,382	38,313
State	1,265,970	35,440
United States	9,711,363	33,123
2003		
County	13,677	33,942
State	1,187,040	33,554
United States	9,150,320	31,504
2002		
County	13,059	32,496
State	1,147,716	32,769
United States	8,872,871	30,795

† Preliminary.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Taxpayers

Assessed values for the principal property taxpayers totaled $1.7 billion or 2.95% of the County's 2007-08 Total Assessed Value. The principal largest taxpayers in the County, as shown on the 2007-08 secured tax roll, and the approximate amounts of their assessed values within the County are shown in Table A-7 below.

TABLE A-7
COUNTY OF SANTA BARBARA
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEAR 2007-08

Company	Type of Business	2007-08 Assessed Values ($ in thousands)†	% of Total
Exxon Corporation	Petroleum and Gas	$364,658,491	0.63%
Verizon California Inc.	Utility	194,900,321	0.33
Southern California Gas Co.	Utility	184,663,039	0.32
1260 BB Property, LLC (Biltmore)	Hotel	170,000,000	0.29
Southern California Gas Company	Utility	160,118,236	0.27
Fairway BB Property, LLC	Residential Estate	144,100,858	0.25
HT-Santa Barbara, Inc. (Bacara)	Hotel	140,000,000	0.24
Raytheon Company	Light Manufacturing	131,901,940	0.23
Pacific Offshore Pipeline Co.	Petroleum and Gas	115,960,045	0.20
Beringer Wine Estates Company	Agriculture	112,464,455	0.19
Subtotal - Principal Taxpayers		$1,718,767,385	2.95
Remaining Taxpayers	Various	56,749,899,615	97.05
TOTAL		$58,468,667,000	100.00%

† Excludes exempt publicly owned property, State assessed property and property subject to special taxes.
Source: County of Santa Barbara Auditor-Controller's Office.

Commercial Activity

Commercial activity is an important contributor to Santa Barbara County's economy. The following Table A-8 estimates the County's commercial activity between Calendar Years 2002 and 2006.

TABLE A-8
TRADE OUTLETS AND TAXABLE SALES
COUNTY OF SANTA BARBARA
FOR CALENDAR YEARS 2002-2006†
($ IN THOUSANDS)

Taxable Retail Sales	2002	2003	2004	2005	2006†
Apparel Stores	$140,283	$150,146	$170,985	$187,526	$202,710
General Merchandise	644,567	662,942	685,677	685,731	679,751
Specialty Stores	475,396	479,283	515,939	536,679	538,783
Food Stores	242,403	246,912	248,649	271,353	281,769
Eating & Drinking	533,792	553.905	585,928	624,365	656,189
Household	174,005	181,374	190,702	196,337	200,995
Building Materials	393,139	427,108	484,294	514,286	528,294
Automotive	944,672	1,001,282	1,055,079	1,087,060	1,106,880
Other Retail	179,480	199,593	212,775	239,846	239,757
SUBTOTAL	3,727,737	3,902,545	4,150,028	4,343,183	4,435,128
Business & Personal Services	244,778	244,237	243,100	246,049	252,534
All Other Outlets	1,095,915	1,098,418	1,148,409	1,217,703	1,445,608
TOTAL ALL OUTLETS	$5,068,430	$5,093,418	$5,541,537	$5,806,935	$6,133,270

† Most recent data available.
Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

Construction Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was to approximately $488 million as of 2007. The following Table A-9 provides an estimated building permit valuation summary for 2003 through 2007.

TABLE A-9
BUILDING PERMIT VALUATION
COUNTY OF SANTA BARBARA
FOR YEARS 2003-2007(1)
($ IN THOUSANDS)

	Residential							
	Single Family		Multifamily					
Year	Units	Valuation	Units	Valuation	Value of Alterations and Additions	Total Residential Valuation	Nonresidential Valuation	Total(1)
2003	1,240	$289,781	377	$45,067	$91,383	$426,231	$146,706	$572,937
2004	961	222,090	556	53,442	87,501	363,033	118,650	481,683
2005	688	192,867	272	47,600	99,841	340,307	166,102	506,409
2006	642	195,122	255	45,205	82,829	321,156	181,978	503,134
2007(2)	478	159,140	245	38,865	75,645	273,650	214,258	478,909

(1) Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.
(2) Preliminary.
Source: Construction Industry Research Board.

Transportation

Highways. The County is served by a well-developed transportation network which includes road, rail, and bus services. US Highway 101 and numerous State Highways such as 1, 33, 135, 166, 154, 217 and 246 provide convenient access throughout the County and its municipalities.

Railroads. Amtrak railroad crosses the through County with its main line generally following the coastline, with stations in Carpinteria, Santa Barbara and Goleta. Freight transportation is also provided by several intra-state and transcontinental trucking firms.

Airports. The Santa Barbara Airport (the "Airport"), owned and operated by the City of Santa Barbara, is located approximately 10 miles southeast of downtown area of the City of Santa Barbara on approximately 952 acres. The Airport, which includes an approximately 45,300 square foot terminal building, is the regional airport for the San Luis-Santa Barbara-Ventura tri-county area. The Airport is served by five major airlines that provide non-stop service to 10 destinations in the United States. The Airport operates twenty-four general aviation hangars and facilities. Additional hangar facilities are also available from the two fixed base operators operating at the Airport.

The Airport is in the process of constructing a new two-story, 60,000 square foot terminal building and additional parking facilities. The new terminal project, which includes relation of the existing approximately 7,000 square foot historic terminal building, will accommodate aircraft up to the size of a Boeing 737 and is expected to be completed in 2011.

The Santa Maria Public Airport, providing full-service general aviation, corporate and air carrier facilities; the Lompoc Airport and the Santa Ynez Airport, providing general aviation facilities, are also located within the County.

Bus Service. The Santa Barbara Metropolitan Transit District ("MTD") operates a municipal bus system serving the cities of Goleta, Santa Barbara and Carpinteria, and the unincorporated areas of Ellwood, Isla Vista, Montecito and Summerland. Limited commuter service linking Solvang and Buellton with Goleta, Santa Barbara and the University of California, Santa Barbara is also available through the MTD. Bus services is also provided by the Clean Air Express, providing roundtrip weekday service from Santa Maria and Lompoc to Santa Barbara and Goleta; City of Lompoc Transist, providing fixed route service in Lompoc, Vandenberg village and Mission Hills; and Santa Ynez Valley Transit, linking the cities of Buelton, Los Olivos, Santa Ynez and Solvang.

Health Services

There are five privately operated hospitals with a combined total of approximately 870 beds and seven licensed County-operated health care clinics and 11 licensed community not-for-profit operated clinics located within the County.

The County operates six federally qualified health center clinics that provide services all members of the community regardless of their ability to pay. Primary care and specialty clinics provide diagnostic and treatment services for patients with acute and chronic medical conditions. A wide range of women's health including family planning, gynecology and obstetrical care is offered as well as assessment and treatment for a variety of communicable diseases.

Education and Community Services

Public school education in the County is available through 17 elementary school districts, three unified school districts, three high school districts and the County Office of Education. As of Fiscal Year 2006-07, these districts offered instruction at two kindergarten through grade 12 schools, 76 elementary schools, 14 middle schools, two junior high schools, 11 high schools, one alternative school, one special education school, nine continuation schools, two community day schools, one school operative by the juvenile court system and one County operated community school. School enrollment in Fiscal Year 2006-07 numbered approximately 66,500 in public schools. There are 42 regular graded private schools within the County.

There is one state university, the University of California, Santa Barbara ("UCSB") and two community college districts located within the County. UCSB located in the City of Santa Barbara, offer more than 200 majors, degrees and credentials through its five schools and the graduate division. Enrollment at UCSB for the 2007-08 academic year was approximately 20,000. Santa Barbara City College and the four campus Allan Hancock Joint Community College District offer associate degree and certificate programs as well providing the first two years of study towards baccalaureate degrees.

The County operate a six branch library system. There are also library systems operated by the City of Lompoc, the City of Santa Barbara and Santa Maria.

Media services are provided by local newspapers such as the *Lompoc Record,* the *Santa Barbara Independent*, the *Santa Barbara News Press*, the *Santa Maria Times* and the *Santa Maria Sun.*

Recreation and Tourism

The County of Santa Barbara offers numerous opportunities for recreation. Some popular activities are swimming, climbing, picnicking, boating, surfing, fishing, sailing, whale watching and water skiing at the beaches, lakes and the more than 2,243 acres of public parks within the County, camping and wine tasting. The Santa Barbara Harbor and Stearns Wharf, the oldest working wharf in the State dating back to 1872, the Santa Barbara Museum of Natural History Ty Warner Sea Center, Mission Santa Barbara and the Santa Barbara Maritime Museum are each located in the City of Santa Barbara, the Natural History Museum and the Motorcycle Museum in Santa Maria, and the Return to Freedom, 300 acre wild horse sanctuary in Lompoc; are popular tourist attractions within the County.

The County is also home of the Guadalupe Beach Festival, the Santa Barbara International Film Festival, the Santa Barbara Harbor and Seafood Festival, the Santa Barbara County Vintners Festival, the Santa Barbara Wine Festival,

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APPENDIX B

COUNTY OF SANTA BARBARA, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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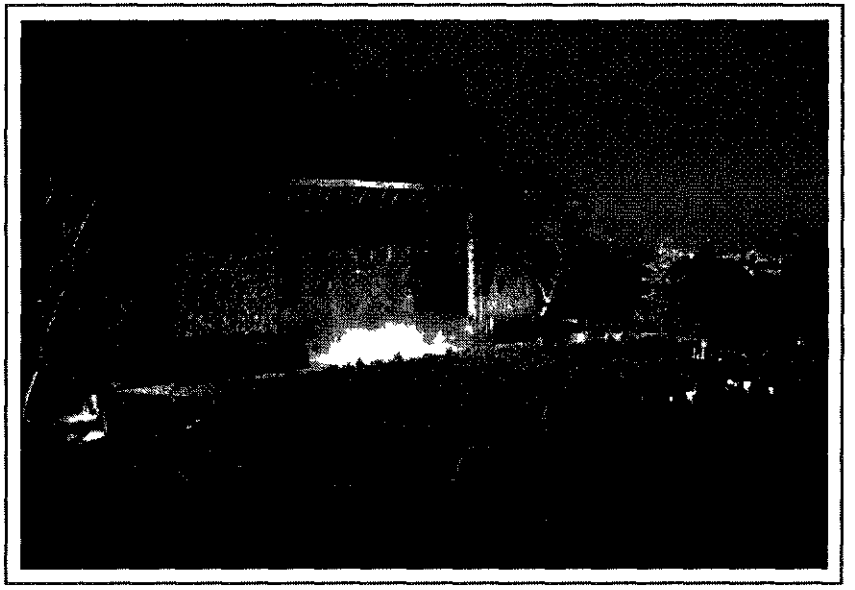
COUNTY OF SANTA BARBARA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007



THE SANTA BARBARA BOWL PAVILION

ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER

The picture on our cover is of a new pavilion (stage) at the Santa Barbara Bowl. We feature this as an example of the community renovating a valuable County asset built during the Works Progress Administration in 1936. In the early 80's the Bowl was deteriorating and the County decided to lease the facility to the Santa Barbara Bowl Foundation. This group, through community fundraising and grants, has been systematically renovating this beautiful facility. We feature this because it is a good example of the community's reinvestment in its infrastructure. The County has other long term needs that require this type of community involvement.

Front Cover Photograph by Larry Mills

COUNTY OF SANTA BARBARA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2007

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

COUNTY OF SANTA BARBARA, CALIFORNIA
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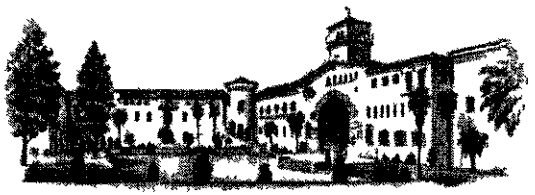
COUNTY OF SANTA BARBARA

ROBERT W GEIS C P A
Auditor Controller

THEO FALLATI C P A
Assistant Auditor Controller



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Santa Barbara CA 93101
(805) 568 2100

Mailing Address
P O Box 39
Santa Barbara CA 93102 0039
FAX (805) 568 2016

OFFICE OF THE AUDITOR-CONTROLLER

August 24, 2007

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, 2007, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California

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

Brown Armstrong has issued an unqualified ("clean") opinion on the County of Santa Barbara's financial statements for the year ended June 30, 2007 The independent auditor's report is located at the front of the financial section of this report

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

Profile of the Government

The County of Santa Barbara (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 424,425 Eight incorporated cities are within the County Santa Barbara, Santa Maria, Lompoc, Goleta, Carpinteria, Guadalupe, Solvang, and Buellton The largest employment categories include services, wholesale and retail trade, public administration, and manufacturing The mild climate, picturesque coastline, scenic mountains and numerous parks and beaches make the County a popular tourist and recreational area

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

Policy & Executive

Salud Carbajal, Vice-Chair
First District Supervisor

Janet Wolf
Second District Supervisor

Brooks Firestone, Chair
Third District Supervisor

Joni Gray
Fourth District Supervisor

Joe Centeno
Fifth District Supervisor

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

Stephen Shane Stark
County Counsel

Law & Justice

Christie Stanley
District Attorney

Greg Paraskou
Public Defender

Gary Blair
Court Special Services

Public Safety

John Scherrei
Fire

Patricia Stewart
Probation

Bill Brown
Sheriff Coroner

Health & Public Assistance

Doug Barton, Interim
Alcohol, Drug & Mental Health Services ADMIN

Carrie Topliffe
Child Support Services

Dr. Elliot Schulman
Public Health Services

Kathy Gallagher
Social Services

Community Resources & Facilities

William Gillette
Agriculture & Cooperative Extension

John Torell, CPA
Housing & Community Development

Dan Hernandez
Parks

John Baker
Planning & Development

Scott McGolpin, Interim
Public Works

General Government & Support Services

Robert W. Geis, CPA, CPFO
Auditor Controller

Joseph E. Holland, CPFO
Clerk Recorder Assessor

Bob Nisbet
General Services

Susan Paul
Human Resources

Bernice James
Treasurer Tax Collector & Public Administrator

The County, with an average of 4,290 full-time equivalent employees, provides a full range of services to its residents as the organization chart above depicts. Included in operations are various component units which provide specific services County-wide or to distinct geographic areas within the County. They include the First 5 Children and Families First Commission, County Service Areas, the Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Sanitation and Sewer Maintenance Districts, Sandyland Seawall Maintenance District, the County Redevelopment Agency, the Santa Barbara County Finance Corporation, and the Water Agency. While these entities are legally separate from the County, the County is financially accountable for them as their governing bodies are substantially the same as the County Board. Other entities, such as the Air Pollution Control District and the Santa Barbara County Association of Governments, conduct their own day-to-day operations, answer to their own governing board and thus are not included in the County's financial statements.

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

Factors Affecting Economic Condition

Economy:

Santa Barbara County showed moderate growth in fiscal year (FY) 06-07. Indicators show next year will continue to have a strong economic base. The following highlights are evidence of the changing economy.

Employment

- The County's unemployment rate continues to be very low at 4.1%
- Job growth of 0.1% was a dramatic slowdown from near 2.0% growth in 2005

County Jobs Report Mixed

Income

- The average annual salary increased 3.7% to $40,103.

Retail Sales

- Retail sales increased 4% to $6.2 billion for the 2006 calendar year.

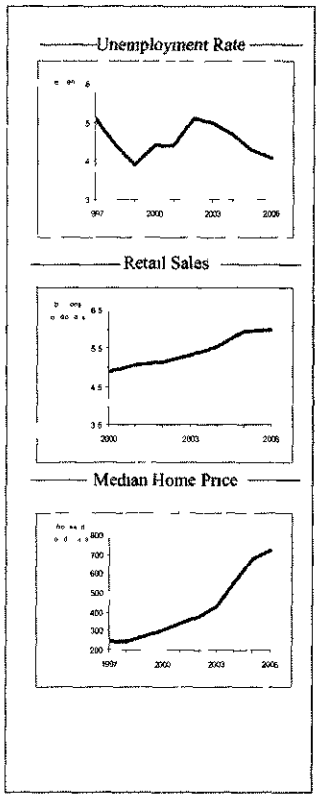
Real Estate

- The county-wide median home price increased 6.6% to $719 thousand, compared to a state-wide home price increase of 6.4%.
- Santa Barbara County's residential real estate market slowed during 2006. The slowdown was reflected in sales volume, price growth, and new housing production. Given this market trend, it is notable that existing single-family median home prices remained stable.
- Non-residential valuations increased 11.7% to $181.3 million.

Tourism

- The South Coast's 2006 hotel and motel occupancy rate was estimated at 71.6%.

Most of the information about the local economy is derived from the 2007 Santa Barbara County *Economic Outlook printed April 2007 and based on the 2006 calendar year* (with permission from the UCSB Economic Forecast Project)



Economic Indicators

The economy still appears to be good throughout the U.S., California and the County. While growth in the U.S. economy has slowed, the California economic growth rate was stronger than the U.S. Locally "given current markets and trends, we see little likelihood that Santa Barbara County's economy will see significant growth in the remainder of 2007 or in 2008". Therefore we expect a drop in the growth of our discretionary revenue accounts, such as property taxes. Residential real estate sales slowed considerably and price growth halted. Sales volume is expected to recover slowly beginning in 2008.

Financial Indicators

Last year we projected the County's expenditures to equal or exceed revenues as it invested in infrastructure and incurred salary and benefit increases. However, for the third year in a row revenues exceeded expenditures due to property tax growth above budget estimates and less capital spending than budgeted. Now the rate of property tax growth is declining, this trend may continue for a few years. This will limit discretionary revenues available for programs.

A significant amount of County programs and services are dependent on State funding. The State is late with its budget but no large fiscal impacts are expected for this fiscal cycle. It appears that the State has a structural long-term deficit. In addition, the County has difficult long-term funding issues that are in need of solutions.

Factors Affecting Economic Condition – Continued

Major Initiatives:

The CEO, in the County's Proposed Budget, outlines major programs (initiatives), accomplishments and challenges aligned with the County's Strategic Plan. This document is available at www.countyofsb.org/cao/budgetresearch/budget0708.asp.

Housing and Community Development Process Improvements

Housing and Community Development (HCD) has proceeded with several process improvements to provide improved customer service and capture cost savings. The improvements are helping to ensure a comprehensive monitoring and enforcement program for covenant compliance at affordable homeownership units. HCD has developed a computerized database of its affordable housing inventory to significantly enhance its ability to track property conditions and real property transactions. The department has reorganized staff resources to provide additional staffing support to property management activities with a particular focus on monitoring responsibilities. Emphasis is being placed on compelling violators of the County's affordable housing covenants to come into compliance or to sell the unit to an income-qualified family.

Effective FY 07-08, the County has achieved Urban County, County Development Block Grant (CDBG) entitlement status. As the lead agency of this Urban County Consortium, the HCD Finance Division has prepared the required three-year Consolidated Plan and the first annual Action Plan on behalf of the consortium. The annual Action Plan provides details on the Santa Barbara Urban County's $1.65 million anticipated CDBG allocation and proposed uses of those funds to carry out community development activities. The County's share ($400,000) has been set aside to partially fund critically needed Casmalia Water System improvements and a community facility to house public health, library, meeting and recreational amenities including a community pool and support facilities for the New Cuyama area.

City of Solvang-County Fire Partnership

The County Fire Department and the City of Solvang are partnering to improve public safety for the residents of Solvang and the surrounding Santa Ynez Valley area. The current "on call" volunteer fire department has been replaced with nine full-time County employees including three captains, three engineer/inspectors, and three firefighters to achieve 24 hour coverage, 7 days per week. It is anticipated a staffed fire station in the City of Solvang will improve both the on-scene arrival times and the number of first responders in the Santa Ynez Valley. The total operating cost of the Solvang station is estimated at $1.8 million, of which $1.2 million is a new addition to the County Fire Department's budget. The City of Solvang will also apply to the Local Agency Formation Commission (LAFCO) to annex into the Fire District and, once annexed, its property taxes will be used to pay for a portion of the new partnership.

Performance Measurement

The County Executive Office, in order to support Strategic Goal 1 of *An Efficient Professionally Managed Government Able to Anticipate and to Effectively Respond to the Needs of the Community*, has started an upgrade of both the program performance measure and project management databases beginning with a thorough review of all performance measures.

The database upgrade phases in a new performance management system called Advanced Management of Performance and Projects (AMPP) over the next 18 months. AMPP enables managers to receive, evaluate and report data through schedules and graphs, measuring progress against goals and performance targets and showing how resources are aligned to service delivery. In other words, it will upgrade our ability to measure both the efficiency and effectiveness of County government.

Factors Affecting Economic Condition – Continued

Utilities ISF

A Utilities internal service fund has been established to collect and pay for County-wide utility costs starting in FY 07-08. Prior to FY 07-08, the General Services Department budgeted and paid utility costs which were funded by General Fund Contribution and Cost Allocation Revenue. In FY 07-08 and future years, utilities will be included in the budgets of the departments that utilize the service. Utility billings will continue to be paid by General Services from revenue provided by these departments.

Blue Ribbon Budget Task Force

The Board created the Blue Ribbon Budget Task Force on May 3, 2005 to enable five community members to bring their expertise to an objective analysis of the County's budget and related processes. The Task Force began work in June, held regular meetings and disbanded on March 31, 2006.

During its term, the Task Force reviewed and studied many aspects of the County's budget, processes, and operations. It received information from over three dozen County employees representing a majority of departments. At its conclusion, the Task Force issued a report, presented to the Board, containing twenty recommendations. These recommendations focused on revenue enhancement opportunities, operational efficiencies, and process improvements. This report is available at www.countyofsb.org/index.asp.

Significant Capital Projects and Operating Impacts

The County completed $13.8 million in capital projects in the current year and has approved $81.8 million in capital projects for FY 07-08 as described on page A-28 of the Proposed Budget. The largest of the ongoing projects relate to transportation improvements.

Last year the most significant capital project completed was the $4.8 million Phase II of the Westside Storm Drain. This project is a cooperative project between the Flood Control District and the City of Santa Barbara to construct the remaining phases of an underground storm drain in the City of Santa Barbara. During frequent rainfall events several of the streets and intersections in the City of Santa Barbara's Westside community experience inundation and closures. The Westside Storm Drain is a major storm water collection system designed to alleviate this common flood problem.

Long-term financial planning:

Assessed property values for FY 07-08 grew 7.4% over FY 06-07 values; this will increase secured and unsecured property tax revenues by an equal percentage. However, the FY 07-08 budget was adopted reflecting only a 6% increase in these revenues. Additionally, in response to a downturn in real property sales, conservative estimates for the leading indicators were adopted: a 30% decrease in property transfer taxes and an 21% decrease in supplemental property taxes.

The County is currently in the process of negotiating new labor agreements with the majority of the County's bargaining units.

The County is committed to building a strategic reserve fund of $25 million or 30 days working capital by FY 11-12. This reserve would be used to maintain services during a slow economy or an emergency. As of June 30, 2007, the County has set aside $24 million for this purpose.

The County's Five-Year Capital Improvement Plan (CIP) identifies capital needs as well as funding sources and funding shortfalls. The CIP included $128.3 million in projected spending on capital projects for FY 07-08. Only $81.8 million of this planned amount has current funding and is included in the proposed budget. Significant projects include $31.6 million for transportation projects, $4.1 million and $1.4 million respectively for the Tajiguas Landfill Phase 2A and 1B Liners, $3.5 million for an integrated Help America Vote Act (HAVA) compliant voting system, and $2 million for an Isla Vista downtown parking lot.

Factors Affecting Economic Condition – Continued

Relevant financial policies:

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

Fund Balance Reserve

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

Multiyear Financial Forecasting

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

Monthly or Quarterly Financial Reporting and Monitoring

The County Budget Director chairs quarterly projection reviews of each department's monthly actual and projected revenues and expenditures. In addition, the CEO holds quarterly meetings with each department that focuses 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 sixteen consecutive years and the Certificate of Achievement in Popular Annual Reporting for ten 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.

Rapid Debt Repayment

The County's current outstanding debt schedule features a rapid debt repayment plan that will reduce debt by 70% over the next ten years.

Five-year Capital Improvement Plan

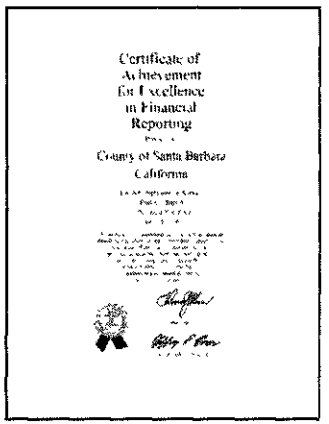
The County's Five-Year Capital Improvement Plan provides for an integration of capital projects and operating impacts in the proposed operating budget each budget cycle.

Budgeting Awards

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

Awards and Acknowledgments

Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County's CAFR for the fiscal year ended June 30, 2006. This was the sixteenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.


Certificate of
Achievement
for Excellence
in Financial
Reporting
County of Santa Barbara
California

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.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2006. 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.

In addition, 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, 2006. This award is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

Certificate of Distinction: In September 2006, 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 reports 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

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, 2007 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, 2007, 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.

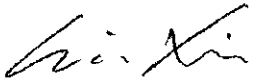
In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2007, on our consideration of the County of Santa Barbara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

The management's discussion and analysis on pages 11 through 22 and the Santa Barbara County Employees' Retirement System schedule of funding progress on page 79 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 24, 2007

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, 2007. 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 $676,053 (*net assets):*

- $447,411 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*).
- $124,296 (*restricted net assets*) is available for the County's ongoing obligations related to programs with external restrictions.
- $104,346 (*unrestricted net assets)* is available to fund County programs to citizens and debt obligations to creditors.

The County's total net assets increased by $41,934 during the current fiscal year:

- The $20,970 increase in net assets invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of related long-term debt.
- The $6,754 increase in restricted net assets is discussed in the government-wide financial analysis on page 14.
- The $14,210 increase in unrestricted net assets is primarily related to the General Fund's net increase in fund balance of approximately $10,088.

Financial analysis of the County's funds:

Total ending fund balance, $241,889, for the County's governmental funds at June 30, 2007 increased 7%, or $16,418, from the prior year. Of this amount approximately 93%, or $224,920, is *available for spending* (*unreserved fund balance).* Unreserved fund balance for the General Fund increased $10,285 to $69,972, which equates to 23% of total General Fund expenditures for the year. Unreserved fund balance increased $3,852 in the Flood Control District Fund and $3,400 in the Public Health Fund.

Capital assets and debt administration:

The County's investment in capital assets (net of accumulated depreciation) increased by $14,414, or 3%, to $504,821. During the current fiscal year, the County purchased the Alcohol Drug and Mental Health Services' Crisis and Recovery Emergency Services (CARES) building located in Santa Maria at a cost of $2,400, completed Phase II of the Santa Barbara West Side storm drain at a cost of $4,842, and completed various Santa Ynez Valley Airport improvements at a cost of $1,960. The County recorded depreciation against its assets of $17,594. The County's total long-term debt decreased by $7,375, or 9%, to $76,463.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements distinguish functions of the County principally supported by taxes and ntergovernmental 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 esources and facilities, general government and support services, and general County programs. The business-ype activities of the County include solid waste, sanitation services, and transit operations.

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

ages 24-25 of this report display the government-wide financial statements.

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

ounty funds are divided into three categories.

- Governmental funds
- Proprietary funds
- Fiduciary funds

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

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

The County maintains 60 individual governmental funds combined into 29 for financial reporting purposes. The County segregates from the General Fund a number of significant functions in major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Public Health, Social Services, Alcohol Drug and Mental Health Services, Flood Control District and Capital Projects funds, all considered major funds. Data for the other 22 governmental funds are combined into a single, aggregated presentation.

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

Pages 26-33 of this report display the governmental funds financial statements.

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

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

Pages 34-36 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 37-38 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 41-77 of this report display the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets over time is a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $676,053 at the close of the current fiscal year. The components of total net assets are as follows:

Investment in capital assets (e.g. land, buildings, roads, bridges, flood control channels and debris basins, machinery, and equipment), less any related outstanding debt used to acquire those assets, of $447,411, is the largest portion of the County's net assets. The County's investment in capital assets (net of accumulated depreciation) totals $504,821 while related debt amounts to $77,247 reduced by $19,837 in unspent proceeds of debt. The County uses these capital assets to provide services to citizens, as such, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets, $124,296, represent resources subject to external restrictions on their use Restricted net assets is primarily comprised of 1) Property taxes dedicated to specific services such as flood control and fire protection (44%), 2) State imposed restrictions (37%), 3) Federal imposed restrictions for federally-qualified health centers (9%), 4) Debt service (7%), 5) Cable television public access funds (2%), and 6) Federal and state allocations for roads (1%) Restricted net assets increased by $6,754 from the prior year The following table describes the primary reasons for the increase

Changes in restricted net assets	Increase (Decrease)
Increase of Flood Control restricted assets as revenues exceeded expenses	$ 3 848
Increase of Public Health restricted assets mainly due to increase in FQHC restricted fund balance	2 746
Increase of Fire District assets due to increased property tax revenues and operating cost savings	1 658
Increase in Sheriff restricted assets due to unspent categorical grants	1 037
Increase in restricted assets of the Water Agency as revenues exceeded expenses	967
Increase in restricted assets related to the Affordable Housing	769
Increase of Clerk Recorder-Assessor restricted assets due to funds set aside for elections equipment	556
Increase due to a reduction in awards being paid out by the Coastal Resource Enhancement Fund	487
Increase in the Alcohol Drug and Mental Health Services Fund due to revenues exceeded expenses	344
Decrease in net assets for Laguna Sanitation due to final payment made on 1997 COPs	(278)
Decrease in property tax impounds due to settlement of the McDonnell-Douglas impound	(290)
Decrease in restricted First 5 Children and Families Commission programs as tobacco tax expenses exceeded revenues	(300)
Decrease in restricted assets of the Redevelopment Agency due to the use of restricted housing funds	(1,652)
Decrease of Road Fund restricted assets as expenses exceeded revenues	(3,312)
Other increases, net	174
Total	$ 6 754

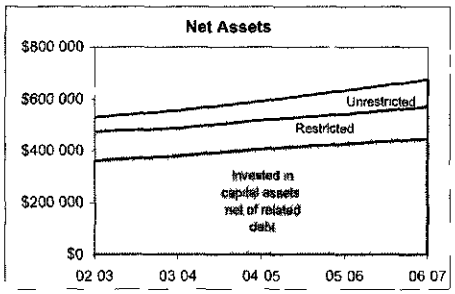
Unrestricted net assets in the amount of $104,346 are available to fund County programs to citizens and debt obligations to creditors Unrestricted net assets increased $14,210 compared to the prior year

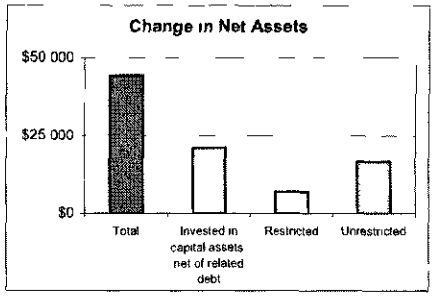
The County's Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2006	2007	2006	2007	2006	2007	Dollar Change	Percent Change
Current and other assets	$ 385 920	$ 370 679	$ 35 862	$ 40 016	$ 421 782	$ 410 695	$ (11 087)	(3%)
Capital assets	431 397	444 995	59 010	59 826	490 407	504 821	14 414	3%
Total assets	817 317	815,674	94 872	99,842	912 189	915 516	3 327	0%
Current and other liabilities	105 310	68 154	1 464	2,705	106 774	70 859	(35 915)	(34%)
Long term liabilities	132 667	130 717	38 629	37,887	171 296	168 604	(2 692)	(2%)
Total liabilities	237 977	198,871	40 093	40 592	278 070	239 463	(38 607)	(14%)
Net assets								
Invested in capital assets net of related debt	381 435	399 800	45 006	47 611	426 441	447 411	20 970	5%
Restricted	116 519	123 579	1 023	717	117 542	124 296	6 754	6%
Unrestricted	81 386	93 424	8 750	10 922	90 136	104 346	14 210	16%
Total net assets	$ 579,340	$ 616,803	$ 54,779	$ 59,250	$ 634,119	$ 676,053	$ 41,934	7%

At fiscal year end, the County reported a 5% increase in net assets invested in capital assets, net of related debt As discussed above, the County's restricted net assets increased by 6% while unrestricted net assets increased by 16% In the prior fiscal year, the County also reported increases in all three categories of net assets

The County's total net assets increased by $41,934 during the current fiscal year The increase in net assets that are invested in capital assets, net of related debt, of $20,970 represents capital acquisitions less current year depreciation plus the retirement of related long-term debt The increase in restricted net assets, $6,754, is illustrated above The increase in unrestricted net assets, $14,210, is primarily related to the General Fund's increase in fund balance of approximately $10,088 In addition, current and other liabilities decreased by $35,915 mainly due to the County not issuing a $47,000 Tax Revenue Anticipation Note (TRAN) in the current year





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

	Governmental Activities		Business type Activities		Total		Total	
	2006	2007	2006	2007	2006	2007	Dollar Change	Percent Change
Revenues								
Program revenues								
Charges for services	$ 158 764	$ 174 263	$ 27 265	$ 27 470	$ 186 029	$ 201 733	$ 15 704	8%
Operating grants and contributions	260 905	274 169	1 410	854	262 315	275 023	12 708	5%
Capital grants and contributions	754	476			754	476	(278)	(37%)
General revenues								
Property taxes	178 920	195 001			178 920	195 001	16 081	9%
Motor vehicle in lieu tax		271				271	271	0%
Sales taxes	15 743	17 286	172	134	15 915	17 420	1 505	9%
Transient occupancy tax	5 631	6 591			5 631	6 591	960	17%
Unrestricted investment earnings	4 308	2 867	942	2 089	5 250	4 956	(294)	(6%)
Gain on sale of capital assets	223	1 269	401	1	624	1 270	646	104%
Other	7 052	7 573		911	7 052	8 484	1 432	20%
Total revenues	632 300	679 766	30 190	31 459	662 490	711 225	48 735	7%
Expenses								
Policy & executive	7 353	8 569			7 353	8 569	1 216	17%
Law & justice	39 592	41 186			39 592	41 186	1 594	4%
Public safety	169 497	181 566			169 497	181 566	17 069	7%
Health & public assistance	258 369	271 806			258 369	271 806	13 437	5%
Community resources & public facilities	71 200	84 785			71 200	84 785	13 585	19%
General government & support services	30 818	36 771			30 818	36 771	5 953	19%
General county programs	15 530	14 734		--	15 530	14 734	(796)	(5%)
Interest on long term debt	4 880	2 889			4 880	2 889	(1 991)	(41%)
Solid waste		--	19 356	21 857	19 356	21 857	2 501	13%
Laguna sanitation		--	4 870	5 066	4 870	5 066	196	4%
Transit			57	62	57	62	5	9%
Total expenses	597 239	642 306	24 283	26 985	621 522	669 291	47 769	8%
Excess of revenues over expenses	35 061	37 460	5 907	4 474	40 968	41 934	966	2%
Transfers	55	3	(55)	(3)				
Increase in net assets	35 116	37 463	5 852	4 471	40 968	41 934	966	2%
Net Assets Beginning	544 224	579 340	48 927	54 779	593 151	634 119	40 968	7%
Net Assets Ending	$ 579,340	$ 616,803	$ 54,779	$ 59,250	$ 634,119	$ 676,053	$ 41,934	7%

Governmental activities. Governmental activities increased the County's net assets by $37,463 for the year ended June 30, 2007, accounting for 89% of the total increase in net assets Governmental activities operating revenues exceeded operating expenses by $37,460 Transfers provided a total increase in net assets of $3

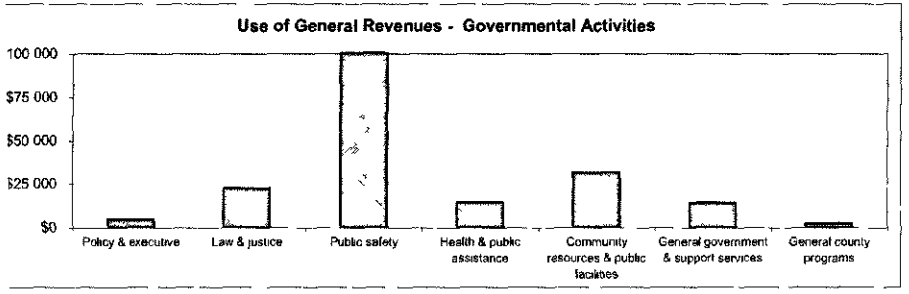
Revenues. Total revenues for the County's governmental activities increased 8% from the prior year

s an arm of the state government, operating grants and contributions serve multiple programs representing 0% of the County's funding for governmental activities and are tied to mandated services such as public ssistance, health, and mental health. These revenue sources increased by $13,264, or 5%, from the prior year s the cost of providing these services grew. Additionally, charges for services increased by $15,499, and capital rants and contributions decreased by $278.

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

he $18,891 increase in general revenues is primarily due to the following

- Property taxes increased $16,081 or 9% to $195,001 primarily due to increases in assessed values of real property.
- Sales taxes increased by $1,543, or 10%, to $17,286. The total sales tax revenue includes the 1% sales tax allocation to the General Fund and the ½% Measure D tax distribution to the Road Fund.
- Unrestricted investment earnings decreased by $1,441, or 33%, to $2,867. The annual pool investment earnings rate increased in the current year from 3.74% to 4.96% and the General Fund's average daily cash balance was higher during the year. However, in the prior year $1,421 of interest revenue was earned by the General Fund on a $47,000 Tax Revenue Anticipation Note set-aside cash balance No TRAN was necessary in the current year.

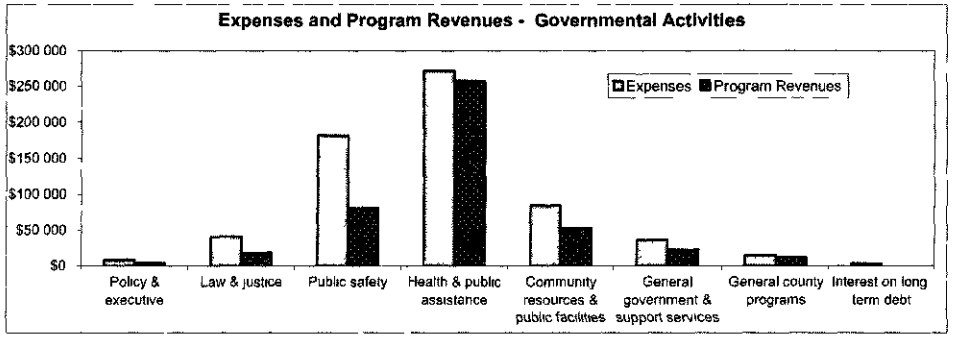


penses. Total expenses for governmental activities were $642,306, an increase of 8%, or $45,067, from the or year. As a service delivery entity, the County's major cost component is salaries and benefits, amounting to % of the total County expenses. The average full time equivalent (FTE) employee count for the County cluding business-type activities) increased from 4,233 in the prior year to 4,290 at June 30, 2007.

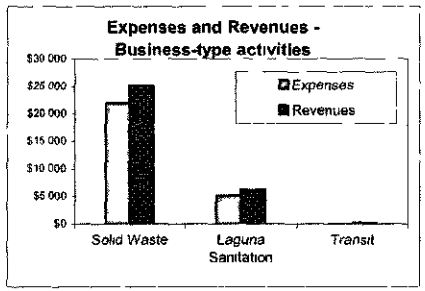
e total increase in program expenses for the County's governmental activities is attributed generally to the owing factors

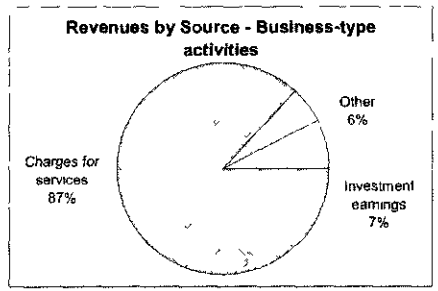
- Total salaries and benefits expense increased across all functions (including business-type activities) by $27,847 or 8% from the prior year primarily as a result of a cost of living adjustment (COLA) of 3.0%, or $10,835, an increase in the County's contribution to employees' retirement of 2.5%, or $8,343, and an employer health insurance increase of 0.8% or $2,915.
- Policy and executive expenses increased by $1,216 or 17%, primarily due to an increase of $650 in County Counsel salaries and benefits and a decrease of $543 in County-wide overhead allocation. County Counsel's workforce increased by an average of four FTEs as a result of the filling of vacant positions.
- Law and justice expenses increased by $1,594 or 4%, primarily due to salaries and benefits increases of $975 and $639 in the District Attorney and the Public Defender respectively. The District Attorney's workforce increased by an average of six FTEs while the Public Defender increased by an average of three FTEs.

- Public safety expenses increased by $12,069, or 7% The increase is primarily due to an increase in salaries and benefit costs of $10,854 in the Sheriff and Fire departments. The Sheriff Department FTE count rose by an average of 30 positions due to hiring new staff and filling vacant positions.
- Health and public assistance expenses increased by $13,437, or 5%, primarily due to increased salaries and benefits expense of $2,152 in Public Health, $2,235 in Alcohol Drug and Mental Health Services, and $2,131 in Social Services. The increases were the result of COLAs and increased health insurance and retirement rates. In addition, Alcohol Drug and Mental Health Services expenses for services and supplies increased by $4,226 This increase is primarily due to the implementation of new Mental Health Services Act (MHSA/Prop 63) programs focusing on under/un-served areas of the County and growth in Children and Alcohol and Drug programs contracted services.
- Community resources and public facilities expenses increased by $13,585, or 19% Road Fund expenses increased by $4,938. This increase is primarily related to increased Measure D surface repaving of $2,145, increased contractual services of $674 and a decreased reclassification of expenditures to construction in progress of $2,067 Affordable Housing program expenses related to providing funding for a variety of projects (i.e. Parkview Apartments, Garden Apartments, and first time home buyer assistance) increased by $5,569.
- General government and support services expenses increased by $5,953 or 19%, primarily due to an increase of $1,932 in salaries and benefits expense, an increase of $3,162 in General Services services and supplies expense, and a decrease of $1,294 in General Services County-wide overhead allocation.
- General county programs expenses decreased $796 or 5%.
- Interest on long-term debt expense decreased $1,991 or 41% primarily due to not issuing a TRAN in the current year.



Business-type activities. The net assets of business-type activities increased by 8%, or $4,471, indicating that these activities generated revenues sufficient to cover the costs of operations. Revenues increased 4% to $31,459 due to rate increases and expenses increased 11% to $26,985 mainly due to increased contractual services expenses in Solid Waste.





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, 2007, the County's governmental funds reported total fund balances of $241,889, a 7%, or $16,418, increase in comparison with the prior year. The components of total fund balance are as follows.

- *Reserved* fund balance, $16,969, is reserved for: 1) debt service, $7,601, 2) long term receivables and prepaids that do not represent available spendable resources, $3,699, 3) property tax losses, $5,632, and 4) imprest cash, $37.
- *Unreserved fund balance* constitutes approximately 93%, or $224,920, of the total fund balances that are available to meet the County's current and future needs. The County's management designates (i.e. earmarks) a portion of unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. The County has designated $136,226 of the unreserved fund balance and the undesignated fund balance is $88,694.

Changes in total fund balance for the General Fund and the remaining major governmental funds are as follows: The General Fund is the main operating fund of the County. The General Fund's total fund balance increased by 15%, or $10,088, to $78,928 as of June 30, 2007. The General Fund's June 30, 2007 unreserved fund balance was $69,972, an increase of $10,285 from the prior year amount of $59,687.

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 26% of total General Fund expenditures while unreserved fund balance equates to 23% of total General Fund expenditures.

Of the General Fund unreserved fund balance, $58,488 or 74% is designated. The most significant designations are a $24,000 strategic "reserve", earmarked for severe economic downturns and emergencies, a $10,931 capital outlay designation, and a $4,446 litigation "reserve", which is earmarked for settlements of adverse litigation without other coverage. See Note 15 – Reserved and Designated Fund Balances on page 70. General Fund unreserved, undesignated fund balance at year-end was $11,484, a 29% or $4,722 decrease from the prior year.

The total fund balances of the remaining Governmental Funds increased 4%, or $6,330, to $162,961 with the following significant changes.

- The fund balance of the Road Fund decreased 71% or $3,311 as a result of expenditures exceeding revenues.
- The fund balance of the Public Health Fund increased by 14% or $3,399 due to higher charges for services revenue.
- The fund balance of the Flood Control District Fund increased $3,848 as a result of higher property tax collections.
- The other major and non-major governmental funds increased by a total of $2,394.

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 Solid Waste Fund and Laguna Sanitation Fund, increased by $4,429 or 8% from the prior year. Solid Waste Fund net assets increased by $3,263 and Laguna Sanitation Fund net assets increased by $1,074. Solid Waste Fund revenues decreased slightly by $237. Laguna Sanitation Fund revenues increased by $439 or 8%, due primarily to an increase in residential sewer service rates.

During the year the County adopted an enterprise fund reserve policy in order to build adequate reserves to fund capital maintenance, replacement, and expansion.

Total net assets of the internal service funds increased by $5,247. The Risk Management and Insurance Fund's retained deficit decreased by $2,714 due to the factors discussed in the next paragraph. Increases in net assets of $274 in Information Technology Services Fund, $1,897 in Vehicle Operations and Maintenance Fund, and $362 in the Communications Fund resulted from normal operations.

The Risk Management and Insurance Fund incurred a net loss in seven of the eight years prior to June 30, 2003. The deficit was due to continued adverse case development in the workers' compensation program coupled with increased costs related to medical care, lost time disability payments to injured workers and increased premiums for excess insurance coverage. The fund had a retained deficit of $4,515 as of June 30, 2006; a positive change in net assets of $2,714 reduced the deficit to $1,801 as of June 30, 2007. The County has developed a ten-year plan (currently in the fifth year) to eliminate the deficit through future premium rate increases and cost containment efforts. See Note 12 of the financial statements (page 67) for further discussion.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget appropriations differ from the original budget by 2%. Supplemental appropriations of $6,293 were approved during the fiscal year. Major changes in appropriations are as follows.

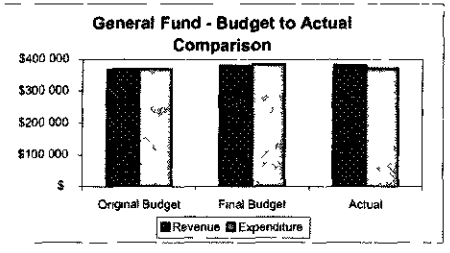
- General County Program's adopted budget for interest expense was decreased by $1,744 directly related to not issuing a TRAN during this fiscal year.
- The Probation Department had $812 of the additional appropriation due to a retirement rate increase and additional staff required to supervise a higher than expected population at the Santa Barbara Juvenile Hall.
- The Fire Department's adopted budget was increased by $1,978 for several unanticipated fire incidents which were reimbursed by Federal and State agencies as well as the addition of a second fuels crew. In addition, Fire had $1,635 of additional appropriations associated with Homeland Security grants which were spent on equipment and vehicles provided to various public safety agencies throughout the county.
- The Sheriff's Department had $1,894 in additional appropriations as a result of a retirement rate increase and decreased vacancies. In addition, the Sheriff's budget was increased by $814 as a result of an amendment to the contract with the vendor that handles prison medical care.

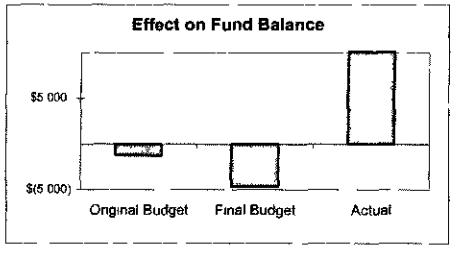
- The Clerk-Recorder-Assessor had $980 of the additional revenue appropriations to partially reimburse the County General Fund for funds allocated to the department in FY 05/06 to cover the November 2005 State called special election.

During the year, General Fund revenues exceeded total adjusted budget estimates by $5,245 Tax revenues exceeded the budget by $7,789 primarily due to increases in property taxes of $3,321, retail sales tax by $1,527, property transfer tax by $914, transient occupancy tax by $791, and supplemental property taxes by $638. Permit revenues in the planning and development process account for the majority of the $1,796 negative variance in licenses, permits and franchise revenues. Interest earnings were more than the budget by $1,694 due to rising interest rates during the year. Intergovernmental revenues were less than budget by $3,912 due primarily to budgeted reimbursable expenditures that were not made for elections equipment by the Clerk-Recorder-Assessor.

The variance between the final budget and actual expenditures resulted in $12,103 of unspent appropriations. Salary and benefit cost savings of approximately $3,313 resulted from unfilled positions across all functions, $5,183 resulted from unspent appropriations for services and supplies across all functions, and $3,025 resulted from equipment budgeted but not procured in this fiscal cycle.

By year-end, greater than anticipated revenues and appropriation savings reduced the budget plan to draw upon fund balance. The equity position of the General Fund increased by $10,088 as opposed to the budget plan to draw on fund equity by $4,650. The General Fund budget to actual statement can be found on page 28 of this report.





CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's investment in capital assets during the fiscal year increased by $14,414, or 3%, to $504,821 (net of accumulated depreciation). This investment in a broad range of capital assets includes land, infrastructure, structures and improvements, equipment, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total		Total	
	2006	2007	2006	2007	2006	2007	Dollar Change	Percent Change
Land	$ 88 777	$ 90,817	$ 12 244	$ 12 244	$ 101 021	$ 103,061	$ 2 040	2%
Construction in progress (CIP)	17 544	23,426	1 902	1,976	19 446	25 402	5 956	31%
Capital assets not being depreciated	106 321	114,243	14 146	14,220	120 467	128,463	7 996	7%
Structures and improvements	137 282	135,364	13 647	15,618	150 929	150,982	53	0%
Equipment	33 489	38 145	9 726	9,067	43 215	47 212	3 997	9%
Infrastructure	154 305	157,243	21 491	20,921	175 796	178 164	2 368	1%
Capital assets net of accumulated depreciation	325 076	330 752	44 864	45 606	369 940	376 358	6 418	2%
Total	$ 431 397	$ 444,995	$ 59 010	$ 59,826	$ 490 407	$ 504,821	$ 14 414	3%

The County both purchases outright and constructs capital assets throughout the year. When a capital project will be completed in a subsequent fiscal year, related expenditures are recorded as Construction in Progress (CIP). In the year of completion, a project's CIP is allocated to land, building, equipment or infrastructure. In the current fiscal year CIP increased $5,882 for governmental activities and $74 for business-type activities.

The County completed and capitalized projects costing approximately $13,800. Major projects completed are

- Health & Public Assistance – purchase of Alcohol Drug and Mental Health CARES building ($2,400).
- Community Resources & Facilities infrastructure – Phase II of the West Side Storm Drain ($4,842) and Santa Ynez Airport improvements ($1,960).
- Solid Waste – access road construction and realignment for the Tajiguas landfill site ($1,837).

During the year, the County capitalized $12,741 in equipment purchases. The County also recorded depreciation against its assets of $17,594.

More detailed capital assets information, including depreciation and outstanding CIP by project as of June 30, 2007, can be found in Note 7 to the financial statements on pages 56-59.

Long-term debt. At June 30, 2007, the County had total long-term debt outstanding of $76,463. This amount was comprised of $63,464 of certificates of participation (COP) that are secured by the County's lease rental payments with a covenant to budget and appropriate lease payments, $110 of long-term settlement obligations, $5,045 of capital lease obligations, $7,833 of a state sponsored loan for the Laguna Wastewater Treatment Plant, and $11 of loans which are secured solely by governmental revenue sources.

The County's Outstanding Debt (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2006	2007	2006	2007	2006	2007	Dollar Change	Percent Change
Certificates of participation	$ 65 173	$ 59 143	$ 5 655	$ 4 321	$ 70 828	$ 63 464	$ (7 364)	(10%)
Long-term settlement obligations	200	--	165	110	365	110	(255)	(70%)
Capital lease obligations	3 301	5 015	83	30	3 384	5 045	1 661	49%
Laguna wastewater treatment plant note payable	--	--	8 231	7 833	8 231	7,833	(398)	(5%)
Other loans	1 030	11	--	--	1 030	11	(1 019)	(99%)
Total	$ 69 704	$ 64,169	$ 14 134	$ 12,294	$ 83 838	$ 76,463	$ (7 375)	(9%)

The County's total long-term debt decreased by $7,375, or 9%, during the fiscal year. Decreases were due to $7,364 in COP payments, a reduction of $255 in long-term settlement obligations, $739 in capital lease payments, $398 in payments on the Laguna Wastewater Plant note payable and a reduction of $1,019 in other loan payments. These decreases were partially offset by a new capital lease for the Alcohol, Drug and Mental Health Services Santa Maria CARES building of $2,400.

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

Standard & Poor's, in the June 2005 rating on the County's Tax and Revenue Anticipation Notes (TRAN) states

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

Standard & Poor's in their April 2005 credit profile, stated, "the County's general credit characteristics include

- Continued strong growth in the County's diverse tax base,
- Above-average and increasing income indicators and relatively low unemployment,
- Continued good financial performance, and very low debt levels without significant debt needs"

Additional information on the County's long-term debt can be found in Note 10 of the financial statements on pages 62-66.

Economic Factors and Next Year's Budget and Rates

The following known factors were considered in preparing the County's budget for fiscal year 07-08:

- The fiscal year 07-08 budget contains almost no growth in general revenues over FY 06-07 actual revenues. While property taxes were budgeted with a 3% increase over FY 06-07 actual revenues, offsetting this increase were budgeted decreases when compared to FY 06/07 actual revenues in sales tax, transient occupancy tax, and unrestricted investment earnings.
- Assessed property values grew 7.2% for the FY 07-08 which will increase property tax revenue by an equivalent amount for secured and unsecured property taxes. However, the FY 07-08 budget was adopted with a 6% 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 30% and 21% less than prior year actual. The more conservative estimates are due to a continued downturn in real property sales.
- The budget includes a 9% increase in salaries and benefits when compared to prior year actual which had significant salary savings. This includes increases for retirement rates and workers' compensation rates. The affect of negotiated salary agreements from prior years is also included and funds have been appropriated for contemplated new agreements or cost of living adjustments for a majority of the County's labor contracts.
- There were no significant cuts in funding by the State of California included in the County's budget.

As of June 30, 2007, unreserved General Fund balance was $69,972. Of this amount, $58,488 is designated but available for appropriation. The County's General Fund ended with $11,484 of unreserved, undesignated fund balance at June 30, 2007. For FY 2007-08 the final budget appropriates $1,000 to fund the Children's Health Initiative and $10,484 to various designations. The County's performance-based proposed fiscal year 2007-08 budget and the County's Five Year Capital Improvement Program can be found on the internet at www.countyofsb.org/cao/index.asp.

Requests for Information

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

Financial Statements

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET ASSETS

AS OF June 30, 2007 (in thousands)

	Governmental Activities	Business type Activities	Totals
ASSETS			
Cash and investments (Note 4)	$ 257 021	$ 21 262	$ 278 283
Accounts receivable net			
Taxes	24 406		24 406
Licenses permits and franchises	1 068	261	1 327
Fines forfeitures and penalties	381	–	381
Use of money and property	3 700	536	4 236
Intergovernmental	31 533	135	31 668
Charges for services	20 888	237	21 125
Other	270	1 454	1 724
Internal balances	2 572	(2 572)	
Inventories	332	236	568
Prepaid items	435	128	563
Other receivables	7 826	–	7 826
Unamortized issuance costs	648	59	707
Restricted cash and investments (Notes 4 & 5)	19 601	18 280	37 881
Capital assets not being depreciated (Note 7)	114 243	14 220	128 463
Capital assets net of accumulated depreciation (Note 7)	330 752	45 606	376 358
Total assets	815 674	99 842	915 516
LIABILITIES			
Accounts payable	19 070	1 888	20 958
Salaries and benefits payable	13 985	297	14 282
Interest payable	595	5	600
Other payables	740	279	1 019
Unearned revenue (Note 6)	27 000	–	27 000
Customer deposits payable	6 764	236	7 000
Long term liabilities (Note 10)			
Portion due within one year			
Capital lease obligations (Note 9)	712	7	719
Certificates of participation payable net (Note 10)	5 934	1 071	7 005
Other long term obligations (Note 10)	11	–	11
Notes payable (Note 8)		407	407
Compensated absences	1 220	4	1 224
Liability for self insurance claims (Note 17)	10 647	–	10 647
Portion due in more than one year			
Capital lease obligations (Note 9)	4 303	23	4 326
Certificates of participation payable net (Note 10)	54 084	3 280	57 364
Notes payable (Note 8)		7 426	7 426
Compensated absences	25 294	521	25 815
Liability for self insurance claims (Note 17)	23 845		23 845
Landfill litigation settlement (Note 16)		110	110
Estimated litigation liability (Note 16)	4 583	–	4 583
Accrued landfill closure costs (Note 11)		25 033	25 033
Rebatable arbitrage earnings (Note 10)	84	5	89
Total liabilities	196,871	40,592	239,463
NET ASSETS			
Invested in capital assets net of related debt	399 800	47 611	447 411
Restricted for (Note 14)			
Public safety	12 990	–	12 990
Health and public assistance	19 237	–	19 237
Community resources and public facilities	60 486	–	60 486
General government and support services	9 913	–	9 913
General county programs	12 469		12 469
Debt service	8 484	717	9 201
Unrestricted	93,424	10,922	104,346
Total net assets	$ 616,803	$ 59,250	$ 676 053

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, 2007 (in thousands)

				Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Direct Expenses	Indirect Expenses	Total Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities									
Policy & executive	$ 12 008	$ (3 439)	$ 8 569	$ 3 847	$ 5	$	$ (4 717)	$	$ (4 717)
Law & justice	40 138	1 048	41 186	9 764	8 906		(22 516)		(22 516)
Public safety	174 947	6 619	181 566	34 767	46 290		(100 509)		(100 509)
Health & public assistance	266 407	5 399	271 806	80 546	176 717		(14 543)		(14 543)
Community resources & public facilities	80 665	4 120	84 785	24 822	27 969	476	(31 518)		(31 518)
General government & support services	51 010	(14 239)	36 771	15 480	7 117		(14 174)		(14 174)
General county programs	14 685	49	14 734	5 037	7 165		(2 532)		(2 532)
Interest on long term debt	2 869		2 869				(2 869)		(2 869)
Total governmental activities	642 749	(443)	642 306	174 263	274 169	476	(193 398)		(193 398)
Business type activities									
Solid waste	21 501	356	21 857	21 511	789			443	443
Laguna sanitation	4 979	87	5 066	5 950	65		–	949	949
Transit	62		62	9				(53)	(53)
Total business type activities	26 542	443	26 985	27 470	854			1,339	1,339
Total primary government	$ 669 291	$	$ 669 291	$ 201,733	$ 275 023	$ 476	(193 398)	1 339	(192 059)
General Revenues									
Taxes									
Property							155 178		155 178
Sales							8 887	134	9 021
Transient occupancy							6 591		6 591
Payments in lieu of taxes									
Other payments in lieu							4 305		4 305
Motor vehicle in lieu							271		271
Franchise fees							3 177		3 177
Other general revenues							91	911	1 002
Restricted for community resources and public facilities									
Sales tax allocated to roads							8 399		8 399
Property tax levied for flood control districts							7 699		7 699
Property tax levied for county service areas							1 060		1 060
Property tax levied for water agency							2 010		2 010
Property tax levied for lighting districts							399		399
Property tax levied for special districts community facilities district							154		154
Tax increment allocated to redevelopment agency							2 955		2 955
Restricted for public safety									
Property tax levied for fire district							25 546		25 546
Unrestricted investment earnings							2 867	2 089	4 956
Gain on sale of capital assets							1 269	1	1 270
Transfers							3	(3)	
Total general revenues general expenses and transfers							230 861	3 132	233 993
Change in net assets							37 463	4 471	41 934
Net assets beginning							579 340	54 779	634 119
Net assets ending							$ 616,803	$ 59,250	$ 676,053

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

COUNTY OF SANTA BARBARA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF June 30, 2007 (in thousands)

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments (Note 4)	$ 39,558	$ 3,402	$ 25,097	$ 10,263	$ 1,139	$ 45 410	$ 34,090	$ 41 806	$ 200,765
Accounts receivable									
Taxes	24,406	--	--	--	--	--	--	--	24,406
Licenses permits, and franchises	1,066	--	--	--	--	--	--	--	1,066
Fines forfeitures and penalties	20	--	--	--	--	--	--	361	381
Use of money and property	1,094	44	305	87	--	550	353	566	2,999
Intergovernmental	7,539	5,058	6,733	7,429	3,240	--	47	1,489	31,533
Charges for services	3,119	194	47	--	17,210	--	--	303	20,873
Other	18	19	--	--	--	--	--	233	270
Due from other funds (Note 13)	4,386	--	--	--	--	--	--	--	4,386
Prepaid items	50	--	--	385	--	--	--	--	435
Other receivables	1,754	--	--	--	--	--	--	5,697	7 451
Advances to other funds (Note 13)	1 759	--	--	--	--	--	--	--	1,759
Restricted cash and investments (Notes 4 & 5)	12,121	--	--	--	--	--	--	7,470	19,591
Total assets	$ 96,890	$ 8,715	$ 32,182	$ 18,164	$ 21,589	$ 45,960	$ 34,490	$ 57,925	$ 315,915
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	$ 2,567	$ 1,691	$ 2,701	$ 748	$ 7 723	$ 17	$ 782	$ 1,860	$ 18,087
Salaries and benefits payable	8 581	433	1,567	1,622	1,013	117	--	395	13,728
Due to other funds (Note 13)	--	--	--	--	4,374	--	--	12	4,386
Other payables	69	130	122	6	--	55	265	103	740
Interest payable	--	--	--	--	18	--	--	9	27
Deposits payable	6 508	256	--	--	--	--	--	--	6,764
Unearned revenue (Note 6)	--	4,707	--	11,668	--	594	4,188	5,843	27,000
Deferred revenue (Note 6)	237	166	--	--	2,891	--	--	--	3,294
Total liabilities	17,962	7,383	4,390	14,042	16,019	783	5,225	8,222	74,026
Fund balances									
Reserved for (Note 15)									
Receivables and prepaids	3,309	--	--	386	--	--	--	4	3,699
Imprest cash	15	1	3	15	2	--	--	1	37
Debt service	--	--	--	--	--	--	--	7,601	7,601
Property tax loss reserve	5,632	--	--	--	--	--	--	--	5,632
Unreserved (Note 15)									
Designated, reported in									
General fund	58 488	--	--	--	--	--	--	--	58,488
Special revenue funds	--	1 322	21,525	32	4,024	13,786	--	13,880	54,569
Capital projects fund	--	--	--	--	--	--	22,854	--	22,854
Debt service funds	--	--	--	--	--	--	--	315	315
Undesignated, reported in									
General fund	11 484	--	--	--	--	--	--	--	11,484
Special revenue funds	--	9	6,264	3 689	1,544	31,391	--	27 902	70,799
Capital projects fund	--	--	--	--	--	--	6,411	--	6,411
Total fund balances	78,928	1,332	27,792	4,122	5,570	45,177	29,265	49,703	241,889
Total liabilities and fund balances	$ 96,890	$ 8,715	$ 32,182	$ 18 164	$ 21,589	$ 45,960	$ 34,490	$ 57,925	$ 315,915

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

Fund balances - total governmental funds	$ 241,889
(1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet	424,453
Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet	(95,348)
Accrued interest on long-term debt	(568)
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	3,294
Issuance costs on certificates of participation are capitalized and amortized over the life of the related debt issue	648
Receivable from the City of Goleta for 1994 Certificates of Participation	375
(2) Internal Service Funds are used by management to charge the costs of fleet management, information technology risk management, and communications 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	41 247
(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	813
Net assets of governmental activities	$ 616 803

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues									
Taxes	$ 172,676	$ 8 399	$ --	$ --	$ --	$ 7 631	$ -	$ 31,877	$ 220,583
Licenses permits and franchises	13,782	387	172	--	--	--	--	15	14 336
Fines forfeitures and penalties	4,955	--	1,687	--	3	--	--	4 375	11 020
Use of money and property	4 446	134	1,102	397	--	2,231	1,329	3 386	13,025
Intergovernmental	58,418	17,537	31,011	104,515	30,877	3 440	279	20 876	266,953
Charges for services	69,611	841	30,046	3	39,793	2,866	376	4 775	148 311
Other	3,292	538	4,766	756	--	371	91	3,800	13,414
Total revenues	327 180	27,816	68,784	105,671	70,673	15,339	2,075	69 104	687,642
Expenditures									
Current									
Policy & executive	11,846	--	--	--	--	--	--	--	11,846
Law & justice	24,824	--	--	--	--	--	20	14 403	39,247
Public safety	174,218			--	--		114	1 168	175 500
Health & public assistance	5,088	-	72,381	115 495	70,053	--	519	9 778	273,314
Community resources & facilities	32,985	32,562	--	--	--	12,485	692	12 270	90,994
General government & support services	46,607	--	--	--	--	--	(23)	796	47,380
General county programs	6 487	--	--	--	--	--	--	8 065	14 552
Debt service									
Principal	220	58	--	136	--	--	--	7 464	7,878
Interest	133	6	--	6	--	--	--	2 785	2,930
Capital outlay	--	--	--	--	--	--	10,620	--	10,620
Total expenditures	302 398	32,624	72,381	115,637	70,053	12,485	11,942	56,749	674,259
Excess (deficiency) of revenues over (under) expenditures	24,792	(4,808)	(3,597)	(9,966)	620	3,854	(9,867)	12,355	13,383
Other Financing Sources (Uses)									
Transfers in	53,335	1,838	8,268	11,447	3,821	--	9,284	40 554	128,567
Transfers out	(68,139)	(357)	(1,292)	(442)	(4,098)	(6)	(1,943)	(52 924)	(129,201)
Proceeds from sale of capital assets	100	16	--	--	--	--	1,153	--	1,269
Long-term debt issued	--	--	--	--	--	--	2,400	--	2,400
Total other financing sources (uses)	(14,704)	1,497	6,996	11,005	(277)	(6)	10,894	(12 370)	3,035
Net change in fund balances	10,088	(3,311)	3,399	1,039	343	3,848	1,027	(15)	16,418
Fund balances - beginning	68,840	4,643	24,393	3,083	5,227	41,329	28,238	49 718	225,471
Fund balances - ending	$ 78,928	$ 1,332	$ 27,792	$ 4,122	$ 5,570	$ 45,177	$ 29,265	$ 49,703	$ 241,889

Amounts reported for governmental activities in the Statement of Activities are different because	
Net change in fund balances - total governmental funds	$ 16,418
Capital assets & long term debt	
1) The acquisition of capital assets uses current financial resources but has no effect on net assets	24,429
2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities	(11,395)
3) The proceeds from the sale of capital assets provide current financial resources but have no effect on net assets	(1,269)
4) The gain on the disposal of capital assets does not affect current financial resources but increases net assets	(701)
Measurement focus	
5) Revenues that do not provide current financial resources are not reported as revenues in the funds but are recognized in the statement of activities	1,490
6) *The issuance of long-term debt provides current financial resources to the funds but has no effect on net assets*	(2,400)
7) Principal payments on long-term debt use current financial resources but have no effect on net assets	7,878
8) Bond premiums were recorded as interest revenue in the fund statements but are amortized in the statement of activities	145
9) Bond discounts were recorded as a negative interest expense in the fund statements but are amortized in the statement of activities	(21)
10) Cost of issuance was recorded as expenditures in the fund statements but are amortized in the statement of activities	(146)
11) Contributions from other governments to pay their portion of long-term debt are recorded as revenue in the fund statements but have no effect on net assets	(425)
12) The decrease in the interest payable liability does not increase current financial resources but is recorded as a increase in revenue in the statement of activities	74
13) The increase in rebatable arbitrage earnings does not use current financial resources but is reported as revenue in the statement of activities	(44)
14) The increase in the compensated absences liability does not use current financial resources but is recorded as an expense in the statement of activities	(1 565)
15) The increase in the estimated liability for litigation does not provide current financial resources but increases expenses in the statement of activities	(208)
Internal service funds	
16) Internal service funds are used by management to charge the costs of fleet management information technology risk management and communications services to individual funds The net revenue of internal service funds is reported within governmental activities	5,205
Change in net assets (Statement of activities Governmental activities)	$ 37,463

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

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, 2007 (in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Taxes	$ 163,687	$ 164 887	$ 172,676	$ 7,789
Licenses, permits and franchises	15,380	15,578	13,782	(1 796)
Fines, forfeitures, and penalties	4,264	4,852	4,955	103
Use of money and property	4,452	2,752	4,446	1 694
Intergovernmental	56,744	62,330	58,418	(3,912)
Charges for services	65,682	68,367	69,611	1 244
Other	1,627	3,169	3,292	123
Total revenues	311,836	321,935	327,180	5,245
Expenditures				
Current				
Policy & executive	12,312	12,426	11,846	580
Law & justice	25,044	25,148	24,824	324
Public safety	166,986	175,698	174,218	1,480
Health & public assistance	5,104	5,153	5,088	65
Community resources & facilities	36,434	36,668	32,985	3,683
General government & support services	52,777	52,599	46,607	5,992
General county programs	7,642	6,444	6,467	(23)
Debt service				
Principal	20	220	220	--
Interest	1,879	135	133	2
Total expenditures	308,198	314,491	302,388	12,103
Excess of revenues over expenditures	3,638	7,444	24,792	17,348
Other Financing Sources (Uses)				
Transfers in	55,558	56,927	53,335	(3,592)
Transfers out	(60,386)	(69,029)	(68,139)	890
Proceeds from sale of capital assets	8	8	100	92
Total other financing (uses)	(4,820)	(12,094)	(14,704)	(2,610)
Net change in fund balances	(1,182)	(4,650)	10,088	14,738
Fund balances - beginning	68,840	68,840	68,840	--
Fund balances - ending	$ 67,658	$ 64,190	$ 78,928	$ 14,738

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

COUNTY OF SANTA BARBARA, CALIFORNIA
ROAD SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Taxes	$ 8,038	$ 8 038	$ 8,399	$ 361
Licenses permits, and franchises	161	161	367	206
Fines forfeitures and penalties	1	1	--	(1)
Use of money and property	60	60	134	74
Intergovernmental	22 898	22 079	17 537	(4,542)
Charges for services	1 098	1 098	841	(257)
Other	115	416	538	122
Total revenues	32,371	31,853	27,816	(4,037)
Expenditures				
Current				
Community resources & facilities	32 801	35 862	32,562	3,300
Debt service				
Principal	56	56	56	--
Interest	6	6	6	--
Total expenditures	32,863	35,924	32,624	3,300
(Deficiency) of revenues (under) expenditures	(492)	(4,071)	(4,808)	(737)
Other Financing Sources (Uses)				
Transfers in	1,466	1 838	1 838	--
Transfers out	(406)	(415)	(357)	58
Proceeds from sale of capital assets	--	--	16	16
Total other financing sources	1,060	1,423	1 497	74
Net change in fund balances	568	(2,648)	(3,311)	(663)
Fund balances - beginning	4,643	4,643	4,643	--
Fund balances - ending	$ 5,211	$ 1,995	$ 1 332	$ (663)

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, 2007 (in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Licenses, permits, and franchises	$ 121	$ 115	$ 172	$ 57
Fines, forfeitures and penalties	1,212	1 784	1,687	(97)
Use of money and property	553	760	1 102	342
Intergovernmental	28,811	30,918	31,011	93
Charges for services	27,256	27,247	30,046	2 799
Other	4,971	4,675	4 766	91
Total revenues	62,924	65,499	68,784	3,285
Expenditures				
Current				
Health & public assistance	73,957	74,885	72,381	2,504
Total expenditures	73,957	74,885	72,381	2 504
Excess (deficiency) of revenues over (under) expenditures	(11,033)	(9,386)	(3,597)	5,789
Other Financing Sources (Uses)				
Transfers in	11,621	8,343	8 288	(55)
Transfers out	(4,637)	(1,503)	(1,292)	211
Total other financing sources	6,984	6,840	6,996	156
Net change in fund balances	(4 049)	(2,546)	3,399	5 945
Fund balances - beginning	24,393	24,393	24,393	--
Fund balances - ending	$ 20,344	$ 21 847	$ 27,792	$ 5,945

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, 2007 (in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Use of money and property	$ 306	$ 304	$ 397	$ 93
Intergovernmental	105,922	108 503	104,515	(3 988)
Charges for services	--	--	3	3
Other	319	351	756	405
Total revenues	106,547	109,158	105,671	(3,487)
Expenditures				
Current				
Health & public assistance	118 638	120 995	115,495	5 500
Debt service				
Principal	133	137	136	1
Interest	6	6	6	--
Total expenditures	118,777	121,138	115 637	5 501
Excess (deficiency) of revenues over (under) expenditures	(12,230)	(11,980)	(9 966)	2,014
Other Financing Sources (Uses)				
Transfers in	18,055	11,827	11,447	(380)
Transfers out	(6,696)	(773)	(442)	331
Total other financing sources (uses)	11,359	11,054	11,005	(49)
Net change in fund balances	(871)	(926)	1,039	1 965
Fund balances - beginning	3,083	3,083	3 083	--
Fund balances - ending	$ 2,212	$ 2 157	$ 4 122	$ 1,965

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance Final Budget - Over (Under)
Revenues				
Fines, forfeitures, and penalties	$ 3	$ 7	$ 3	$ (4)
Use of money and property	32	62	--	(62)
Intergovernmental	22,700	29,615	30 877	1,262
Charges for services	46 134	41,700	39,793	(1 907)
Other	187	398	--	(398)
Total revenues	69,056	71,782	70,673	(1,109)
Expenditures				
Current				
Health & public assistance	69,830	72,445	70,053	2,392
Total expenditures	69,830	72,445	70,053	2,392
Excess (deficiency) of revenues over (under) expenditures	(774)	(663)	620	1,283
Other Financing Sources (Uses)				
Transfers in	4,586	4 046	3,821	(225)
Transfers out	(4,789)	(4,431)	(4,098)	333
Total other financing sources (uses)	(203)	(385)	(277)	108
Net change in fund balances	(977)	(1,048)	343	1,391
Fund balances - beginning	5,227	5,227	5,227	--
Fund balances - ending	$ 4,250	$ 4,179	$ 5,570	$ 1,391

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance Final Budget - Over (Under)
Revenues				
Taxes	$ 7,124	$ 7,124	$ 7,631	$ 507
Use of money and property	1,373	1 373	2,231	858
Intergovernmental	4 017	4 069	3 440	(629)
Charges for services	2,731	2,731	2 866	135
Other	38	39	171	132
Total revenues	15,283	15,336	16,339	1,003
Expenditures				
Current				
Community resources & facilities	14,309	15,035	12,485	2,550
Total expenditures	14,309	15,035	12,485	2,550
Excess of revenues over expenditures	974	301	3,854	3,553
Other Financing Sources (Uses)				
Transfers out	(4)	(8)	(6)	2
Total other financing sources (uses)	(4)	(8)	(6)	2
Net change in fund balances	970	293	3,848	3,555
Fund balances - beginning	41,329	41,329	41 329	--
Fund balances - ending	$ 42,299	$ 41,622	$ 45,177	$ 3,555

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF June 30, 2007 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Solid Waste	Laguna Sanitation	Nonmajor - Transit Operations	Totals	
ASSETS					
Current assets					
Cash and investments (Note 4)	$ 17,433	$ 3 560	$ 269	$ 21,262	$ 56,256
Accounts receivable					
Licenses permits, and franchises	261	--	--	261	--
Use of money and property	482	51	3	536	701
Intergovernmental	135	--	--	135	--
Charges for services	10	227	--	237	15
Other	1 454	--	--	1 454	--
Inventories	231	5	--	236	332
Prepaid items	128	--	--	128	--
Total current assets	20,134	3,843	272	24,249	57 304
Noncurrent assets					
Restricted cash and investments (Notes 4 & 5)	18 046	234	--	18,280	10
Deferred charges	57	2	--	58	--
Capital assets, not being depreciated (Note 7)	11,421	2,799	--	14,220	--
Capital assets, net of accumulated depreciation (Note 7)	20,385	25 221	--	45,606	20,542
Total noncurrent assets	49,909	28 256	--	78,165	20,552
Total assets	70,043	32,099	272	102,414	77,856
LIABILITIES					
Current liabilities					
Accounts payable	1,784	104	--	1,888	983
Customer deposit payable	--	236	--	236	--
Salaries and benefits payable	247	50	--	297	257
Compensated absences current portion (Note 10)	4	--	--	4	--
Note payable, current portion (Notes 8 & 10)	--	407	--	407	--
Interest payable	--	5	--	5	--
Other payables	278	1	--	279	--
Capital lease obligations current portion (Notes 9 & 10)	6	1	--	7	61
Liability for self-insurance claims current portion (Notes 10 & 17)	--	--	--	--	10,647
Certificates of participation payable, current portion (Note 10)	907	164	--	1,071	--
Total current liabilities	3 226	968	--	4,194	11,948
Noncurrent liabilities					
Compensated absences net of current portion (Note 10)	416	105	--	521	618
Note payable, net of current portion (Notes 8 & 10)	--	7,426	--	7,426	--
Capital lease obligations net of current portion (Notes 9 & 10)	18	5	--	23	198
Liability for self-insurance claims net of current portion (Notes 10 & 17)	--	--	--	--	23,845
Certificates of participation payable net of current portion (Note 10)	3 112	168	--	3 280	--
Landfill litigation settlement (Note 15)	110	--	--	110	--
Accrued landfill closure costs (Note 11)	25 033	--	--	25 033	--
Advances payable (Note 13)	1 759	--	--	1,759	--
Rebatable arbitrage earnings (Note 10)	2	3	--	5	--
Total noncurrent liabilities	30,450	7,707	--	38,157	24,661
Total liabilities	33,676	8 675	--	42,351	36,609
NET ASSETS					
Invested in capital assets net of related debt	27 763	19,848	--	47,611	20,282
Restricted for debt service (Note 14)	717	--	--	717	--
Unrestricted	7 887	3,576	272	11,735	20 965
Total fund net assets	$ 36,367	$ 23,424	$ 272	60 063	$ 41,247
Adjustment to reflect the allocation of the internal service funds' cumulative net loss				(813)	
Net assets of business-type activities				$ 59,250	

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, 2007 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Solid Waste	Laguna Sanitation	Nonmajor - Transit Operations	Totals	
Operating revenues					
Charges for services	$ 14 135	$ 5 886	$ 7	$ 20,028	$ 41,880
Sale of scrap and recyclables	4 337	--	-	4 337	--
Franchise fees	358	--	-	358	--
Other operating revenues	2,678	65	4	2 747	575
Self-insurance recovery	--	--	--	--	54
Total operating revenues	21,508	5 951	11	27 470	42,509
Operating expenses					
Salaries and benefits	6,847	1 312	--	8 159	7,078
Services and supplies	4 090	1,964	1	6,055	12 343
Self-insurance claims	--	--	--	-	16 034
Contractual services	7,572	395	63	8 030	623
Depreciation and amortization	1,724	1,090	--	2,814	3 385
County overhead allocation	355	87	--	442	1 056
Closure/postclosure costs	1,082	--	--	1,082	--
Other charges	--	--	--	--	474
Total operating expenses	21,670	4,848	64	26,582	40,993
Operating income (loss)	(162)	1,103	(53)	888	1,516
Non-operating revenues (expenses)					
Use of money and property	2,136	185	10	2 331	2,934
Interest expense	(230)	(215)	--	(445)	(12)
Gain (loss) on sale of capital assets	1	--	--	1	(28)
Payment for damages	954	--	--	954	--
Other	567	1	135	703	200
Total non operating revenues (expenses) net	3,428	(29)	145	3,544	3,094
Income before transfers	3 266	1,074	92	4,432	4,610
Transfers in	--	--	--	--	872
Transfers out (Note 13)	(3)	--	--	(3)	(235)
Transfers in (out) net	(3)	--	--	(3)	637
Change in net assets	3 263	1,074	92	4 429	5 247
Total net assets - beginning	33 104	22,350	180	55,634	36,000
Total net assets - ending	$ 36,367	$ 23,424	$ 272	$ 60,063	$ 41,247
Change in net assets - total enterprise funds				$ 4 429	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				42	
Change in net assets of business-type activities				$ 4 471	

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, 2007 (in thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Solid Waste	Laguna Sanitation	Nonmajor - Transit Operations	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	$ --	$ --	$ --	$ --	$ 42,445
Receipts from excess insurance recovery	--	--	--	--	54
Receipts from customers and users	21 395	5,868	11	27 274	--
Payments to employees	(6,825)	(1,299)	--	(8,124)	(7 223)
Payments to suppliers	(10,578)	(2,335)	(64)	(12 977)	(13,127)
Payments for self-insurance claims	--	--	--	--	(14 227)
County overhead allocation payments to the General Fund	(355)	(87)	--	(442)	(1,056)
Other operating (payments)	--	--	--	--	(472)
Net cash provided (used) by operating activities	3,637	2,147	(53)	5,731	6,394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other operating receipts	--	--	--	--	201
Payment on landfill litigation settlement	(55)	--	--	(55)	--
Other	1,550	48	134	1,732	--
Net cash provided by noncapital and related financing activities	1,495	48	134	1,677	201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(3,624)	(54)	--	(3,678)	(6 216)
Proceeds from sale of capital assets	2	--	--	2	255
Principal paid on capital lease obligations	(53)	--	--	(53)	(57)
Interest paid on capital lease obligations	(4)	--	--	(4)	(12)
Principal paid on certificates of participation	(877)	(457)	--	(1,334)	--
Interest paid on certificates of participation	(227)	(17)	--	(244)	--
Interest paid on State loan	--	(198)	--	(198)	--
Principal paid on State loan	--	(398)	--	(398)	--
Proceeds of long-term debt	1	--	--	1	17
Transfers in	--	--	--	--	872
Transfers out	(3)	--	--	(3)	(235)
Net cash provided (used) by capital and related financing activities	(4,785)	(1,124)	--	(5,909)	(5,376)
CASH FLOWS FROM INVESTING ACTIVITIES					
Use of money and property received	1,991	155	9	2,155	2,728
Net cash provided by investing activities	1,991	155	9	2 155	2,728
Net increase in cash and cash equivalents	2,338	1,226	90	3,654	3,947
Cash and cash equivalents - beginning	33,141	2,568	179	35 888	52,319
Cash and cash equivalents - ending	$ 35,479	$ 3 794	$ 269	$ 39,542	$ 56,266
Reconciliation of cash and cash equivalents to the Statement of Net Assets					
Cash and investments per Statement of Net Assets	$ 17,433	$ 3,560	$ 269	$ 21,262	$ 56,256
Restricted cash and investments per Statement of Net Assets	18 046	234	--	18,280	10
Total cash and cash equivalents per Statement of Net Assets	$ 35,479	$ 3,794	$ 269	$ 39,542	$ 56,266
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ (162)	$ 1,103	$ (53)	$ 888	$ 1,516
Depreciation and amortization	1,724	1,090	--	2,814	3,385
Accounts receivable	(113)	(83)	--	(196)	(8)
Inventories	(49)	--	--	(49)	(15)
Accounts payable	1,118	21	--	1,139	(146)
Salaries and benefits payable	22	13	--	35	(145)
Self-insurance claims	--	--	--	--	1 807
Landfill closure cost liability	1,082	--	--	1,082	--
Deferred charges	15	3	--	18	--
Net cash provided (used) by operating activities	$ 3,637	$ 2,147	$ (53)	$ 5,731	$ 6 394

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

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

AS OF June 30, 2007 (in thousands)

	Investment Trust Fund	Agency Funds
Assets		
Cash and investments (Note 4)	$ 508 216	$ 32 166
Interest receivable	7,577	714
Total assets	515,793	$ 32,880
Liabilities		
Accounts payable	--	$ 8 626
Funds held as agent for others	--	24,254
Total liabilities	--	$ 32,880
Net Assets		
Held in trust for pool participants	$ 515,793	

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, 2007 (in thousands)

	Investment Trust Fund
Additions	
Contributions to pooled investments	$ 3 281 742
Interest and investment income	28 878
Total additions	3 310 620
Deductions	
Distributions from pooled investments	3 260 817
Total deductions	3 260 817
Net increase in net assets	49 803
Net assets held in trust for pool participants beginning	465 990
Net assets held in trust for pool participants ending	$ 515,793

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

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

Blended Component Units

Descriptions of the County s blended component units are as follows

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

County Service Areas have been established for the purpose of providing specific services to distinct geographical areas within the County These services include street lighting open space maintenance library community sewer sanitation and maintenance sheriff patrol 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 of Supervisors to receive grant revenue from the local cable television franchise The primary objectives and purposes of the fund are the support of educational and public information through programs aimed at expanding public access and educational access to telecommunication services

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

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

The *Santa Barbara County Finance Corporation* was established on July 28, 1983 This corporation is a nonprofit public benefit corporation, and in general its purpose is to purchase, lease or otherwise acquire real property, construct, install or acquire public improvements, operate, maintain, repair or improve real or personal property and borrow money and become indebted for the purpose of acquiring and improving such property The corporation facilitates financing for the County and other public entities

Also included in the accompanying financial statements as an investment trust fund are assets of numerous self-governed school and special districts for which the County Treasurer acts as custodian of those assets 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 Activities of the school districts and special districts are administered by separate boards and are independent of the County Board of Supervisors The County Auditor-Controller makes disbursements upon the request of the responsible school or self-governed district officers The County Board of Supervisors has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, nor to appropriate surplus funds available in these entities Eight cities and numerous self-governed special districts provide services to the residents of the County The operations of these entities have been excluded from the financial statements as each entity conducts its own day-to-day operations and answers to its own governing board

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Statements

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

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

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the primary government and its component units As a general rule, the effect of interfund intra-function activity has been eliminated from the government-wide financial statements All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column The statement of activities presents function revenue and expenditures 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 expenditures related to interfund services have been eliminated Revenue and expenditures 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 solid waste, 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 instead as general revenues

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

1. Summary of Significant Accounting Policies - Continued

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

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

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

The County reports the following major governmental funds

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

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

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

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

The **Alcohol Drug and Mental Health Services 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 County reports the following major proprietary funds

The **Solid Waste Fund** accounts for the activities of refuse collection, disposal, landfill operations, and recycling programs

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

1. Summary of Significant Accounting Policies - Continued

Additionally the County reports the following fund types

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

The **Investment Trust Fund** accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities The County separately maintains these entities monies in 396 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 275 different agency funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations The principal operating revenues of the Solid Waste 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The Air Pollution Control District (APCD) and the Santa Barbara County Association of Governments, as well as the public school districts, cemetery districts fire protection districts pest control districts, recreation and park districts and resource conservation districts within the County are required by legal provisions to participate in the County's investment pool The total percentage share of the County's investment pool that relates to these involuntary participants is 56% (as of June 30, 2007) The deposits held for these districts are included in an investment trust fund

Interfund Receivables and Payables

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

Receivables and Payables

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

At June 30, 2007, the County's governmental activities had $31,533 of intergovernmental accounts receivable These primarily consisted of approximately $5,606 in State Aid for Public Safety (Proposition 172 proceeds) $2,722 in federal revenue for storm damage and $688 in federal revenue for Medi-Cal Administration The remaining $22,517 consisted primarily of federal and state grants for Public Assistance, Health and Sanitation, and Public Protection programs

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

June 30, 2007 property taxes receivable of $22,576 was recorded in the General Fund In addition, the Teeter Plan requires that a property tax loss reserve be maintained in an amount equal to 1% of the current year's secured tax levy, which is shown as a reservation of fund balance in the General Fund (see Note 15)

Inventories and Prepaid Items

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

Restricted Cash and Investments

Debt covenants require resources to be set aside to repay tax and revenue anticipation notes and interest thereon as restricted assets 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 The "customer deposits' account reflects cash from deposits held for services that are restricted in the County's General Fund and special revenue funds that may be eventually returned to the customer Certificates of participation 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, which include property (e g land), plant (e g buildings, improvements), equipment (e g vehicles, computers, office equipment) and infrastructure assets (e g roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed Donated capital assets are recorded at the estimated fair market value at the date of donation

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

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

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

Expenditures for capital assets and improvements are capitalized, as projects are constructed, in accordance with the County's capitalization policy Interest and other overhead costs incurred during the construction phase of capital

1. Summary of Significant Accounting Policies - Continued

assets of business-type activities are reflected in the capitalized value of the asset constructed. Depreciation expense is allocated to the functions/programs and included as a direct expense in the statement of activities.

Lease Obligations

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

Long-Term Debt

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, 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 accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, a liability for these amounts is reported in the governmental funds financial statements only if they have matured, for example, as a result of employee resignations and retirements prior to year-end and are paid by the County subsequent to year-end.

Fund Equity

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

Use of Estimates

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

2. Budgetary and Legal Compliance

The County is legally required to adopt an annual budget and adheres 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. Annually the Board 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 fiscal year. The Board also adopts subsequent revisions that occur throughout the year. All annual appropriations lapse at 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. 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 2006-07, there were no instances 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.

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 26)	Long-term Assets and Liabilities (1)	Internal Service Funds (2) (Page 34)	Elimina-tions (3)	Net Assets Totals (Page 24)
Assets:					
Cash and investments	$ 200,765	$ --	$ 56,256	$ --	$ 257,021
Receivables:					
Taxes	24,406	--	--	--	24,406
Licenses, permits, and franchises	1,066	--	--	--	1,066
Fines, forfeitures, and penalties	381	--	--	--	381
Use of money and property	2,999	--	701	--	3,700
Intergovernmental	31,533	--	--	--	31,533
Charges for services	20,873	--	15	--	20,888
Other	270	--	--	--	270
Due from other funds	4,386	--	--	(4,386)	--
Internal balances	--	--	--	2,572	2,572
Inventories	--	--	332	--	332
Prepaid items	435	--	--	--	435
Unamortized issuance costs	--	648	--	--	648
Other receivables	7,451	375	--	--	7,826
Advances to other funds	1,759	--	--	(1,759)	--
Restricted cash and investments	19,591	--	10	--	19,601
Capital assets	--	424,453	20,542	--	444,995
Total Assets	$ 315,915	$ 425,476	$ 77,856	$ (3,573)	$ 815,674
Liabilities:					
Accounts payable	$ 18,087	$ --	$ 983	$ --	$ 19,070
Salaries and benefits payable	13,728	--	257	--	13,985
Interest payable	27	568	--	--	595
Other payables	740	--	--	--	740
Unearned revenue	27,000	--	--	--	27,000
Deferred revenue	3,294	(3,294)	--	--	--
Customer deposits payable	6,764	--	--	--	6,764
Due to other funds	4,386	--	--	(4,386)	--
Capital lease obligations	--	4,756	259	--	5,015
Certificates of participation (COP) payable	--	59,143	--	--	59,143
Unamortized premium on COPs	--	997	--	--	997
Unamortized discount on COPs	--	(122)	--	--	(122)
Other long-term obligations	--	11	--	--	11
Compensated absences	--	25,896	618	--	26,514
Liability for self-insurance claims	--	--	34,492	--	34,492
Estimated litigation liability	--	4,583	--	--	4,583
Rebatable arbitrage earnings	--	84	--	--	84
Total Liabilities	74,026	92,622	36,609	(4,386)	198,871
Fund Balance/Net Assets:					
Total Fund Balance/Net Assets	241,889	332,854	41,247	813	616,803
Total Liabilities & Fund Balance/Net Assets	$ 315,915	$ 425,476	$ 77,856	$ (3,573)	$ 815,674

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 7)		$ 424,453
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet (Note 10)		
Certificates of participation	$ (59,143)	
Unamortized premium on certificates of participation	(997)	
Unamortized discount on certificates of participation	122	
Other long-term debt	(11)	
Capital lease obligations (excluding Internal Service Funds)	(4,756)	
Estimated liability for litigation	(4,583)	
Compensated absences (excluding Internal Service Funds)	(25,896)	
Rebatable arbitrage earnings	(84)	
Total long-term liabilities		(95,348)
Accrued interest on long-term debt		(568)
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 6)		3,294
Issuance costs on certificates of participation are capitalized and amortized over the life of the related debt issue.		648
Receivable from the City of Goleta for 1994 Certificates of Participation (Note 10)		375
		$ 332,854
(2) Internal Service Funds are used by management to charge the costs of information technology, vehicle operations and maintenance, risk management and insurance, and communications 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.		$ 41,247
(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.		$ 813

4. Cash and Investments

Cash and investments include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is apportioned quarterly to certain participating funds based upon each fund's average daily deposit balance with all remaining interest deposited in the General Fund. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2007 to support the value of shares in the Treasurer's investment pool.

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, $100 was insured by Federal depository insurance and $23,178 was collateralized with securities held by the pledging financial institution, which have a market value of 102% of the County's deposits. However, per Government Code section 53652, the depository should maintain collateralized securities with a market value of at least 110%.

At June 30, 2007, the carrying amount of the County's deposits was $23,278 and the corresponding bank balance was $20,576. The difference of $2,702 was principally due to deposits in transit.

4. Cash and Investments - Continued

Investments

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

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for 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.

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 US Government, the issuer shall be rated AAA by at least two of the three major rating services of Fitch, Moody's, and Standard & Poor's (S&P). Commercial Paper obligations shall be rated by at least two of the three major rating services a minimum of F1 by Fitch, P1 by Moody's, and A1 by S&P. Corporate Bonds shall be rated AA by at least two of the three major rating services of Fitch, Moody's, and S&P. In addition, no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies, and sponsored enterprises.

County investment policy dictates that no more than 5% of the total portfolio be invested in securities of any single issuer, other than the U.S. Government, its agencies, and sponsored enterprises. At June 30, 2007, single issuers comprising more than 5% of the County's investments were as follows:

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Federal National Mortgage Assoc.	Government Sponsored	$220,945	27.06%
Federal Home Loan Bank	Government Sponsored	144,912	17.75%
Federal Home Loan Mortgage Corp.	Government Sponsored	114,011	13.97%

Directed investments are entirely comprised of securities issued by the Federal National Mortgage Association, a government sponsored enterprise, at June 30, 2007. Fair value holdings at year end amounted to $2,572.

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 held by the trustee in the name of the County and 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. Maturity of investments purchased is governed by demand for funds analysis of prior periods' revenues and expenditures. Except for certain directed investments, the final maturity date of any individual security shall not exceed five (5) years, and in the aggregate non-short term investments shall not exceed 75% of the portfolio.

The unrealized loss on investments held in the County Treasurer's pool at June 30, 2007 for both internal and external pool participants was $1,951.

4. Cash and Investments - Continued

The Treasurer purchases securities at a discount from face value to earn higher than nominal rates of return. Under GASB Statement 31 such discount, when realized, is considered gain rather than interest. Interest earnings for the current year amount to $28,555 for the County Treasurer's Investment Pool and $128 for directed investments. The net realized gain on investments sold or matured during the year was $9,846 for the Investment Pool and $1 for directed investments. 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).

A summary of the investments held by the County Treasurer's investment pool as of June 30, 2007 is as follows:

Investment	Cost	Fair Value	Interest Rate Range	Maturity Date/Range	Weighted Average Maturity	Credit Ratings
Treasurer's Pooled Investments						
Commercial Paper	$ 171,060	$ 171,640	5 24-5 44	7/07-9/07	16 53 Days	P-1, P-2, A-1, A-2
Negotiable CDs	30,036	30,036	5 30-5 40	7/07-1/08	73 Days	A-1, P-1
Corporate Bonds	75,947	75,529	3 12-7 38	7/07-9/11	1 74 Years	AA, AAA
Government Agency Bonds	501,815	499,746	2 63-5 80	7/07-6/12	1 65 Years	AAA
Local Agency Investment Fund	40,000	40,000	4 93-5 23	n/a	n/a	n/a
Directed Investments						
Government Agency Bonds	2,616	2,572	4 13-7 13	6/10-5/12	4 11 Years	AAA
Total Pooled and Directed Investments	821,474	819,523				
Investments Controlled by Fiscal Agents						
U S Government securities	13,704	13,704				
Total Investments	$ 835,178	833,227				
Cash in Banks						
Non-Interest Bearing Deposits		23,278				
Cash on hand		41				
Total Cash and Investments		$ 856,546				
Total Unrestricted Cash and Investments		$ 818,665				
Total Restricted Cash and Investments (Note 5)		37,881				
Total Cash and Investments		$ 856,546				
Total Cash and Investments Summary						
Total Governmental Activities		$ 276,622				
Total Business-Type Activities		39,542				
Total Fiduciary Funds		540,382				
Total Cash and Investments		$ 856,546				

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2007:

Statement of Net Assets	
Net Assets held for pool	$ 819,523
Equity of internal pool participants	$ 310,949
Equity of external pool participants (voluntary and involuntary)	508,574
Total Equity	$ 819,523
Statement of Changes in Net Assets	
Net assets held for pool participants, July 1, 2006	$ 798,719
Net change in investments by pool participants	20,804
Net assets held for pool participants, June 30, 2007	$ 819,523

5. Restricted Cash and Investments

Cash and investments at June 30, 2007 that are restricted by legal or contractual requirements are comprised of the following:

General Fund		
Deposits by various developers	$ 6,489	
Property tax loss reserve	5,632	
Total General Fund		$12,121
Nonmajor Governmental Funds		
Reserved for debt service	7,470	
Total Nonmajor Governmental Funds		7,470
Total Governmental Funds		19,591
Internal Service Funds		
Vehicle Operations and Maintenance - set aside for underground tank clean-up	10	
Total Internal Service Funds		10
Total governmental activities		19,601
Solid Waste Enterprise Fund		
Funds set aside for landfill site closure and maintenance costs (see Note 11)	15,899	
Financial assurance for landfill corrective action	1,430	
Reserved for debt service	717	
Total Solid Waste Enterprise Fund		18,046
Laguna Sanitation Enterprise Fund		
Deposits by various developers	234	
Total Laguna Sanitation Enterprise Fund		234
Total business-type activities		18,280
Total restricted cash and investments		$37,881

6. Deferred and Unearned 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 liabilities of the current period.

At June 30, 2007 the various components of deferred and unearned revenue reported are as follows.

Governmental funds:	Unearned	Deferred (Unavailable)	Total
General Fund:			
Delinquent property taxes	$ --	$ 237	$ 237
Road Fund:			
Office of Emergency Services match	--	166	166
Advances from California Department of Transportation for road project	4,707	--	4,707
Total Road Fund	4,707	166	4,873
Social Services Fund:			
Grant drawdowns prior to meeting eligibility requirements	11,668	--	11,668
Alcohol, Drug, and Mental Health Fund			
Medi-Cal treatment	--	94	94
Early, periodic, screening, diagnosis, and treatment	--	2,797	2,797
Total Alcohol, Drug, and Mental Health Fund	--	2,891	2,891
Flood Control District Fund:			
Developer mitigation fees	594	--	594
Capital Projects Fund:			
Developer mitigation fees	4,188	--	4,188
Nonmajor governmental funds:			
Advances on state and federal grants for affordable housing	587	--	587
Other receivables	5,107	--	5,107
Fire district mitigation fees	149	--	149
Total nonmajor governmental funds	5,843	--	5,843
Total governmental funds	$ 27,000	$ 3,294	$ 30,294

7. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 88,777	$ 2,040	$ --	$ 90,817
Construction in progress	17,544	18,900	(13,018)	23,426
Total capital assets, not being depreciated	106,321	20,940	(13,018)	114,243
Capital assets, being depreciated:				
Structures and improvements	201,056	2,977	--	204,033
Equipment	80,305	11,735	(4,238)	87,802
Infrastructure	219,826	6,159	--	225,985
Total capital assets, being depreciated	501,187	20,871	(4,238)	517,820
Less accumulated depreciation for:				
Structures and improvements	(63,774)	(4,895)	--	(68,669)
Equipment	(46,816)	(6,664)	3,823	(49,657)
Infrastructure	(65,521)	(3,221)	--	(68,742)
Total accumulated depreciation	(176,111)	(14,780)	3,823	(187,068)
Total capital assets, being depreciated, net	325,076	6,091	(415)	330,752
Sub-total governmental activities	431,397	27,031	(13,433)	444,995
Business-type activities:				
Capital assets, not being depreciated:				
Land	12,244	--	--	12,244
Construction in progress	1,902	2,850	(2,776)	1,976
Total capital assets, not being depreciated	14,146	2,850	(2,776)	14,220
Capital assets, being depreciated:				
Structures and improvements	20,223	2,622	(168)	22,677
Equipment	20,069	1,407	(482)	20,994
Infrastructure	25,006	--	--	25,006
Total capital assets, being depreciated	65,298	4,029	(650)	68,677
Less accumulated depreciation for:				
Structures and improvements	(6,576)	(651)	168	(7,059)
Equipment	(10,343)	(1,593)	9	(11,927)
Infrastructure	(3,515)	(570)	--	(4,085)
Total accumulated depreciation	(20,434)	(2,814)	177	(23,071)
Total capital assets, being depreciated, net	44,864	1,215	(473)	45,606
Sub-total business-type activities	59,010	4,065	(3,249)	59,826
Total	$ 490,407	$ 31,096	$ (16,682)	$ 504,821

7. Capital Assets - Continued

Capital assets activity for each major enterprise fund for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Solid Waste:				
Capital assets, not being depreciated:				
Land	$ 9,445	$ --	$ --	$ 9,445
Construction in progress	1,882	2,850	(2,756)	1,976
Total capital assets, not being depreciated	11,327	2,850	(2,756)	11,421
Capital assets, being depreciated:				
Structures and improvements	17,077	2,622	(168)	19,531
Equipment	15,198	1,352	(455)	16,095
Total capital assets, being depreciated	32,275	3,974	(623)	35,626
Less accumulated depreciation for:				
Structures and improvements	(4,800)	(585)	168	(5,217)
Equipment	(8,894)	(1,139)	9	(10,024)
Total accumulated depreciation	(13,694)	(1,724)	177	(15,241)
Total capital assets, being depreciated, net	18,581	2,250	(446)	20,385
Subtotal Solid Waste	29,908	5,100	(3,202)	31,806
Laguna Sanitation:				
Capital assets, not being depreciated:				
Land	2,799	--	--	2,799
Construction in progress	20	--	(20)	--
Total capital assets, not being depreciated	2,819	--	(20)	2,799
Capital assets, being depreciated:				
Structures and improvements	3,146	--	--	3,146
Equipment	4,871	55	(27)	4,899
Infrastructure	25,006	--	--	25,006
Total capital assets, being depreciated	33,023	55	(27)	33,051
Less accumulated depreciation for:				
Structures and improvements	(1,776)	(66)	--	(1,842)
Equipment	(1,449)	(454)	--	(1,903)
Infrastructure	(3,515)	(570)	--	(4,085)
Total accumulated depreciation	(6,740)	(1,090)	--	(7,830)
Total capital assets, being depreciated, net	26,283	(1,035)	(27)	25,221
Subtotal Laguna Sanitation	29,102	(1,035)	(47)	28,020
Total business-type activities	$ 59,010	$ 4,065	$ (3,249)	$ 59,826

7. Capital Assets - Continued

Internal Service Funds (ISF) predominantly serve the governmental funds Accordingly, their capital assets are included within governmental activities in the above table Capital assets activity for Internal Service Funds for the year ended June 30, 2007 is as follows

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Internal Service Funds:				
Capital assets, being depreciated				
Structures and improvements	$ 2,177	$ 42	$ --	$ 2,219
Equipment	39,043	6,291	(3,683)	41,651
Total capital assets, being depreciated	41,220	6,333	(3,683)	43,870
Less accumulated depreciation for				
Structures and improvements	(334)	(58)	--	(392)
Equipment	(22,895)	(3,327)	3,286	(22,936)
Total accumulated depreciation	(23,229)	(3,385)	3,286	(23,328)
Total capital assets, being depreciated, net	17,991	2,948	(397)	20,542
Total	$ 17,991	$ 2,948	$ (397)	$ 20,542

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	$ 77	$ 35	$ 112
Law & justice	846	83	929
Public safety	2,786	1 652	4,438
Health & public assistance	2,069	704	2,773
Community resources & public facilities	4,372	465	4,837
General government & support services	1,020	314	1,334
General county programs	225	22	247
Total depreciation expense-governmental activities	11,395	3,275	14,670
Business-type activities			
Solid waste	1,724	104	1,828
Laguna sanitation	1,090	6	1,096
Total depreciation expense-business-type activities	2,814	110	2,924
Grand Total	$ 14,209	$ 3,385	$ 17 594

(1) Capital assets held by the County's Internal Service Funds are charged to the various functions based on their usage of the assets

7. Capital Assets - Continued

Construction in progress at June 30 2007 consists of the following projects for the primary government

Governmental activities:		
Capital Outlay Projects		
North County Jail	$ 1,738	
Santa Maria ADMHS Building Remodel	1 312	
Los Prietos Residences	964	
New Computer Aided Dispatch System	894	
Lompoc Fire & Sheriff Station	881	
South County Jail Management System	724	
La Morada Building Remodel for Social Services	483	
Cachuma Lake Sewer Plant	407	
Other Projects (individually less than $400)	5 177	
		$ 12,580
Road Projects		
Jonata Park Road Bridge	830	
Safe Routes to Schools Sidewalk Construction	594	
Hummel Drive Extension	584	
Isla Vista Sidewalk Construction	563	
Black Road Bridge Rehabilitation	470	
Sidewalk Replacement - Districts 2 & 4	459	
Other Projects (individually less than $450)	3,956	
		7,456
Flood Control Projects		
Mission Creek Corps Project	1 122	
Las Vegas Creek/Encina Drain	760	
Foster Road Storm Drain	282	
Other Projects (individually less than $200)	884	
		3,048
General Fund Projects		342
Sub-total governmental activities		23,426
Business-type activities:		
Resource Recovery and Waste Management Projects		
Tajiguas Liner Expansion, Phase 1B	1,384	
Tajiguas Dewatering System	271	
Tajiguas Eastside 48" Storm Drain	201	
Other Projects (individually less than $100)	120	
Sub-total business-type activities		1,976
Total construction in progress		$ 25,402

8. Note Payable

Governmental Activities

There are no notes payables at June 30, 2007 as tax and revenue anticipation notes ("TRANS") of $47,000 bearing interest at 4.00%, net interest cost of 2.63% were paid in full on July 25, 2006. Proceeds from the notes were used to meet fiscal year 2005-06 cash flow requirements. The following is a summary of changes in notes payable for the year ended June 30, 2007:

	July 1, 2006	Additions	Deletions	June 30, 2007
2005-2006 TRANS	$ 47,000	$ --	$ (47,000)	$ --
Total	$ 47,000	$ --	$ (47,000)	$ --

Business-Type Activities

Laguna Wastewater Treatment Plant Note Payable

On August 16, 2001, the Laguna Sanitation District (District) entered into a financing contract with the State for the construction of a Total Dissolved Solids and Recycled Water Treatment Plant. Under the contract, the State made fifteen disbursements totaling $9,150 to the District during the period February 2002 through June 2003. Repayment of the note commenced in July 2004 and will continue through July 2023. The interest rate on the note is 2.4% per annum.

The note payable outstanding at June 30, 2007 is $7,833. The following is a repayment schedule as of June 30, 2007:

Year Ending June 30,	Principal	Interest	Total
2009	$ 407	$ 188	$ 595
2010	417	178	595
2011	427	168	595
2012	437	158	595
2013	448	147	595
2014-2018	2,406	571	2,977
2019-2023	2,709	268	2,977
2024	582	14	596
Total	$ 7,833	$ 1,692	$ 9,525

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, 2007:

Year Ending June 30,	Amount
2008	$ 2,420
2009	1,189
2010	829
2011	617
2012	99
Total Minimum Rental Payments	$ 5,154

Total rental expenditure/expense for the year ended June 30, 2007 was $3,538 of which $561 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, 2007, the building had a carrying amount of $5,798 net of accumulated depreciation of $370.

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, 2007:

Year Ending June 30,	Amount
2008	$ 496
2009	312
2010	312
2011	312
2012	312
2013-2017	1,561
2018-2022	1,561
2023-2027	1,561
2028-2032	1,561
2033-2034	572
Total Minimum Rentals to be Received	$ 8,560

For the year ended June 30, 2007, total rental income was $1,028, all of which was recorded in the General Fund.

9. Leases - Continued

Capital Leases

The County has entered into certain capital lease arrangements under which the related structures and equipment will become the property of the County when all terms of the lease agreements are met. The following is a schedule of future minimum lease payments, payable from the General Fund, certain special revenue funds, internal services funds, and enterprise funds under capital leases as of June 30, 2007:

Year Ending June 30,	Governmental Activities	Business-type Activities
2008	$ 951	$ 9
2009	806	8
2010	781	9
2011	781	8
2012	280	--
2013-2017	1,398	--
2018-2022	1,040	--
2023-2027	895	
Total Minimum Lease Payments	6,932	34
Less: Amount Representing Interest	(1,917)	(4)
Total Present Value of Minimum Lease Payments	$ 5,015	$ 30

The following is a schedule of capital assets under capital leases by major classes at June 30, 2007:

	Governmental Activities	Business-type Activities
Land	$ 1,283	$ --
Equipment	2,563	30
Structures and improvements	1,917	--
Total capital asset, gross	5,763	30
Less: Accumulated depreciation	(710)	(30)
Total capital asset, net	$ 5,053	$ --

Depreciation expense related to capital assets under capital leases for the governmental and business-type activities was $399 and $50 respectively, for the year ended June 30, 2007.

10. Long-Term Debt

Certificates of Participation

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

The certificates of participation 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,

10. Long-Term Debt - Continued

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 certificates of participation principal outstanding at year-end is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of 6/30/2007
Governmental activities:					
1998 Capital Improvements	3.80-4.60	2/10/1998	2/1/2011	$ 11,720	$ 4,530
2001 Capital Improvements	2.00-5.25	12/1/2001	12/1/2021	30,324	26,784
2004 Capital Improvements	2.00-3.00	3/31/2004	3/1/2011	20,023	10,659
2005 Capital Improvements	3.00-4.50	4/21/2005	3/1/2025	18,785	17,170
Sub-total governmental activities				80,852	59,143
Business-type activities:					
1997 Laguna Sanitation Refinance	5.39-7.11	6/24/1997	12/1/2006	1,915	--
1998 Baron Ranch	3.80-4.60	2/10/1998	2/1/2011	7,760	2,889
2001 Capital Improvements	2.00-5.25	12/1/2001	12/1/2021	1,101	901
2004 Capital Improvements	2.00-3.00	3/31/2004	3/1/2009	1,577	531
Subtotal business-type activities				12,353	4,321
Total				$ 93,205	$ 63,464

As of June 30, 2007, the County has an outstanding receivable in the amount of $375 from the City of Goleta related to the remaining outstanding balance on the 1994 Certificates of Participation, which were previously refunded by the 2004 COP issuance, used to finance the purchase of land that the County transferred to the city at incorporation on February 1, 2002. The County remains legally liable for this debt.

The following is a schedule of total debt service requirements to maturity as of June 30, 2007 for certificates of participation:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	$ 5,934	$ 2,416	$ 1,071	$ 136
2009	5,697	2,251	908	130
2010	5,634	2,083	776	93
2011	6,197	1,883	848	56
2012	2,595	1,655	50	36
2013-2017	14,794	6,187	291	137
2018-2022	14,813	2,775	377	51
2023-2026	3,479	317	--	--
Total	$ 59,143	$ 19,567	$ 4,321	$ 639

10. Long-Term Debt - Continued

Other Long-Term Debt

A schedule of other long-term debt outstanding as of June 30, 2007, recorded within governmental activities and payable from governmental funds, is as follows:

	Cachuma Sanitation Loan	
Year Ending June 30,	Principal	Interest
2008	$ 11	$ --
Total	$ 11	$ --

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, 2007 recorded a rebatable arbitrage liability of $84 within government activities and $5 within business-type activities.

Governmental Activities – Conduit Debt

Special Assessment Debt

The County acts as an agent for the property owners, who may benefit by the projects financed from special assessment bond proceeds, in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if 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, 2007 is $26.

10. Long-Term Debt - Continued

Changes in Long-Term Liabilities

The long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Certificates of participation	$ 65,173	$ --	$ (6,030)	$ 59,143	$ 5,934
Unamortized premium on certificates of participation (COP)	1,142	--	(145)	997	--
Unamortized discount on COP	(143)	--	21	(122)	--
Other long-term obligations:					
Cachuma Sanitation Loan	31	--	(20)	11	11
Fire Station #18 Settlement	200	--	(200)	--	--
Affordable Housing Loan	999	--	(999)	--	--
Liability for self-insurance claims	32,685	16,034	(14,227)	34,492	10,647
Estimated litigation liability	4,375	208	--	4,583	--
Compensated absences	24,864	2,870	(1,220)	26,514	1,220
Capital lease obligations	3,301	2,400	(686)	5,015	712
Rebatable arbitrage earnings	40	44	--	84	--
Sub-total governmental activities	132,667	21,556	(23,506)	130,717	18,524
Business-type activities:					
Certificates of participation	5,655	--	(1,334)	4,321	1,071
Unamortized premium on COP	34	--	(4)	30	--
Landfill litigation settlement	165	--	(55)	110	--
Compensated absences	507	22	(4)	525	4
Capital lease obligations	83	--	(53)	30	7
Rebatable arbitrage earnings	3	2	--	5	--
Note payable	8,231	--	(398)	7,833	407
Accrued landfill closure costs	23,951	1,082	--	25,033	--
Sub-total business-type activities	38,629	1,106	(1,848)	37,887	1,489
Total	$ 171,296	$ 22,662	$ (25,354)	$ 168,604	$ 20,013

The long-term liability activity for each major enterprise fund for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Solid Waste:					
Certificates of participation	$ 4,867	$ --	$ (878)	$ 3,989	$ 907
Unamortized premium on COP	34	--	(4)	30	--
Landfill litigation settlement	165	--	(55)	110	--
Compensated absences	409	14	(3)	420	3
Capital lease obligations	76	--	(52)	24	6
Accrued landfill closure costs	23,951	1,082	--	25,033	--
Rebatable arbitrage earnings	1	1	--	2	--
Total	$ 29,503	$ 1,097	$ (992)	$ 29,608	$ 916
Laguna Sanitation:					
Certificates of participation	$ 788	$ --	$ (456)	$ 332	$ 164
Note payable	8,231	--	(398)	7,833	407
Compensated absences	98	8	(1)	105	1
Capital lease obligations	7	--	(1)	6	1
Rebatable arbitrage earnings	2	1	--	3	--
Total	9,126	9	(856)	8,279	573
Total business-type activities	$ 38,629	$ 1,106	$ (1,848)	$ 37,887	$ 1,489

10. Long-Term Debt - Continued

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, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Internal Service Funds:					
Liability for self-insurance claims	$ 32,685	$ 16,034	$ (14,227)	$ 34,492	$ 10,647
Compensated absences	533	85	--	618	--
Capital lease obligation	300	--	(41)	259	61
Total	$ 33,518	$ 16,119	$ (14,268)	$ 35,369	$ 10,708

11. Landfill Closure Costs

The County owns and operates four landfill sites including Tajiguas, Foxen Canyon, Ventucopa and New Cuyama. New Cuyama and Ventucopa were closed during the 1995-96 fiscal year. Foxen Canyon was converted to a transfer station in fiscal year 2003-04. State and Federal laws require the County to close landfills once their capacities are reached and to monitor and maintain the sites for thirty 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, 2007, the County had incurred a liability of $25,033, which represents the amount of costs reported to date based on the percentages of landfill capacities used to date. The remaining estimated liability for such costs is $8,696, which will be recognized as the remaining capacities are used. The estimated total costs of closure and postclosure care totaling $33,729 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:

Landfill	Capacity Used	Remaining Years
Tajiguas	68%	15
Foxen Canyon	95%	closed
Ventucopa	100%	closed
New Cuyama	100%	closed

On August 3, 1999, the Board approved an environmental review and authorized applications for a 15-year expansion of the Tajiguas landfill. Both the Regional Water Quality Control Board and the California Integrated Waste Management Board issued revised permits in April and May of 2003 that increased the landfill's permitted capacity. The estimated costs for the capacity expansion are $25 million, which will be funded by the Solid Waste enterprise fund 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 $15,899 is currently reported as a portion of restricted cash and investments in the Solid Waste Enterprise Fund on the balance sheet (see Note 5).

11. Landfill Closure Costs - Continued

Restricted cash for closure and postclosure costs at June 30, 2007 is comprised of the following:

Landfill	Closure Cost	Postclosure Cost	Total Restricted Cash
Tajiguas	$ 8,509	$ 3,476	$ 11,985
Foxen Canyon	2,376	1,093	3,469
New Cuyama	--	445	445
Total	$ 10,885	$ 5,014	$ 15,899

12. Retained Deficit

Internal Service Funds - In recent years, the County's Risk Management and Insurance Fund has experienced significant increases in workers' compensation claims liabilities due primarily to adverse case development, significantly increased costs related to both medical care and lost time disability payments to injured workers, as well as increased premiums for excess insurance coverage. Additionally, the County also experienced adverse general liability case development over the past few years. The Risk Management and Insurance fund's retained deficit as of June 30, 2007 is $1,801, which is a decrease of $2,714 compared to the retained deficit of $4,515 at June 30, 2006. The decrease is primarily due to lower workers' compensation claims outstanding, a decrease in new injuries and the impact of recent legislation (Assembly Bill 227 and Senate Bill 228 passed on January 1, 2004 and April 16, 2004, respectively). This legislation was designed to reduce the costs of workers' compensation by imposing limitations on medical costs, reducing the penalties for late payments to claimants, improving fraud enforcement, and enacting various other measures. In addition, the County has developed a ten-year payback plan, currently in the fifth year, in an effort to eliminate the deficit through future premium rate increases. The County has continued to concentrate its efforts on efficient and focused review and implementation of loss prevention and control measures to minimize costs, as well as to make necessary adjustments to the future premium rate structure in order to eliminate the retained deficit in the future.

13. Interfund Transactions

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2007 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Alcohol, Drug and Mental Health Services	$ 4,374
General Fund	Other Governmental Funds	12
Total due to/from		$ 4,386

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

Advances to/from other funds at June 30, 2007 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	$ 1,759
Total advances to/from		$ 1,759

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

13. Interfund Transactions - Continued

Transfers

Transfers to/from other funds at June 30 2007 are as follows

Transfer From	Transfer To	Amount	
General Fund	Non Major Governmental Funds	$ 37 024	
	Social Services Fund	11 161	
	Public Health Fund	7 919	
	Capital Projects Fund	6 543	
	Alcohol Drug & Mental Health Services Fund	3 185	
	Road Fund	1 838	
	Internal Service Funds	469	
			$ 68 139
Road Fund	Non Major Governmental Funds	202	
	Capital Projects Fund	155	
			357
Public Health Fund	Alcohol Drug & Mental Health Services Fund	636	
	Capital Projects Fund	393	
	General Fund	210	
	Non Major Governmental Funds	53	
			1 292
Social Services Fund	Capital Projects Fund	295	
	General Fund	122	
	Internal Service Funds	25	
			442
Alcohol Drug & Mental Health Services Fund	General Fund	2 051	
	Capital Projects Fund	987	
	Non Major Governmental Funds	553	
	Social Services Fund	286	
	Public Health Fund	221	
			4 098
Flood Control District Fund	Capital Projects Fund	3	
	Non Major Governmental Funds	3	
			6
Capital Projects Fund	General Fund	1 401	
	Internal Service Funds	378	
	Public Health Fund	118	
	Non Major Governmental Funds	46	
			1 943
Non Major Governmental Funds	General Fund	49 510	
	Non Major Governmental Funds	2 673	
	Capital Projects Fund	711	
	Public Health Fund	30	
			52 924
Solid Waste Fund	Capital Projects Fund	3	
			3
Internal Service Funds	Capital Projects Fund	194	
	General Fund	41	
			235
Total transfers			$ 129 439

13. 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 During the fiscal year ended June 30 2007 the Capital Projects Fund returned $1 401 to the General Fund in unspent resources that were intended for capital outlay

14. Restricted Net Assets

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

Restricted net assets at June 30 2007 for governmental activities are as follows

Restricted for Public Safety		
Fire Protection District	$ 8 229	
Sheriff	4 022	
Probation	739	
		$ 12 990
Restricted for Health & Public Assistance		
Public Health	13 516	
Alcohol Drug and Mental Health Services	5 570	
Child Support Services	147	
Other	4	
		19 237
Restricted for Community Resources & Facilities		
Flood Control Districts	45 176	
Water Agency	4 950	
Redevelopment Agency	2 580	
Coastal Resources Enhancement	2 319	
County Service Areas	2 007	
Other	1 898	
Roads	1 332	
Arts Commission	222	
		60 486
Restricted for General Government & Support Services		
Affordable Housing	5 289	
Clerk Recorder Assessor	4 624	
		9 913
Restricted for General County Programs		
Children and Families First	8 878	
Public and Educational Access	2 155	
Criminal Justice and Courthouse Construction	1 289	
Other	147	
		12 469
Restricted for Debt Service	8 484	
		8 484
Total Restricted Net Assets Governmental Activities		$ 123 579

Included in governmental activities restricted net assets at June 30 2007 are net assets restricted by enabling legislation of $26 797 For business type activities restricted net assets at June 30 2007 of $717 are for debt service

15. Reserved and Designated Fund Balances

Fund balances, which are not available for appropriation or are not considered "expendable available financial resources", are reserved. Unreserved fund balances that have been earmarked by the Board for specified purposes are considered designated.

Reserved and designated fund balances at June 30, 2007 are as follows:

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Reserved for:									
Debt service	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 7,601	$ 7,601
Property tax loss	5,632	--	--	--	--	--	--	--	5,632
Advances	1,759	--	--	--	--	--	--	--	1,759
Other receivables	1,500	--	--	--	--	--	--	--	1,500
Prepaid items	50	--	--	386	--	--	--	4	440
Imprest cash	15	1	3	15	2	--	--	1	37
Total reserved fund balance	8,956	1	3	401	2	--	--	7,606	16,969
Designated for:									
Capital outlay	10,931	--	440	--	--	11,937	19,837	1,576	44,721
Strategic reserve	24,000	--	--	--	--	--	--	--	24,000
Health care services	--	--	14,824	--	--	--	--	--	14,824
Endowments	--	--	5,569	32	--	--	--	9,187	14,788
Various	9,271	3	--	--	284	--	125	170	9,853
Litigation	4,446	--	--	--	--	--	--	--	4,446
Fire protection projects	--	--	--	--	--	--	--	3,086	3,086
Sheriff dispatch system	--	--	--	--	--	--	2,697	3	2,700
Elections proposition 41	1,898	--	--	--	--	--	--	--	1,898
Recorder automation	1,486	--	--	--	--	--	--	--	1,486
Sheriff category grants	1,421	--	--	--	--	--	--	--	1,421
Mitigation	--	1,319	--	--	--	--	--	--	1,319
Alcohol and drug programs	--	--	--	--	1,218	--	96	--	1,314
General fund capital contribution	1,280	--	--	--	--	--	--	--	1,280
Contingencies	--	--	--	--	1	864	99	173	1,137
Mental health	--	--	--	--	1,131	--	--	--	1,131
Planning and development	1,126	--	--	--	--	--	--	--	1,126
Sheriff donations	1,080	--	--	--	--	--	--	--	1,080
General capital projects	--	--	--	--	--	985	--	--	985
Public health special projects	177	--	692	--	--	--	--	--	869
Alcoholism programs	--	--	--	--	852	--	--	--	852
Assessor AB589	849	--	--	--	--	--	--	--	849
Proposition 36	--	--	--	--	538	--	--	--	538
Probation	523	--	--	--	--	--	--	--	523
Total designated fund balances	58,488	1,322	21,525	32	4,024	13,786	22,854	14,195	136,226
Total Unreserved-Undesignated Fund Balances	11,484	9	6,264	3,689	1,544	31,391	6,411	27,902	88,694
Total fund balances	$ 78,928	$ 1,332	$27,792	$ 4,122	$ 5,570	$45,177	$29,265	$49,703	$ 241,889

16. Commitments and Contingencies

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 $4,583, 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.

On January 20, 2000, the County entered into a Settlement Agreement and Mutual Release ("Agreement") in response to an action filed against it for damages concerning the now closed Ballard Canyon landfill. The County's estimate of its liability under this agreement as of June 30, 2007 is $110, which is recorded in the Solid Waste enterprise fund.

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.

The County has entered into contracts to purchase goods and services from various vendors during the period July 1, 2007 through June 30, 2012. Approximately $57,187 will be payable upon future performance under these contracts.

17. Self Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; unemployment; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits. Excess coverage is provided by the California State Association of Counties Excess Insurance Authority ("Authority"), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its 54 member counties. A Board of Directors consisting of representatives of its member counties governs the Authority. The Authority retains responsibility for claims in excess of the County's self-insurance retention. Self-insurance and Authority limits are as follows:

Type of Coverage	Self-Insurance Limit	Authority Limit
General Liability	$ 500	$ 25,000
Medical Malpractice	500	10,000
Workers' Compensation	500	150,000

17. Self Insurance - Continued

The County purchases property insurance from commercial insurance companies via a pool comprised of a majority of California Counties. The shared policy limits for the County's "All Risk" coverage is $600,000 with a $10 deductible. All the property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. The County also maintains earthquake coverage with shared policy limits of $200,000.

The unpaid claims liabilities included in the self-insurance internal service funds are based on the results of actuarial studies and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. General liability, workers' compensation, and medical malpractice liabilities are carried at present value using a discount rate of 4% for the general liability and medical malpractice programs, and 5% for workers' compensation. It is the County's practice to obtain full actuarial studies annually for general liability, workers' compensation, and medical malpractice coverages. Premiums are charged by the Risk Management and Insurance Fund using various allocation methods that include actual costs, trends in claims experience, and number of participants. Revenues of the Risk Management and Insurance Fund, together with funds to be provided in the future, are expected to provide adequate resources to meet liabilities as they come due (see Note 12).

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

	July 1, 2006	June 30, 2007
Unpaid claims, beginning of year	$ 29,863	$ 32,685
Incurred claims	17,375	16,034
Claim payments	(14,553)	(14,227)
Unpaid claims, end of year	$ 32,685	$ 34,492

Financial information on the Authority as of and for the year ended June 30, 2007 was not available at the date of publication of this report. Summary audited financial information as of and for the year ended June 30, 2006 is as follows:

Cash and investments	$ 292,561
Other assets	81,354
Total assets	$ 373,915
Loss reserves	$ 285,776
Other liabilities	30,384
Fund equity	57,755
Total liabilities and fund equity	$ 373,915
Total revenues	$ 291,887
Total expenses	(259,805)
Revenues in excess of expenses	$ 32,082

The County's annual premium paid to the Authority for the year ended June 30, 2007 was $3,528.

18. Retirement Plans

Santa Barbara County Employees' Retirement System

Plan Description

The Santa Barbara County Employees' Retirement System (Retirement System) was organized under the provisions of the 1937 County Employees' Retirement Act, effective on January 1, 1944. 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 as well as the following independent special districts: Carpinteria-Summerland Fire Protection District, Santa Barbara Coastal Vector Control District, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District (APCD), and the Santa Barbara County Association of Governments.

The Retirement System has seven County retirement plans of which four are currently available for new employees. All plans provide benefits as defined by the County Employees Retirement law 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 is controlled by the Board of Retirement that is a fiduciary for the accounting and control of member and employer contributions, investment income and member benefits. The Retirement System publishes its own Comprehensive Annual Financial Report and receives its own independent audit. The Retirement System is also a legally separate entity from the County and not a component unit.

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

Funding Policy

Contributions are made by members and employers at 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.

18. Retirement Plans - Continued

Employer/Employee Contribution

Employer and employee contribution rates are as follows:

	Description	Employer contribution rates	Employee contribution rates
Open for New Enrollment			
General Plan 5B	All new general employees enrolled in plan.	15.63%	6.39 - 9.77%
Safety Plan 4B	All firefighters and probation managers and executives hired during or after October 1994 are enrolled in plan.	30.53%	10.90 - 15.45%
Safety Plan 4C	All probation officer safety employees enrolled in plan.	30.53%	5.45 - 7.72%
Safety Plan 4D	All sheriff safety employees hired during or after October 1994 enrolled in plan.	30.53%	5.45 - 7.72%
Closed to New Enrollment:			
General Plan 5A	Employees hired before October 1994 continue in plan.	15.51%	3.20 - 4.89%
General Plan 2	Non-contributory; employees hired before January 1999 may continue in plan.	8.99%	N/A
Safety Plan 4A	Sheriff and firefighter safety employees hired before October 1994 may continue in plan.	33.73%	5.45 - 7.72%

The annual required contribution for the current year was determined as part of an actuarial valuation performed as of June 30, 2006. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8.16%; (2) inflation element in wage increases of 4%; and (3) salary merit and longevity increases of 2%. Unfunded liabilities are amortized using the level percentage of the projected payroll over 15 years from June 30, 2006. Changes in actuarial gains and loss assumptions are spread over a 15 year period.

Three-Year Trend Information

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

Fiscal Year Ended	Actuarial Valuation Date	Contributions	Annual Pension Cost	Percentage of Annual Pension Cost Contribution
6/30/2005	6/30/2003	$ 45,044	$ 45,044	100%
6/30/2006	6/30/2004	52,122	52,122	100%
6/30/2007	6/30/2005	61,232	61,232	100%

18. Retirement Plans - Continued

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 Santa Barbara County Retirement System (SBCERS) 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 SBCERS members but which are limited by Section 415(b).

This plan is administered through a third-party administrator. Participation is limited solely to retired members whose benefits payable by the 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 6/30/07 there were two retired members participating in the plan.

The County's actual contribution for the current year is as follows:

Fiscal Year Ended	Contribution
6/30/2007	$23

19. Other Post Employment Benefits

The GASB recently issued statements 43 (GASB 43) and 45 (GASB 45) that provide for new reporting and new disclosure requirements for Other Post Employment Benefits (OPEB) which include retiree health benefits. GASB 43 affects reporting by the Retirement System and must be implemented by the 2006-07 fiscal year. GASB 45 affects reporting by the County and other employers and must be implemented by the 2007-08 fiscal year. The statements require that an actuary determine the County's and the Retirement System's respective actuarial liability for retiree healthcare benefits.

The Retirement System administers a postretirement medical program for retired members and their eligible dependents. Benefits were initially established by the County pursuant to a settlement agreement between the County and retirees. In accordance with the settlement, the County agreed to provide a retiree healthcare subsidy of $8 per month per year of service for members of the system who had retired on or before June 24, 1988 and who participated in a County sponsored health plan. For those that did not participate in a County sponsored health plan, the subsidy was $1.47 (in whole dollars) per month per year of service. The Retirement Board has used Excess Earnings as defined in the 1937 Retirement Act to expand benefits to $15 (in whole dollars) and $4 (in whole dollars) per month per year of service respectively.

The County, the other employer plan sponsors, and the Retirement System have not executed a formal plan document that provides for these benefits. Under the new accounting rules, GASB 43 and 45 will require that the liability related to the substantive plan must be determined for the system and the employers, respectively. The substantive plan is the plan as understood by the County (and other plan sponsors) and its employees. GASB 43 and 45 are not limited to the reporting of vested benefits. Therefore, at this time it is reasonable to interpret the substantive plan to disclose the current level of benefits. Future adjustments, if any, to those benefits will be reported in future financial disclosures.

GASB 43: The Retirement System has set-up a Health Coverage Reserve and a Supplemental Health Coverage Reserve to pay for these benefits. The value of the reserve assets at June 30, 2006 was $94,235. A GASB 43 disclosure of the liability related to post employment benefits is required for the next plan year. As a preliminary step, the Retirement System had its actuary complete a report for this plan year, and the actuary calculated June 30, 2006 actuarial accrued liability of $90,146 for these health insurance benefits.

However, a number of technical compliance issues may not permit the Retirement System to report the assets and related liability in this manner. These issues include the lack of a formal plan that sets up a separate qualified trust, a determination of the status of benefits (whether vested or not), and the sources of the reserves.

19. Other Post Employment Benefits - Continued

GASB 45: The County (and the other plan sponsors) has not yet determined the liability for post employment benefits. However, the County is taking steps to have this liability determined under the appropriate timetable in compliance with GASB 45.

Currently, the Retirement System has treated the designated reserves as providing non-taxable medical payments to retirees who participate in the County sponsored health plan. The Retirement System's treatment of the $15 subsidy to health insurance premiums to retirees may be inconsistent with Internal Revenue Code (IRC) regulations. The Retirement System has proposed that the system and the County set-up an IRC Section 401(h) account within the Retirement Systems qualified plan.

The County is also considering establishing a separate and distinct health benefit trust to be funded by the County. The County may choose to follow the Retirement System's recommendation of a 401(h) account or to establish this trust separately from the System with SBCERS or another entity acting as trustee. Regardless of the form of the trust, the County and SBCERS would be required to formalize a plan document and address the issue of whether health benefits are vested and the extent of any vesting.

Because of the IRC requirements in setting up a 401(h) plan, the current asset reserves in the Retirement System may not be available to offset the retiree health liability. The County may have to assume future contributions and would have to fund the actuarial accrued liability for past and future costs, estimated to be approximately $8,000 per year. However, the health reserve could then become a basic pension asset and reduce the Unfunded Actuarial Accrued Liability (UAAL) of the Retirement System.

The Retirement System and the County have considered early implementation of GASB 43 and 45. The Retirement System's actuary has prepared information for the fiscal year ended June 30, 2006. As previously discussed, the funded status of the plan for reporting under GASB 43 (assuming the plan was administered by the Retirement System), would report an Actuarial Accrued Liability (AAL) of $90,146 using the Retirement System's 8.16% discount rate. However, the County under GASB 45 may have to report a larger liability of $139,235 using a lower discount rate (4%) in the absence of a separate trust. In addition, there is an additional retiree premium implicit subsidy liability that is a GASB 45 valuation consideration of approximately $930.

In November 2006, as a result of an independent evaluation of the pension system by a third party, at the direction of the County, the Board directed the County Executive Officer and County Auditor-Controller to work with the Retirement System to resolve the status of funding retiree health benefits and the Board of the Retirement System directed its Administrator to work with the County. As part of that resolution, the County has retained tax counsel to review the issues described above and consider necessary future action. In that regard, the County is aware that there is an array of tasks (such as formalizing the benefit structure, establishing the premium structure, reviewing the vesting requirements, and selecting the legal structure) that could affect the reporting of the assets and liabilities related to retiree health benefits. The County is vigorously pursuing a resolution to the issues that have been raised with regard to the funding of retiree health benefits.

The County does not believe that the situation regarding pension and other post employment health benefits described above will have a negative impact on the County's ability to make any of its debt service payments on existing obligations.

0. 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.

20. Deferred Compensation Plans - Continued

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:

Fiscal Year Ended	Contributions
6/30/2005	$ 143
6/30/2006	149
6/30/2007	158

County of Santa Barbara Employee Contribution Deferred Compensation Plan

The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of $15,500 (in whole dollars), 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 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:

Fiscal Year Ended	Contributions
6/30/2005	$ 88
6/30/2006	108
6/30/2007	100

COUNTY OF SANTA BARBARA CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2007
(in thousands)

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 2000	$ 1 171 138	$ 1 145 519 **	102 20%	$ (25 619)	$ 219 739	11 70%
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%

Source Santa Barbara County Employees Retirement System Comprehensive Annual Financial Report as of and for the year ended June 30 2006

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

** Excluding benefit improvements

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 employees

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

First 5 Children and Families Commission

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

Fish and Game

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

Petroleum

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

Public and Educational Access

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

Special Aviation

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

Child Support Services

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

Fishermen Assistance

Fisheries Enhancement

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

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 for damage or loss resulting from outer continental shelf development or production, and to reimburse fishermen for damage or loss of gear, not covered under the Federal fund which occurs in State waters because of Federal or State oil and gas development, or because of oil production activities such as transport

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

Affordable Housing

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

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

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

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

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

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

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 Bluffs redevelopment project adopted by ordinance November 27, 1990 was aimed at preserving open space

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 277streetlights

County Service Area #32
This district was established to provide financing of sheriff's 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

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.

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.

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

Redevelopment Agency
The Redevelopment Agency 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 Redevelopment Agency.

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

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF June 30, 2007 (in thousands)

	Special Revenue							
	Children and Families First	Fish and Game	Petroleum	Public & Educational Access	Special Aviation	Child Support Services	Fishermen Assistance	Coastal Resources Enhancement
ASSETS								
Cash and investments	$ 8 784	$ 45	$ 67	$ 2 129	$ 233	$ 282	$ 424	$ 2,339
Accounts receivable (net of allowance)								
Fines forfeitures, and penalties	--	--	--	--	--	--	--	--
Use of money and property	114	1	1	26	3	15	5	30
Intergovernmental	965	--	--	--	3	154	--	--
Charges for services	--	--	38	--	--	--	--	--
Other	155	--	--	--	1	--	--	--
Other receivables	4	--	--	--	--	--	1	--
Restricted cash and investments	--	--	--	--	--	--	--	--
Total assets	$ 10,022	$ 46	$ 106	$ 2,155	$ 240	$ 451	$ 430	$ 2,369
LIABILITIES								
Accounts payable	1,100	3	--	--	37	6	--	50
Salaries and benefits payable	45	--	7	--	--	298	--	--
Interest payable	--	--	--	--	--	--	--	--
Due to other funds	--	--	--	--	--	--	--	--
Other payables	--	--	--	--	--	--	--	--
Unearned revenues	--	--	--	--	--	--	--	--
Total liabilities	1,145	3	7	--	37	304	--	50
FUND BALANCES								
Reserved for								
Receivables	4	--	--	--	--	--	--	--
Imprest cash	--	--	--	--	--	1	--	--
Debt service	--	--	-	--	--	--	--	--
Unreserved								
Designated	8,214	--	--	1 082	--	10	--	60
Undesignated	659	43	99	1 073	203	136	430	2,259
Total fund balances	8,877	43	99	2 155	203	147	430	2 319
Total liabilities and fund balances	$ 10,022	$ 46	$ 106	$ 2,155	$ 240	$ 451	$ 430	$ 2,369

See accompanying independent auditor s report

	Special Revenue						
	Affordable Housing	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	Redevelop-ment Agency	
ASSETS							
Cash and investments	$ 6,239	$ 213	$ 765	$ 331	$ 1 237	$ 2 511	
Accounts receivable (net of allowance)							
Fines forfeitures and penalties	--	177	92	92	--	--	
Use of money and property	82	--	10	3	15	72	
Intergovernmental	367	--	--	--	--	-	
Charges for services	--	265	--	--	--	--	
Other	-	77	-	-	--	--	
Other receivables	585	--	--	--	--	5 107	
Restricted cash and investments	--	-	--	--	--	--	
Total assets	$ 7 273	$ 732	$ 867	$ 426	$ 1,252	$ 7,690	
LIABILITIES							
Accounts payable	2	615	1	1	2	3	
Salaries and benefits payable	--	--	--	--	23	--	
Interest payable	-	9	--	--	--	--	
Due to other funds	12	--	-	--	--	-	
Other payables	99	--	1	1	--	-	
Unearned revenues	587	--	--	--	--	5 107	
Total liabilities	700	624	2	2	25	5,110	
FUND BALANCES							
Reserved for							
Receivables	--	--	--	--	--	--	
Imprest cash	--	-	--	--	--	--	
Debt service	--	--	--	--	--	--	
Unreserved							
Designated	--	81	785	--	--	--	
Undesignated	6,573	27	80	424	1,227	2,580	
Total fund balances	6,573	108	865	424	1,227	2 580	
Total liabilities and fund balances	$ 7 273	$ 732	$ 867	$ 426	$ 1,252	$ 7,690	

(Continued)

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
AS OF June 30, 2007 (in thousands)

	Special Revenue							Debt Service				
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	Special Revenue Total	Redevelop-ment Agency	Santa Barbara County Finance Corporation	Debt Service Total	Total Nonmajor Governmental Funds	
ASSETS												**ASSETS**
Cash and investments	$ 1,980	$ 227	$ 8,286	$ 316	$ 4	$ 4 948	$ 41,360	$ 28	$ 418	$ 446	$ 41,806	Cash and investments
Accounts receivable (net of allowance)												Accounts receivable (net of allowance)
Fines, forfeitures and penalties	--	--	--	--	--	--	361	--	--	--	361	Fines, forfeitures and penalties
Use of money and property	28	2	93	4	--	60	564	--	2	2	566	Use of money and property
Intergovernmental	--	--	--	--	--	--	1,489	--	--	--	1,489	Intergovernmental
Charges for services	--	--	--	--	--	--	303	--	--	--	303	Charges for services
Other	--	--	--	--	--	--	233	--	--	--	233	Other
Other receivables	--	--	--	--	--	--	5 697	--	-	--	5,697	Other receivables
Restricted cash and investments	--	--	--	--	--	2	2	298	7,170	7 468	7,470	Restricted cash and investments
Total assets	$ 2,008	$ 229	$ 8,379	$ 320	$ 4	$ 5,010	$ 50,009	$ 326	$ 7,590	$ 7,916	$ 57,925	Total assets
LIABILITIES												**LIABILITIES**
Accounts payable	1	1	1	1	--	36	1,860	--	--	--	1,860	Accounts payable
Salaries and benefits payable	--	--	--	--	--	22	395	--	--	--	395	Salaries and benefits payable
Interest payable	--	--	--	--	--	--	9	--	--	--	9	Interest payable
Due to other funds	--	--	--	--	--	--	12	--	--	--	12	Due to other funds
Other payables	--	--	--	--	--	2	103	--	--	--	103	Other payables
Unearned revenues	--	--	149	--	--	--	5,843	--	--	--	5,843	Unearned revenues
Total liabilities	1	1	150	1	--	60	8,222	--	--	--	8,222	Total liabilities
FUND BALANCES												**FUND BALANCES**
Reserved for												Reserved for
Receivables	--	--	--	--	--	--	4	--	--	--	4	Receivables
Imprest cash	--	--	--	--	--	--	1	--	--	--	1	Imprest cash
Debt service	--	--	--	--	--	--	--	326	7,275	7 601	7 601	Debt service
Unreserved												Unreserved
Designated	441	8	3,086	--	--	113	13 880	--	315	315	14 195	Designated
Undesignated	1,566	220	5,143	319	4	4,837	27,902	--	--	--	27,902	Undesignated
Total fund balances	2,007	228	8,229	319	4	4,950	41,787	326	7,590	7,916	49,703	Total fund balances
Total liabilities and fund balances	$ 2,008	$ 229	$ 8,379	$ 320	$ 4	$ 5,010	$ 50,009	$ 326	$ 7 590	$ 7,916	$ 57 925	Total liabilities and fund balances

See accompanying independent auditor s report

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, 2007 (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	--	--	15	--	--	--	--	--
Fines forfeitures, and penalties	--	7	--	--	--	--	--	--
Use of money and property	567	3	5	144	11	115	23	119
Intergovernmental	5 396	--	--	--	639	9 721	--	--
Charges for services	--	--	178	-	--	1	--	--
Other	942	--	--	--	1	--	7	603
Total revenues	6 905	10	198	144	651	9,837	30	722
Expenditures								
Current								
Law & justice	--	--	--	--	--	--	--	--
Public safety	--	--	--	--	--	--	--	--
Health & public assistance	--	--	--	--	--	9 778	--	--
Community resources & facilities	-	17	229	--	--	--	2	236
General government & support services	--	--	--	--	796	--	--	--
General county programs	7,234	--	--	330	--	--	--	--
Debt service								
Principal	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	-	--
Capital outlay	--	--	--	--	--	--	--	--
Total expenditures	7,234	17	229	330	796	9,778	2	236
Excess (deficiency) of revenues over (under) expenditures	(329)	(7)	(31)	(186)	(145)	59	28	486
Other Financing Sources (Uses)								
Transfers in	31	--	--	--	--	20	--	--
Transfers out	(3)	--	(1)	--	--	(12)	--	--
Total other financing sources (uses)	28	--	(1)	--	--	8	--	--
Net change in fund balances	(301)	(7)	(32)	(186)	(145)	67	28	486
Fund balances - beginning	9 178	50	131	2,341	348	80	402	1,833
Fund balances - ending	$ 8 677	$ 43	$ 99	$ 2,155	$ 203	$ 147	$ 430	$ 2,319

See accompanying independent auditor's report

	Special Revenue						
	Affordable Housing	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	Redevelop-ment Agency	
Revenues							**Revenues**
Taxes	$ --	$ --	$ --	$ --	$ --	$ 2,955	Taxes
Licenses permits and franchises	--	--	--	--	--	--	Licenses permits and franchises
Fines forfeitures and penalties	--	2 186	1,091	1 091	--	--	Fines forfeitures and penalties
Use of money and property	401	15	51	14	484	287	Use of money and property
Intergovernmental	3 354	41	--	--	--	--	Intergovernmental
Charges for services	639	3 177	--	-	--	--	Charges for services
Other	366	939	--	--	497	384	Other
Total revenues	4,760	6 358	1,142	1 105	981	3,626	Total revenues
							Expenditures
							Current
Law & justice	--	14,403	--	--	-	--	Law & justice
Public safety	--	--	-	--	874	--	Public safety
Health & public assistance	--	--	-	--	--	--	Health & public assistance
Community resources & facilities	3 597	--	--	--	-	4 383	Community resources & facilities
General government & support services	--	--	--	--	--	--	General government & support services
General county programs		--	-	--	--	503	General county programs
							Debt service
Principal	999	-	--	--	--	--	Principal
Interest	34	--	--	-	--	--	Interest
Capital outlay	--	--	--	--	--	--	Capital outlay
Total expenditures	4 630	14 403	--	--	874	4,886	Total expenditures
							Excess (deficiency) of revenues over (under) expenditures
over (under) expenditures	130	(8 045)	1,142	1 105	107	(1,260)	
							Other Financing Sources (Uses)
Transfers in	--	8 014	-	--	--	--	Transfers in
Transfers out	(1,202)	--	(1,336)	(1 151)	(60)	(392)	Transfers out
Total other financing sources (uses)	(1,202)	8 014	(1,336)	(1,151)	(60)	(392)	Total other financing sources (uses)
Net change in fund balances	(1 072)	(31)	(194)	(46)	47	(1,652)	Net change in fund balances
Fund balances - beginning	7,645	139	1 059	470	1 180	4 232	Fund balances beginning
Fund balances - ending	$ 6 573	$ 108	$ 865	$ 424	$ 1,227	$ 2,580	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, 2007 (in thousands)

	Special Revenue							Debt Service				
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	Special Revenue Total	Redevelopment Agency	Santa Barbara County Finance Corporation	Debt Service Total	Total Nonmajor Governmental Funds	
Revenues												**Revenues**
Taxes	$ 1,052	$ 154	$ 25,328	$ 396	$ --	$ 1,992	$ 31,877	$ --	$ --	$ --	$ 31 877	Taxes
Licenses permits and franchises	--	--	--	--	--	--	15	--	--	-	15	Licenses, permits, and franchises
Fines, forfeitures and penalties	--	--	--	--	--	--	4 375	--	--		4 375	Fines forfeitures and penalties
Use of money and property	113	6	524	11	3	230	3 126	10	250	260	3 386	Use of money and property
Intergovernmental	12	--	532	3	--	737	20 435	--	441	441	20 876	Intergovernmental
Charges for services	557	--	--	130	--	93	4,775	--	--	--	4 775	Charges for services
Other	--	--	60	--	--	1	3,800	--	--	--	3,800	Other
Total revenues	1,734	160	26,444	540	3	3,053	68,403	10	691	701	69,104	Total revenues
Expenditures												**Expenditures**
Current												Current
Law & justice	--	--	--	--	--	--	14,403	--	--	--	14 403	Law & justice
Public safety	--	--	294	--	--	--	1,168	--	--	--	1 168	Public safety
Health & public assistance	--	--	--	--	--	--	9 778	--	--	--	9 778	Health & public assistance
Community resources & facilities	708	11	--	412	47	2 628	12 270	-	--	--	12,270	Community resources & facilities
General government & support services	--	--	--	--	--	--	796	--	--	--	796	General government & support services
General county programs	--	--	--	--	--	--	8,067	1	17	18	8 085	General county programs
Debt service												Debt service
Principal	--	--	--	--	--	--	999	330	6,135	6 465	7,464	Principal
Interest	--	--	--	--	--	--	34	85	2,666	2 751	2,785	Interest
Total expenditures	708	11	294	412	47	2,628	47,515	416	8,818	9,234	56,749	Total expenditures
Excess (deficiency) of revenues over (under) expenditures	1,026	149	26,150	128	(44)	425	20,888	(406)	(8,127)	(8,533)	12,355	Excess (deficiency) of revenues over (under) expenditures
Other Financing Sources (Uses)												**Other Financing Sources (Uses)**
Transfers in	23,385	--	--	--	--	572	32 022	392	8 140	8 532	40,554	Transfers in
Transfers out	(24,234)	(11)	(24,492)	--	--	(30)	(52,924)	--	--	--	(52 924)	Transfers out
Total other financing sources (uses)	(849)	(11)	(24,492)	--	--	542	(20,902)	392	8,140	8,532	(12,370)	Total other financing sources (uses)
Net change in fund balances	177	138	1,658	128	(44)	967	(14)	(14)	13	(1)	(15)	Net change in fund balances
Fund balances - beginning	1,830	90	6,571	191	48	3 983	41,801	340	7,577	7,917	49,718	Fund balances - beginning
Fund balances - ending	$ 2,007	$ 228	$ 8,229	$ 319	$ 4	$ 4,950	$ 41,787	$ 326	$ 7,590	$ 7 916	$ 49,703	Fund balances - ending

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Use of money and property	$ 200	$ 200	$ 567	$ 367
Intergovernmental	5,234	5,234	5,396	162
Other	862	899	942	43
Total revenues	6,296	6,333	6,905	572
Expenditures				
Current				
General county programs	6,720	7,598	7,234	364
Total expenditures	6,720	7,598	7,234	364
Excess (deficiency) of revenues over (under) expenditures	(424)	(1,265)	(329)	936
Other Financing Sources (Uses)				
Transfers in	83	31	31	--
Transfers out	(12)	(15)	(3)	12
Total other financing sources	71	16	28	12
Net change in fund balances	(353)	(1,249)	(301)	948
Fund balances - beginning	9,178	9,178	9,178	--
Fund balances - ending	$ 8,825	$ 7,929	$ 8,877	$ 948

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Fines forfeitures and penalties	$ 15	$ 15	$ 7	$ (8)
Use of money and property	2	2	3	1
Total revenues	17	17	10	(7)
Expenditures				
Current				
Community resources & facilities	30	30	17	13
Total expenditures	30	30	17	13
Excess (deficiency) of revenues over (under) expenditures	(13)	(13)	(7)	6
Net change in fund balances	(13)	(13)	(7)	6
Fund balances - beginning	50	50	50	--
Fund balances - ending	$ 37	$ 37	$ 43	$ 6

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Licenses, permits, and franchises	$ 8	$ 8	$ 15	$ 7
Use of money and property	3	3	5	2
Charges for services	301	261	178	(83)
Total revenues	312	272	198	(74)
Expenditures				
Current				
Community resources & facilities	347	346	229	117
Total expenditures	347	346	229	117
Excess (deficiency) of revenues over (under) expenditures	(35)	(74)	(31)	43
Other Financing Sources (Uses)				
Transfers out	--	(1)	(1)	--
Total other financing uses	--	(1)	(1)	--
Net change in fund balances	(35)	(75)	(32)	43
Fund balances - beginning	131	131	131	--
Fund balances - ending	$ 96	$ 56	$ 99	$ 43

See accompanying independent auditor's report

COUNTY OF SANTA BARBARA, CALIFORNIA
PUBLIC AND EDUCATIONAL ACCESS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Use of money and property	$ 61	$ 104	$ 144	$ 40
Total revenues	61	104	144	40
Expenditures				
Current				
General county programs	331	331	330	1
Total expenditures	331	331	330	1
Excess (deficiency) of revenues over (under) expenditures	(270)	(227)	(186)	41
Net change in fund balances	(270)	(227)	(186)	41
Fund balances - beginning	2,341	2,341	2,341	--
Fund balances - ending	$ 2,071	$ 2,114	$ 2,155	$ 41

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Use of money and property	$ 2	$ 2	$ 11	$ 9
Intergovernmental	981	971	639	(332)
Other	6	71	1	(70)
Total revenues	989	1,044	651	(393)
Expenditures				
Current				
General government & support services	983	1,211	796	415
Total expenditures	983	1,211	796	415
Excess (deficiency) of revenues over (under) expenditures	6	(167)	(145)	22
Net change in fund balances	6	(167)	(145)	22
Fund balances - beginning	348	348	348	--
Fund balances - ending	$ 354	$ 181	$ 203	$ 22

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Use of money and property	$ 40	$ 40	$ 115	$ 75
Intergovernmental	9 555	9 851	9 721	(130)
Charges for services	--	-	1	1
Other	3	5	-	(5)
Total revenues	9,598	9,896	9,837	(59)
Expenditures				
Current				
Health & public assistance	9,598	9,905	9,778	127
Total expenditures	9 598	9,905	9 778	127
Excess (deficiency) of revenues over (under) expenditures	--	(9)	59	68
Other Financing Sources (Uses)				
Transfers in	--	20	20	--
Transfers out	--	(12)	(12)	--
Total other financing sources	--	8	8	--
Net change in fund balances	--	(1)	67	68
Fund balances beginning	80	80	80	--
Fund balances ending	$ 80	$ 79	$ 147	$ 68

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Use of money and property	$ 9	$ 9	$ 23	$ 14
Other	7	7	7	
Total revenues	16	16	30	14
Expenditures				
Current				
Community resources & facilities	26	27	2	25
Total expenditures	26	27	2	25
Excess (deficiency) of revenues over (under) expenditures	(10)	(11)	28	39
Net change in fund balances	(10)	(11)	28	39
Fund balances beginning	402	402	402	–
Fund balances ending	$ 392	$ 391	$ 430	$ 39

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Use of money and property	$ 47	$ 47	$ 119	$ 72
Other	611	611	603	(8)
Total revenues	658	658	722	64
Expenditures				
Current				
Community resources & facilities	2 200	2 200	236	1 964
Total expenditures	2 200	2,200	236	1 964
Excess (deficiency) of revenues over (under) expenditures	(1 542)	(1 542)	486	2 028
Net change in fund balances	(1 542)	(1 542)	486	2 028
Fund balances beginning	1 833	1 833	1,833	
Fund balances ending	$ 291	$ 291	$ 2 319	$ 2 028

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Use of money and property	$ 218	$ 214	$ 401	$ 187
Intergovernmental	3,243	5 523	3 354	(2,169)
Charges for services	100	100	639	539
Other	245	123	368	243
Total revenues	3,806	5 960	4 760	(1,200)
Expenditures				
Current				
Community resources & facilities	6 333	7 733	3 597	4,136
Debt service				
Principal	72	999	999	--
Interest	54	34	34	--
Total expenditures	6,459	8,766	4,630	4,136
Excess (deficiency) of revenues over (under) expenditures	(2,653)	(2,806)	130	2,936
Other Financing Sources (Uses)				
Transfers out	(848)	(1,439)	(1,202)	237
Total other financing sources (uses)	(848)	(1,439)	(1,202)	237
Net change in fund balances	(3,501)	(4 245)	(1,072)	3,173
Fund balances - beginning	7,645	7,645	7,645	--
Fund balances - ending	$ 4,144	$ 3,400	$ 6,573	$ 3,173

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Fines forfeitures and penalties	$ 2 849	$ 2 455	$ 2,186	$ (269)
Use of money and property	26	30	15	(15)
Intergovernmental	--	--	41	41
Charges for services	3 694	3 437	3 177	(260)
Other	1,012	1 050	939	(111)
Total revenues	7,381	6,972	6 358	(614)
Expenditures				
Current				
Law & justice	14 902	15,054	14 403	651
Total expenditures	14,902	15 054	14 403	651
Excess (deficiency) of revenues over (under) expenditures	(7 521)	(8,082)	(8,045)	37
Other Financing Sources (Uses)				
Transfers in	7 512	8,088	8,014	(74)
Total other financing sources (uses)	7 512	8,088	8 014	(74)
Net change in fund balances	(9)	6	(31)	(37)
Fund balances - beginning	139	139	139	--
Fund balances - ending	$ 130	$ 145	$ 108	$ (37)

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Fines, forfeitures and penalties	$ 1,235	$ 1,100	$ 1,091	$ (9)
Use of money and property	22	22	51	29
Total revenues	1,257	1,122	1,142	20
Expenditures				
Total expenditures	--	--	--	--
Excess of revenues over expenditures	1,257	1,122	1,142	20
Other Financing Sources (Uses)				
Transfers out	(1,384)	(1,384)	(1,336)	48
Total other financing sources (uses)	(1,384)	(1,384)	(1,336)	48
Net change in fund balances	(127)	(262)	(194)	68
Fund balances - beginning	1,059	1,059	1,059	--
Fund balances - ending	$ 932	$ 797	$ 865	$ 68

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Fines forfeitures and penalties	$ 1 235	$ 1 135	$ 1,091	$ (44)
Use of money and property	9	7	14	7
Total revenues	1,244	1,142	1,105	(37)
Expenditures				
Total expenditures	-	--	--	--
Excess (deficiency) of revenues over (under) expenditures	1,244	1,142	1,105	(37)
Other Financing Sources (Uses)				
Transfers out	(1,214)	(1,214)	(1,151)	63
Total other financing sources (uses)	(1 214)	(1,214)	(1,151)	63
Net change in fund balances	30	(72)	(46)	26
Fund balances - beginning	470	470	470	--
Fund balances - ending	$ 500	$ 398	$ 424	$ 26

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Use of money and property	$ 595	$ 595	$ 484	$ (111)
Other	476	476	497	21
Total revenues	1,071	1,071	981	(90)
Expenditures				
Current				
Public safety	921	919	874	45
Total expenditures	921	919	874	45
Excess (deficiency) of revenues over (under) expenditures	150	152	107	(45)
Other Financing Sources (Uses)				
Transfers out	(59)	(60)	(60)	--
Total other financing uses	(59)	(60)	(60)	--
Net change in fund balances	91	92	47	(45)
Fund balances - beginning	1,180	1,180	1,180	--
Fund balances - ending	$ 1,271	$ 1,272	$ 1,227	$ (45)

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Taxes	$ 2,089	$ 2,089	$ 2,955	$ 866
Use of money and property	43	43	287	244
Charges for services	--	(14)	--	14
Other	17	17	384	367
Total revenues	2,149	2,135	3,626	1,491
Expenditures				
Current				
Community resources & facilities	1,501	4,422	4,383	39
General county programs	1,439	848	503	345
Total expenditures	2,940	5,270	4,886	384
Excess (deficiency) of revenues over (under) expenditures	(791)	(3,135)	(1,260)	1,875
Other Financing Sources (Uses)				
Transfers in	--	12	-	(12)
Transfers out	(486)	(413)	(392)	21
Total other financing sources (uses)	(486)	(401)	(392)	9
Net change in fund balances	(1,277)	(3,536)	(1,652)	1,884
Fund balances - beginning	4,232	4,232	4,232	--
Fund balances - ending	$ 2,955	$ 696	$ 2,580	$ 1,884

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Taxes	$ 1,043	$ 1,046	$ 1 052	$ 6
Use of money and property	48	48	113	65
Intergovernmental	8	8	12	4
Charges for services	540	540	557	17
Total revenues	1,639	1,642	1,734	92
Expenditures				
Current				
Community resources & facilities	669	777	708	69
Total expenditures	669	777	708	69
Excess of revenues over expenditures	970	865	1,026	161
Other Financing Sources (Uses)				
Transfers in	23,385	23 385	23,385	--
Transfers out	(24 318)	(24,518)	(24,234)	284
Total other financing sources (uses)	(933)	(1,133)	(849)	284
Net change in fund balances	37	(268)	177	445
Fund balances beginning	1,830	1,830	1,830	--
Fund balances - ending	$ 1,867	$ 1,562	$ 2,007	$ 445

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Taxes	$ 397	$ 397	$ 154	$ (243)
Use of money and property	1	1	6	5
Total revenues	398	398	160	(238)
Expenditures				
Current				
Community resources & facilities	1	11	11	--
Total expenditures	1	11	11	--
Excess (deficiency) of revenues over (under) expenditures	397	387	149	(238)
Other Financing Sources (Uses)				
Transfers out	(277)	(277)	(11)	266
Total other financing sources (uses)	(277)	(277)	(11)	266
Net change in fund balances	120	110	138	28
Fund balances - beginning	90	90	90	--
Fund balances - ending	$ 210	$ 200	$ 228	$ 28

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Taxes	$ 24 756	$ 25 161	$ 25 328	$ 147
Use of money and property	260	401	524	123
Intergovernmental	350	350	532	182
Charges for services	330	330	--	(330)
Other	60	60	60	--
Total revenues	25,756	26,322	26,444	122
Expenditures				
Current				
Public safety	345	345	294	51
Total expenditures	345	345	294	51
Excess of revenues over expenditures	25 411	25,977	26 150	173
Other Financing Sources (Uses)				
Transfers out	(26,988)	(27,598)	(24,492)	3 106
Total other financing sources (uses)	(26,988)	(27,598)	(24,492)	3,106
Net change in fund balances	(1 577)	(1 621)	1,658	3,279
Fund balances - beginning	6,571	6,571	6 571	--
Fund balances - ending	$ 4,994	$ 4,950	$ 8,229	$ 3,279

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Taxes	$ 377	$ 377	$ 396	$ 19
Use of money and property	2	2	11	9
Intergovernmental	3	3	3	-
Charges for services	129	129	130	1
Total revenues	511	511	540	29
Expenditures				
Current				
Community resources & facilities	416	416	412	4
Total expenditures	416	416	412	4
Excess of revenues over expenditures	95	95	128	33
Net change in fund balances	95	95	128	33
Fund balances - beginning	191	191	191	--
Fund balances - ending	$ 286	$ 286	$ 319	$ 33

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Use of money and property	$ 1	$ 1	$ 3	$ 2
Total revenues	1	1	3	2
Expenditures				
Current				
Community resources & facilities	63	63	47	16
Total expenditures	63	63	47	16
Excess (deficiency) of revenues over (under) expenditures	(62)	(62)	(44)	18
Net change in fund balances	(62)	(62)	(44)	18
Fund balances - beginning	48	48	48	--
Fund balances - ending	$ (14)	$ (14)	$ 4	$ 18

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Taxes	$ 1,776	$ 1,776	$ 1,992	$ 216
Use of money and property	92	92	230	138
Intergovernmental	903	1 097	737	(360)
Charges for services	32	32	93	61
Other	-	--	1	1
Total revenues	2,803	2,997	3,053	56
Expenditures				
Current				
Community resources & facilities	3,152	3,551	2,628	923
Total expenditures	3,152	3,551	2,628	923
Excess (deficiency) of revenues over (under) expenditures	(349)	(554)	425	979
Other Financing Sources (Uses)				
Transfers in	1 016	714	572	(142)
Transfers out	(507)	(205)	(30)	175
Total other financing sources	509	509	542	33
Net change in fund balances	160	(45)	967	1 012
Fund balances beginning	3 983	3 983	3 983	--
Fund balances - ending	$ 4,143	$ 3,938	$ 4,950	$ 1 012

See accompanying independent auditor s report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Use of money and property	$ 3	$ 3	$ 10	$ 7
Total revenues	3	3	10	7
Expenditures				
Current				
General county programs	1	1	1	
Debt service				
Principal	330	330	330	
Interest	82	85	85	
Total expenditures	413	416	416	
Excess (deficiency) of revenues over (under) expenditures	(410)	(413)	(406)	7
Other Financing Sources (Uses)				
Transfers in	413	413	392	(21)
Total other financing sources (uses)	413	413	392	(21)
Net change in fund balances	3		(14)	(14)
Fund balances beginning	340	340	340	
Fund balances ending	$ 343	$ 340	$ 326	$ (14)

See accompanying independent auditor's report

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, 2007 (in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Use of money and property	$ 150	$ 179	$ 250	$ 71
Intergovernmental	419	449	441	(8)
Total revenues	569	628	691	63
Expenditures				
Current				
General county programs	25	25	17	8
Debt service				
Principal	5 715	6 145	6 135	10
Interest	2 497	2 677	2 666	11
Total expenditures	8 237	8 847	8 818	29
Excess (deficiency) of revenues over (under) expenditures	(7 668)	(8 219)	(8 127)	92
Other Financing Sources (Uses)				
Transfers in	7 818	8,450	8 140	(310)
Total other financing sources (uses)	7,818	8 450	8 140	(310)
Net change in fund balances	150	231	13	(218)
Fund balances beginning	7 577	7 577	7 577	
Fund balances ending	$ 7 727	$ 7 808	$ 7 590	$ (218)

See accompanying independent auditor's report

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Final Budget - Over (Under)
Revenues				
Use of money and property	$ 743	$ 1,420	$ 1,329	$ (91)
Intergovernmental	1,084	2,949	279	(2,670)
Charges for services	--	376	376	--
Other	189	242	91	(151)
Total revenues	2,016	4,987	2,075	(2,912)
Expenditures				
Current				
Law & justice	--	20	20	--
Public safety	--	119	114	5
Health & public assistance	--	519	519	--
Community resources & facilities	1,150	1,675	692	983
General government & support services	--	(23)	(23)	--
Capital outlay	10,921	25,115	10,620	14,495
Total expenditures	12,071	27,425	11,942	15,483
Excess (deficiency) of revenues over (under) expenditures	(10,055)	(22,438)	(9,867)	12,571
Other Financing Sources (Uses)				
Transfers in	8,930	15,963	9,284	(6,699)
Transfers out	(7,594)	(7,689)	(1,943)	5,746
Proceeds from sale of capital assets	1,100	1,153	1,153	--
Long-term debt issued	--	2,428	2,400	(28)
Total other financing sources (uses)	2,436	11,875	10,894	(981)
Net change in fund balances	(7,619)	(10,563)	1,027	11,590
Fund balances - beginning	28,238	28,238	28,238	--
Fund balances - ending	$ 20,619	$ 17,675	$ 29,265	$ 11,590

See accompanying independent auditor's report

INTERNAL SERVICE FUNDS

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

INFORMATION TECHNOLOGY SERVICES

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

VEHICLE OPERATIONS AND MAINTENANCE

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

RISK MANAGEMENT AND INSURANCE

This column combines the County's five self-insurance funds: Dental, Unemployment, Workers' Compensation, County 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.

INTERNAL SERVICE FUNDS (Continued)

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.

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

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

COMMUNICATIONS

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

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF June 30, 2007 (in thousands)

	Information Technology Services	*Vehicle Operations and Maintenance*	*Risk Management and Insurance*	Communi-cations	Total
ASSETS					
Current assets					
Cash and investments	$ 4,307	$ 12,235	$ 33,073	$ 6,641	$ 56,256
Accounts receivable					
Use of money and property	55	166	398	82	701
Charges for services	5	--	5	5	15
Inventories	--	230	--	102	332
Total current assets	4,367	12,631	33,476	6,830	57,304
Noncurrent assets					
Restricted cash and investments	--	10	--	--	10
Capital assets, net of accumulated depreciation (Note 7)	1,615	15,865	27	3,035	20,542
Total noncurrent assets	1,615	15,875	27	3,035	20,552
Total assets	5,982	28,506	33,503	9,865	77,856
LIABILITIES					
Current liabilities					
Accounts payable	73	239	640	31	983
Salaries and benefits payable, current portion	121	49	53	34	257
Capital lease obligations	58	--	2	1	61
Liability for self-insurance claims, current portion	--	--	10,647	--	10,647
Total current liabilities	252	288	11,342	66	11,948
Noncurrent liabilities					
Compensated absences	283	138	112	85	618
Capital lease obligations	189	--	5	4	198
Liability for self-insurance claims, net of current portion	--	--	23,845	--	23,845
Total noncurrent liabilities	472	138	23,962	89	24,661
Total liabilities	724	426	35,304	155	36,609
NET ASSETS					
Invested in capital assets, net of related debt	1,368	15,864	20	3,030	20,282
Unrestricted	3,890	12,216	(1,821)	6,680	20,965
Total net assets (deficit)	$ 5,258	$ 28,080	$ (1,801)	$ 9,710	$ 41,247

See accompanying independent auditor's report

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, 2007 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations	Total
Operating revenues					
Charges for sales and services	$ 6,157	$ 8,439	$ 24,101	$ 3,183	$ 41,880
Other operating revenues	--	150	310	115	575
Self-insurance recovery	--	--	54	--	54
Total operating revenues	6 157	8,589	24,465	3,298	42,509
Operating expenses					
Salaries and benefits	3 337	1 343	1,386	1,012	7 078
Services and supplies	1 611	4,198	5,113	1 421	12 343
Self-insurance claims	--	--	16,034	--	16 034
Contractual services	109	29	437	48	623
Depreciation and amortization	500	2,202	2	681	3,385
County overhead allocation	284	129	574	69	1,056
Other charges	279	195	--	--	474
Total operating expenses	6,120	8,096	23,546	3 231	40,993
Operating income	37	493	919	67	1,516
Non-operating revenues (expenses)					
Use of money and property	221	789	1 601	323	2,934
Interest expense	(12)	--	--	--	(12)
Loss on sale of capital assets	(16)	(12)	--	--	(28)
Other non-operating revenues	4	--	194	2	200
Total non-operating revenues	197	777	1,795	325	3,094
Income before transfers	234	1,270	2,714	392	4,610
Transfers in	40	832	--	--	872
Transfers out	--	(205)	--	(30)	(235)
Transfers in (out), net	40	627	--	(30)	637
Change in net assets	274	1,897	2,714	362	5 247
Total net assets (deficit) - beginning	4,984	26,183	(4,515)	9,348	36 000
Total net assets (deficit) - ending	$ 5,258	$ 28,080	$ (1 801)	$ 9,710	$ 41,247

See accompanying independent auditor's report

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	$ 6,152	$ 8,589	$ 24 410	$ 3 284	$ 42,445
Receipts from excess insurance recovery	--	--	54	--	54
Payments to employees	(3 311)	(1,309)	(1,371)	(1 232)	(7,223)
Payments to suppliers	(1 986)	(4 283)	(5 404)	(1 454)	(13,127)
Payments for self-insurance claims	--	--	(14 227)	--	(14,227)
County overhead allocation	(284)	(129)	(574)	(69)	(1,056)
Other operating receipts (payments)	(279)	(195)	--	2	(472)
Net cash provided by operating activities	292	2,673	2,888	541	6 394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other receipts	5	--	196	--	201
Net cash provided by noncapital and related financing activities	5	--	196	--	201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(303)	(5 746)	(23)	(144)	(6 216)
Proceeds from sales of capital assets	--	255	--	--	255
Principal paid on capital lease obligations	(56)	--	--	(1)	(57)
Interest paid on capital lease obligations	(12)	--	--	--	(12)
Proceeds of long-term debt	19	--	(1)	(1)	17
Transfers in	40	832	--	--	872
Transfers out	--	(205)	--	(30)	(235)
Net cash used by capital and related financing activities	(312)	(4,864)	(24)	(176)	(5,376)
CASH FLOWS FROM INVESTING ACTIVITIES					
Use of money and property	205	752	1,479	292	2,728
Net cash provided by investing activities	205	752	1,479	292	2,728
Net increase (decrease) in cash and cash equivalents	190	(1 439)	4,539	657	3,947
Cash and cash equivalents - beginning	4,117	13,684	28,534	5,984	52,319
Cash and cash equivalents - ending	$ 4,307	$ 12,245	$ 33,073	$ 6,641	$ 56,266
Reconciliation of cash and cash equivalents to the Statement of Net Assets					
Cash and investments per Statement of Net Assets	$ 4,307	$ 12,235	$ 33,073	$ 6,641	$ 56,256
Restricted cash and investments per Statement of Net Assets	--	10	--	--	10
Total cash and cash equivalents per Statement of Net Assets	$ 4,307	$ 12,245	$ 33,073	$ 6,641	$ 56,266
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income	$ 37	$ 493	$ 919	$ 67	$ 1,516
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	500	2,202	2	681	3,385
Changes in assets and liabilities					
Accounts receivable	(5)	--	(1)	(2)	(8)
Inventories	--	(15)	--	--	(15)
Accounts payable	(266)	(41)	146	15	(146)
Salaries and benefits payable	26	34	15	(220)	(145)
Self-insurance claims	--	--	1,807	--	1,807
Net cash provided by operating activities	$ 292	$ 2,673	$ 2,888	$ 541	$ 6,394

See accompanying independent auditor's report

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, 2007 (in thousands)

	July 1, 2006	Additions	Deductions	June 30, 2007
CLEARING AND REVOLVING FUNDS				
Assets				
Cash and investments	$ 8 132	$ 900 894	$ 900 384	$ 8,642
Interest receivable	(1)	--	--	(1)
Total assets	$ 8,131	$ 900,894	$ 900,384	$ 8,641
Liabilities				
Accounts payable	$ 7 883	$ 261 294	$ 260 685	$ 8 492
Funds held for others	248	1,161 579	1,161 678	149
Total liabilities	$ 8,131	$ 1,422,873	$ 1,422,363	$ 8,641
DEPOSITS FUNDS				
Assets				
Cash and investments	$ 5,074	$ 24 630	$ 25,572	$ 4 132
Total assets	$ 5,074	$ 24,630	$ 25,572	$ 4,132
Liabilities				
Accounts payable	$ 1	$ 1 009	$ 1,009	$ 1
Funds held for others	5,073	25,639	26,581	4,131
Total liabilities	$ 5,074	$ 26,648	$ 27,590	$ 4,132
OTHER AGENCY FUNDS				
Assets				
Cash and investments	$ 4,722	$ 99,662	$ 99 168	$ 5 216
Interest receivable	37	203	188	52
Total assets	$ 4,759	$ 99,865	$ 99,356	$ 5,268
Liabilities				
Accounts payable	$ 114	$ 3,414	$ 3 528	$ -
Funds held for others	4,645	103,393	102,770	5 268
Total liabilities	$ 4,759	$ 106,807	$ 106,298	$ 5,268
STATE AND CITY REVENUE FUNDS				
Assets				
Cash and investments	$ 3,153	$ 128,582	$ 127 122	$ 4,613
Interest receivable	50	370	298	122
Total assets	$ 3,203	$ 128,952	$ 127,420	$ 4,735
Liabilities				
Accounts payable	$ 205	$ 112 434	$ 112,507	$ 132
Funds held for others	2,998	241,459	239,854	4,603
Total liabilities	$ 3,203	$ 353,893	$ 352,361	$ 4,735
TAX COLLECTION FUNDS				
Assets				
Cash and investments	$ 12,621	$ 1,387,155	$ 1,390,213	$ 9,563
Interest receivable	430	2,570	2,459	541
Total assets	$ 13,051	$ 1,389,725	$ 1,392,672	$ 10,104
Liabilities				
Accounts payable	$ 5	$ 19 568	$ 19 572	$ 1
Funds held for others	13,046	1,409,297	1,412,240	10 103
Total liabilities	$ 13,051	$ 1,428,865	$ 1,431,812	$ 10,104
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and investments	$ 33 702	$ 2,540 923	$ 2 542 459	$ 32,166
Interest receivable	516	3,143	2,945	714
Total assets	$ 34,218	$ 2,544,066	$ 2,545,404	$ 32,880
Liabilities				
Accounts payable	$ 8,208	$ 397,719	$ 397 301	$ 8 626
Funds held for others	26,010	2,941 367	2,943,123	24,254
Total liabilities	$ 34,218	$ 3,339,086	$ 3,340,424	$ 32,880

See accompanying independent auditor's report

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE[1]
AS OF June 30, 2007 (in thousands)

	Total
Governmental Funds Capital Assets	
Land and improvements to land	$ 90 817
Structures and improvements	201 814
Equipment	46,151
Infrastructure	225 985
Construction in progress	23 426
Total governmental funds capital assets	$ 588,193
Investments in governmental funds capital assets by source	
General Fund	$ 204,586
Special Revenue Funds	337 505
Grants	33,155
Donations	12 947
Total governmental funds capital assets	$ 588,193

[1] This schedule presents only the capital assets balances related to governmental funds Accordingly the capital assets reported in internal service funds are excluded from the above amounts The capital assets of internal service funds are included within governmental activities in the statement of net assets

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION[1]
AS OF June 30, 2007 (in thousands)

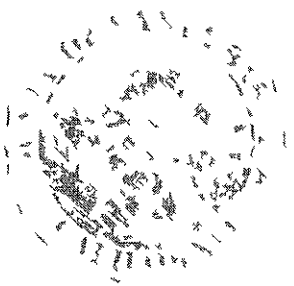
Function	Land	Structures and Improvements	Equipment	Infra-Structure	Construction In Progress	Total
Policy & executive	$ 529	$ 2,639	$ 274	$ --	$ --	$ 3,442
Law & justice	1,391	32 694	560	--	488	35,133
Public safety	2 375	69,639	18,263	--	6,031	96 308
Health & public assistance	14 404	60,252	7 002	--	2,293	83 951
Community resources & public facilities	64 753	9,976	13 304	225,985	14 411	328 429
General government & support services	3,933	16,538	6 348	--	32	26,851
General County programs	3,432	10,076	400	--	171	14,079
Total governmental funds capital assets	$ 90,817	$ 201,814	$ 46,151	$ 225,985	$ 23,426	$ 588,193

[1] This schedule presents only the capital assets balances related to governmental funds Accordingly, the capital assets reported in internal service funds are excluded from the above amounts The capital assets of internal service funds are included within governmental activities in the statement of net assets

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION[1]
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

Function	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Policy & executive	$ 3,479	$ 54	$ 91	$ 3 442
Law & justice	36 416	1,284	2 567	35,133
Public safety	89 339	8 216	1,247	96 308
Health & public assistance	76 115	11 269	3 434	83 950
Community resources & public facilities	320,563	19,098	11 231	328 430
General government & support services	20 383	6,802	334	26 851
General County programs	19,993	454	6 368	14 079
Total governmental funds capital assets	$ 566,288	$ 47,177	$ 25,272	$ 588,193

[1] This schedule presents only the capital assets 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

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FINANCIAL TRENDS 130

These schedules contain trend information to help the reader understand how the County s financial performance and well being have changed over time

REVENUE CAPACITY 135

These schedules contain trend information to help the reader assess the County s most significant local revenue source the property tax

DEBT CAPACITY 139

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

ECONOMIC AND DEMOGRAPHIC INFORMATION 142

These schedules offer economic and demographic indicators to help the reader understand the environment within which the County s financial activities take place

OPERATING INFORMATION 144

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

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)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03 as restated	2003-04	2004-05	2005-06	2006-07
Governmental activities										
Invested in capital asset, net of related debt	$ --	$ --	$ -	$ --	$176,024	$326,836	$343,596	$366,246	$381,435	$399,800
Restricted for										
Public safety	--	--	-	--	10,973	9,599	8,193	10,017	10,152	12,990
Health and public assistance	--	--	--	-	19,014	20,595	16,129	18,188	15,992	19,237
Community resources & public facilities	--	--	--	--	56,055	49,864	52,899	51,453	59,649	60,486
General government & support services	--	--	-	--	7,715	10,368	10,520	10,854	8,589	9,913
General county programs	--	--	--	--	20,846	13,222	13,413	14,009	13,485	12,469
Debt service	--	--	--	--	9,768	9,271	6,997	8,630	8,652	8,484
Unrestricted	--	--	--	--	49,047	51,563	62,673	64,827	81,386	93,424
Subtotal governmental activities net assets	--	--	--	-	349,442	491,318	514,420	544,224	579,340	616,803
Business-type activities										
Invested in capital assets, net of related debt	--	--	-	--	32,216	34,219	36,339	40,539	45,006	47,611
Restricted for										
Debt service	--	--	--	--	933	933	933	1,043	1,023	717
Unrestricted	--	--	--	--	5,312	4,824	6,016	7,345	8,750	10,922
Subtotal business-type activities net assets	--	--	--	--	38,461	39,976	43,288	48,927	54,779	59,250
Primary government										
Invested in capital assets, net of related debt	--	--	--	--	208,240	361,055	379,935	406,785	426,441	447,411
Restricted for										
Public safety	--	--	--	--	10,973	9,599	8,193	10,017	10,152	12,990
Health and public assistance	--	--	--	--	19,014	20,595	16,129	18,188	15,992	19,237
Community resources & public facilities	--	--	--	--	56,055	49,864	52,899	51,453	59,649	60,486
General government & support services	--	--	--	--	7,715	10,368	10,520	10,854	8,589	9,913
General County programs	--	--	--	--	20,846	13,222	13,413	14,009	13,485	12,469
Debt service	--	--	--	--	10,701	10,204	7,930	9,673	9,675	9,201
Unrestricted	--	--	--	-	54,359	56,387	68,689	72,172	90,136	104,346
Total primary government net assets, restated	$ --	$ --	$ --	$ --	$387,903	$531,294	$557,708	$593,151	$634,119	$676,053

Notes:
(1) Trend data is only available for the last six 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 FY2003-04 from $243,671 to $361,055
(3) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt, restricted, and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation

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

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenses										
Governmental activities										
Policy & executive	$ --	$ --	$ --	$ --	$ 6,960	$ 7,235	$ 6,242	$ 5,204	$ 7,353	$ 8,569
Law & justice	--	--	--	--	36,843	36,850	38,088	39,158	39,592	41,186
Public safety	--	--	--	--	135,606	142,190	149,819	158,460	169,497	181,566
Health & public assistance	--	--	--	--	215,182	221,988	230,432	237,144	258,369	271,806
Community resources & public facilities	--	--	--	--	68,528	65,268	68,780	88,165	71,200	84,785
General government & support services	--	--	--	--	29,843	26,927	26,942	25,224	30,818	36,771
General county programs	--	--	--	--	11,241	15,644	13,050	9,673	15,530	14,734
Interest on long-term debt	--	--	--	--	4,541	4,610	4,172	4,151	4,880	2,889
Subtotal governmental activities expenses		--		--	508,744	520,712	537,525	567,179	597,239	642,306
Business-type activities										
Solid Waste		-			20,265	18,295	17,394	17,790	19,356	21,857
Laguna Sanitation	--	--	--	--	2,043	3,825	3,495	4,495	4,870	5,066
Transit	--	--	--	--	36	27	16	59	57	62
Subtotal business-type activities expenses	--	--	--	--	22,344	22,147	20,905	22,344	24,283	26,985
Total primary government expenses	--	--	--	--	531,088	542,859	558,430	589,523	621,522	669,291
Program Revenues										
Governmental activities										
Charges for services										
Health & public assistance	--	--	--	--	51,549	55,539	58,603	67,917	70,292	80,546
Public safety	--	--	--	--	19,510	27,134	27,890	30,619	30,152	34,767
Other	--	--	--	--	56,538	58,110	56,949	56,343	58,320	58,950
Operating grants & contributions	--	--	--	--	252,572	236,391	238,621	255,317	260,905	274,169
Capital grants & contributions	--	--	--	--	272	131	1,144	1,256	754	476
Subtotal governmental activities revenues	--	--	--	--	390,441	377,305	383,207	411,452	420,423	448,908
Business-type activities										
Charges for services										
Solid Waste	--	--	--	--	16,388	18,170	19,183	20,971	21,743	21,511
Laguna Sanitation	--	--	--	--	2,582	3,463	3,377	5,050	5,513	5,950
Other	--	--	--	--	37	8	7	9	9	9
Operating grants & contributions	--	-	--	-	1,573	1,344	1,308	1,232	1,410	854
Capital grants & contributions	--	--	--	--	--	--	--	--	--	--
Subtotal business-type activities revenues	--	--	--	--	20,580	22,985	23,875	27,262	28,675	28,324
Total primary government program revenues	--	--	--	--	411,021	400,290	407,082	438,714	449,098	477,232
Net (expense) / revenue										
Governmental activities	--	--	--	--	(118,303)	(143,407)	(154,318)	(155,727)	(176,816)	(193,398)
Business-type activities	--	--	--	--	(1,764)	838	2,970	4,918	4,392	1,339
Total primary government net expenses	--	--	--	--	(120,067)	(142,569)	(151,348)	(150,809)	(172,424)	(192,059)

(Continued)

Note:
(1) Trend data is only available for the last six 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)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes	--	--	--	--	105 922	107,279	119,973	155,057	176,748	195,001
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
Transient occupancy tax	--	--	--	--	5,877	4,423	5 448	4,815	5,631	6,591
Unrestricted investment earnings	--	--	-	--	4,670	3,420	1 087	3,373	4,308	2,867
Extraordinary item and special item	--	--	--	--	(22,992)	5,433	--	--	--	--
Other	--	--	--	--	5,404	4,278	4,630	3,533	5,757	8,845
Subtotal governmental activities	--	--	--	--	146,633	167,899	177,420	185,531	211,932	230,861
Business-type activities										
Unrestricted investment earnings	--	--	--	--	1,414	971	270	828	942	2,089
Transfers	--	--	--	--	133	(17)	34	(174)	(55)	(3)
Other	--	--	--	--	96	(277)	38	67	573	1,046
Subtotal business-type activities	--	--	--	--	1,643	677	342	721	1,460	3,132
Total primary government	--	--	--	--	148,276	168,576	177,762	186,252	213,392	233,993
Changes in Net Assets										
Governmental activities	--	--	--	--	28,330	24,492	23,102	29,804	35,116	37,463
Business-type activities	--	--	--	--	(121)	1,515	3,312	5,639	5,852	4,471
Total primary government	$ --	$ --	$ --	$ --	$28,209	$ 26,007	$ 26,414	$ 35,443	$ 40,968	$ 41,934

Note:
(1) Trend data is only available for the last six 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)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Fund										
Reserved for										
Receivables	$ -	$ -	$ --	$ --	$ 11,433	$ 5 039	$ 5 094	$ 4 663	$ 4 094	$ 3 309
Imprest cash	--	--	--	--	14	17	18	18	15	15
Property tax loss reserve	--	--	--	--	3,591	3 845	4 138	4 515	5 044	5 632
Unreserved										
Designated	--	-	-	--	26 387	28 723	28 359	33 538	43 481	58 488
Undesignated	--	--	--	--	7 546	12 050	9 953	8 564	16 206	11 484
Subtotal General Fund	--	-	-	-	48,971	49,674	47,562	51,298	68 840	78,928
All Other Governmental Funds										
Reserved for										
Receivables	-	--	--	-	4,249	379	261	226	2,378	390
Imprest cash	-	-			24	24	23	23	24	22
Debt service	--	--	-	--	8,071	8,251	6,697	7 701	7 592	7,601
Unreserved										
Designated, reported in										
Special revenue funds	-	-	--	--	54,485	60,264	53,920	50,792	52 041	54,569
Capital projects fund	--	--	--	--	28,760	22,019	14,015	26 992	24,370	22,854
Debt service funds	-	--	-		--	-	--	--	--	315
Undesignated, reported in										
Special revenue funds	--	--	--	--	61,626	55,716	58,221	59 261	66,358	70,799
Capital projects fund	--	--	--	--	6,243	7,323	5,217	4,043	3,868	6,411
Subtotal all other governmental funds	--	--	--	--	163,458	153,976	138,354	149,038	156,631	162,961
Total governmental fund balance	$ --	$ --	$ --	$ --	$212,429	$203,650	$185,916	$200,336	$225,471	$241,889

Notes:
(1) Trend data is only available for the last six 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)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues (by source):										
Taxes	$ --	$ --	$ --	$ --	$132,298	$126,636	$140,594	$176,747	$202,078	$220,583
Licenses, permits, and franchises	--	--	--	--	13,521	12,258	14,407	13,712	14,094	14,336
Fines, forfeitures, and penalties	--	--	--	--	10,809	12,162	9,554	9,675	12,020	11,020
Use of money and property	--	--	--	--	14,013	10,735	5,532	9,489	10,783	13,025
Intergovernmental	--	--	--	--	270,384	260,779	260,609	253,104	263,025	266,953
Charges for service	--	--	--	--	117,468	117,061	123,739	134,276	134,664	148,311
Other	--	--	--	--	16,830	13,479	13,058	15,751	15,255	13,414
Total revenues	--	--	--	--	575,323	553,110	567,493	612,754	651,919	687,642
Expenditures (by function):										
Policy & executive	--	--	--	--	9,925	10,334	10,024	10,229	10,824	11,846
Law & justice	--	--	--	--	34,970	35,500	36,802	37,361	38,083	39,247
Public safety	--	--	--	--	122,754	130,996	140,458	148,978	160,249	175,500
Health & public assistance	--	--	--	--	215,452	223,913	232,782	241,023	260,562	273,314
Community resources & public facilities	--	--	--	--	68,271	64,104	67,161	85,219	78,085	90,994
General government & support services	--	--	--	--	39,390	38,049	39,828	40,007	46,686	47,380
General County programs	--	--	--	--	14,781	15,224	13,918	9,731	12,574	14,552
Debt service										
Principal	--	--	--	--	6,323	5,004	5,153	6,030	6,582	7,876
Interest	--	--	--	--	4,541	4,628	4,413	3,986	4,741	2,930
Capital outlay	--	--	--	--	40,164	35,404	35,862	36,155	11,029	10,620
Total expenditures	--	--	--	--	556,571	563,156	586,401	618,719	629,415	674,259
Excess of Revenues over (under) expenditures	--	--	--	--	18,752	(10,046)	(18,908)	(5,965)	22,504	13,383
Other Financing Sources (Uses)										
Transfers in	--	--	--	--	102,349	94,777	102,682	108,564	118,235	128,567
Transfers out	--	--	--	--	(103,420)	(95,111)	(103,185)	(108,188)	(118,419)	(129,201)
Proceeds from sale of capital assets	--	--	--	--	456	145	69	46	862	1,269
Proceeds from long-term debt	--	--	--	--	31,425	1,456	20,023	20,138	1,953	2,400
Issuance discount on long-term debt	--	--	--	--	--	--	--	(175)	1	--
Payment to refunded debt escrow agent	--	--	--	--	--	--	(18,415)	--	--	--
Total other financing sources (uses)	--	--	--	--	30,810	1,267	1,174	20,385	2,632	3,035
Net change in fund balance	$ --	$ --	$ --	$ --	$ 49,562	$ (8,779)	$ (17,734)	$ 14,420	$ 25,136	$ 16,418
Debt service as a percentage of noncapital expenditures	0 00%	0 00%	0 00%	0 00%	2 10%	1 83%	1 74%	1 72%	1 87%	1 66%

Expenditures (2):	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General government	$ 35,892	$ 39,373	$ 43,254	$ 47,090	$ 59,857	$ 58,434	$ 59,228	$ 55,274	$ 53,409	$ 65,106
Public protection	157,961	165,757	176,075	186,132	200,927	210,021	221,671	234,963	242,782	259,208
Public ways and facilities	26,616	29,081	27,232	30,794	43,801	36,702	24,441	32,560	31,890	30,926
Health and sanitation	75,445	81,229	87,286	103,760	106,767	110,424	117,342	130,160	139,106	149,855
Public assistance	84,217	94,675	94,921	99,982	104,726	105,933	105,203	107,408	116,916	120,572
Education	2,146	2,232	2,386	2,518	2,691	2,645	2,783	2,763	2,773	2,894
Recreational and cultural services	6,491	6,708	7,562	7,907	8,947	8,959	10,305	9,420	9,615	10,462
Debt service	10,667	9,973	9,391	9,474	8,680	9,218	9,566	10,016	11,323	10,807
Capital outlay	9,280	14,518	16,814	14,075	20,175	20,820	35,862	36,155	21,601	24,429
Total Expenditures	$408,715	$443,546	$464,921	$501,732	$556,571	$563,156	$586,401	$618,719	$629,415	$674,259

Notes:
(1) Expenditure trend data is only available for the last six 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
1997 - 1998	$ 25,527,262	$ 1,747,751	$ 710,570	$ (919,658)	$ 27,065,925	1 00000
1998 - 1999	27,046,286	1,919,184	703,596	(967,844)	28,701,222	1 00000
1999 - 2000	28,767,002	1,972,146	711,158	(1,016,269)	30,434,037	1 00000
2000 - 2001	31,368,402	1,933,553	724,164	(1,021,757)	33,004,362	1 00000
2001 - 2002	34,127,745	2,070,319	774,256	(1,100,743)	35,871,577	1 00000
2002 - 2003	36,623,758	2,360,050	825,982	(1,208,338)	38,601,452	1 00000
2003 - 2004	39,518,502	2,320,621	726,740	(1,301,099)	41,264,764	1 00000
2004 - 2005	43,022,881	2,426,901	743,530	(1,372,516)	44,820,796	1 00000
2005 - 2006	47,838,453	2,458,096	737,982	(1,544,353)	49,490,178	1 00000
2006 - 2007	52,791,691	2,546,922	769,814	(1,587,094)	54,521,333	1.00000

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

Source:
Auditor-Controller, County of Santa Barbara

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

		County Direct Rates	Overlapping Rates		
Fiscal Year		Santa Barbara County General	Cities (1)	Schools (2)	Total
1997	1998	1 00000%	0 00088%	0 00664%	1 00752%
1998	1999	1 00000	0 00085	0 01180	1 01265
1999	2000	1 00000	0 00047	0 01082	1 01129
2000	2001	1 00000	0 00006	0 00706	1 00712
2001	2002	1 00000	0 00021	0 00968	1 00989
2002	2003	1 00000	0 00017	0 00914	1 00931
2003	2004	1 00000	0 00017	0 01101	1 01118
2004	2005	1 00000	0 00015	0 00841	1 00856
2005	2006	1 00000	0 00014	0 01053	1 01067
2006	2007	1 00000	0 00013	0 01237	1 01249

Notes

(1) Rate shown represent a weighted average of the eight incorporated cities within the County of Santa Barbara for fiscal year ending 2002 2003 and thereafter Prior years rates represents a weighted average of seven incorporated cities excluding the City of Goleta which incorporated in 2002 2003

(2) Rates shown represent a weighted average of the various school district tax rate areas within the County of Santa Barbara

Source

Auditor Controller County of Santa Barbara

COUNTY OF SANTA BARBARA CALIFORNIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
JUNE 30 2007 AND JUNE 30, 1998 (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 2007 and June 30 1998

June 30 2007

Taxpayers	Type of Business	(1) Net Assessed Secured Property Value	(2) Percentage of Total Net Assessed Value	(3) Total Secured Tax Levy Fiscal Year 2006 07	Percentage of Total Secured Tax Levy Fiscal Year 2006 07
Exxon Corporation	Petroleum & Gas	$ 365 634	0 70%	$ 3 749	0 80%
Verizon California Inc	Utility	212 921	0 41%	2 315	0 50%
Southern California Gas Co	Utility	159 358	0 31%	1 709	0 37%
Biltmore Hotel	Hotel	132 000	0 25%	1 498	0 32%
Bacara Resort & Spa	Hotel	130 000	0 25%	1 379	0 30%
Raytheon Company	Light Manufacturing	122 282	0 24%	1 306	0 28%
Pacific Offshore Pipeline Co	Petroleum & Gas	115 638	0 22%	1 185	0 25%
Southern California Edison Co	Utility	108 233	0 21%	1 172	0 25%
Fairway BB Property	Residential	107 780	0 21%	1 096	0 23%
SP Maravilla	Rest home	102 628	0 20%	1 116	0 24%
Ten largest taxpayers		1 556 474	2 99%	16 525	3 54%
All other taxpayers		50 417 937	97 01%	449 972	96 46%
Total		$ 51 974 411	100 00%	$ 466 497	100 00%

June 30 1998

Taxpayers	Type of Business	(1) Net Assessed Secured Property Value	(2) Percentage of Total Net Assessed Value	(3) Total Secured Tax Levy Fiscal Year 1997 98	Percentage of Total Secured Tax Levy Fiscal Year 1997 98
Exxon Corporation	Oil	$ 749 026	2 96%	$ 7 959	3 20%
GTE California Incorporated	Utility	210 537	0 83%	2 180	0 88%
Gaviota Gas Plant Co	Gas	170 499	0 67%	1 812	0 73%
Southern California Gas Company	Utility	153 178	0 61%	1 579	0 63%
Pacific Offshore Pipeline Co	Oil	105 660	0 42%	1 123	0 45%
Southern California Edison Company	Utility	91 607	0 36%	947	0 38%
Applied Magnetics Corporation	Electromagnetic Systems	90 295	0 36%	942	0 38%
Pacific Gas and Electric Company	Utility	79 410	0 31%	821	0 33%
Comdisco Incoprorated	Leasing	74 928	0 30%	758	0 30%
Raytheon Company	Electromagnetic Systems	64 159	0 25%	682	0 27%
Ten largest taxpayers		1 789 299	7 07%	18 803	7 55%
All other taxpayers		23,528 875	92 93%	230 284	92 45%
Total		$ 25 318 174	100 00%	$ 249 087	100 00%

Notes

(1) Net Assessed Secured amounts include Secured & Unitary less exemptions

(2) See Assessed Value of Taxable Property and Actual Value of Property schedule for total assessed value The 2006 07 total is based on secured $52 791 691 plus unitary $769 814 less exemptions of $1 587 094 The 1997 98 total is based on secured $25 527 262 plus unitary $710 570 less exemptions of $919 658

(3) 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
1997 - 1998	$ 249,087	$ 245,891	98 72%	$ 3,184	$ 249,075	100 00%
1998 - 1999	263,453	260,526	98 89%	2,912	263,438	99 99%
1999 - 2000	282,449	278,432	98 58%	3 990	282,422	99 99%
2000 - 2001	306,687	301 590	98 34%	5,056	306,646	99 99%
2001 - 2002	333,424	329,327	98 77%	4,043	333,370	99 98%
2002 - 2003	355,912	351,584	98 78%	4,209	355,793	99 97%
2003 - 2004	385 715	381,887	99 01%	3,596	385,483	99 94%
2004 - 2005	419,530	415,040	98 93%	3,996	419,036	99 88%
2005 - 2006	466,497	460,518	98 72%	3,543	464,061	99 48%
2006 - 2007	516,452	505,691	97 92%	--	505,691	97 92%

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			
1997	1998	$ 50 915	$ 731	$ 408		$68 000	$ 9 210	$ 637			$ 129 901	0 45%	$ 321
1998	1999	47 175	701	339	2 125	62 000	8 260	1 677			122 277	0 43%	299
1999	2000	43 415	1 723	254	1 850	57 000	7 280	1 299	550		113 371	0 37%	274
2000	2001	39 650	1 421	173	3 568	47 000	6 360	884	440		99 496	0 30 %	243
2001	2002 (3)	65 935	567	104	1 438	37 000	6 955	832	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	3 303	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

Notes

(1) See the Assessed Value of Taxable Property and Actual Value of Property table for total taxable assessed value Assessed value does not include tax exempt property

(2) See the Demographic and Economic Statistics table 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 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
1997	1998	$ 27 065 925	$ 338 324		$ 338 324	100%
1998	1999	28 701 222	358 766		358 766	100%
1999	2000	30 434 037	380 425		380 425	100%
2000	2001	33 004 362	412 555		412 555	100%
2001	2002	35 871 577	448 395		448 395	100%
2002	2003	38 601 452	482 518		482 518	100%
2003	2004	41 264 764	515 810		515 810	100%
2004	2005	44 820 796	560 260		560 260	100%
2005	2006	49 490 178	618 627		618 627	100%
2006	2007	54 521 333	681 517		681 517	100%

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 percent 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 2007 (in thousands)

2006 2007 Assessed Valuation	$ 54 521 333
Redevelopment Incremental Valuation	2 755 032
Adjusted Assessed Valuation	$ 51 766 301

Overlapping Tax and Assessment Debt	Percent Applicable (1)	Debt (3)
Allan Hancock Joint Community College District	99 751%	$67 831
High School Districts	99 998 100%	128 415
Unified School Districts	100%	51 955
Goleta Union School Districts	100%	22 705
Orcutt School District	100%	14 320
Santa Barbara School District	100%	27 985
Other School District	100%	35 230
Lompoc Healthcare District	100%	42 000
Santa Ynez River Water Conservation District ID No 1	100%	960
Solvang Assessment District	100%	125
Special District 1915 Act Bonds	100%	3 960
Total Overlapping Tax and Assessment Debt		$395 486
Direct and Overlapping General Fund Obligation Debt		
Santa Barbara County General Fund Obligations	100%	$ 63 465
Allan Hancock Joint Community College District Certificates of Participation	99 751%	7 601
Santa Maria Joint Union High School District Certificates of Participation	99 998%	25 964
Santa Maria Bonita School District Certificates of Participation	99 996%	23 759
Santa Ynez Valley Union High School District Certificates of Participation	100 000%	4 105
Buellton School District Certificates of Participation	100%	3 420
Solvang School District Certificates of Participation	100%	1 815
City of Carpinteria Certificates of Participation	100%	1 480
City of Santa Barbara Certificates of Participation	100%	4 650
City of Santa Maria General Fund Obligations	100 %	17 085
City of Solvang General Fund Obligations	100%	870
Carpinteria Sanitary District General Fund Obligations	100%	15 580
Santa Maria Cemetery District Certificates of Participation	100%	1 390
Total Gross Direct and Overlapping General Fund Obligation Debt		$ 171 184
Less Carpinteria Sanitary District (100% self supporting)		15 580
Total Net Direct and Overlapping General Fund Obligation Debt		$ 155,604
Gross Combined Total Debt		$ 566 670 (2)
Net Combined Total Debt		$ 551 090

Ratio to 2006 07 Assessed Valuation	
Total Overlapping Tax and Assessment Debt	0 73%

Ratios to Adjusted Assessed Valuation	
Combined Direct Debt ($63 465)	0 12%
Gross Combined Total Debt	1 09%
Net Combined Total Debt	1 06%

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 June 30 2007

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
1998	405	$ 10,377,000	25 6	63	3 8%
1999	409	11,301,000	27 6	65	3 4%
2000	414	11,890,000	28 7	65	3 2%
2001	409	12,911,000	31 6	66	2 8%
2002	408	13,107,000	32 1	67	3 7%
2003	410	13,017,000	31 7	67	3 5%
2004	415	13,544,000	32 6	68	3 4%
2005	419	14,384,000 (3)	34 3 (3)	68	4 0%
2006	422	15,211,000 (3)	36 0 (3)	67	3 5%
2007	424	16,314,000 (3)	38 4 (3)	67	3 8%

Detail of estimated population, as of January 1, 2007 (whole numbers) (2):

Incorporated Cities	
Buellton	4,663
Carpinteria	14,123
Goleta	30,169
Guadalupe	6,397
Lompoc	42,015
Santa Barbara	89,456
Santa Maria	90,333
Solvang	5,495
Total of Incorporated	282,651
Total of Unincorporated Areas	141,774
Total Population	424,425

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, 2007 AND June 30, 1998

June 30, 2007			June 30, 1998		
Company or Organization	Jobs (1)	(3) Percent of Total County Employment	Company or Organization	Jobs (2)	(3) Percent of Total County Employment
University of California at Santa Barbara	9,501	5 04%	University of California at Santa Barbara	8,660	5 24%
Vandenberg Air Force Base	4 782	2 54%	Vandenberg Air Force Base	5 195	3 14%
County of Santa Barbara	4,214	2 24%	County of Santa Barbara	4,285	2 59%
Santa Barbara School District Admin	2,968	1 58%	Santa Barbara Cottage Hospital	1,712	1 04%
Santa Barbara Cottage Hospital	2,518	1 34%	Santa Barbara City College	1,675	1 01%
Santa Barbara City College	2,360	1 25%	Santa Maria-Bonita Schools	1,100	0 67%
Raytheon Electronic Systems	1,633	0 87%	Allan Hancock College	1 100	0 67%
Santa Maria-Bonita Schools District	1 600	0 85%	U S Postal Service	1 083	0 66%
City of Santa Barbara	1 487	0 79%	Lompoc Unified School District	1,061	0 64%
Lompoc Unified School District	1,427	0 76%	Lockheed Martin	1,046	0 63%
Ten largest companies or organizations	32 490	17 25%		26,917	16 29%
All other companies or organizations	155,860	82 75%		138,307	83 71%
Total companies or organizations	188,350	100 00%		165,224	100 00%

Notes:

(1) As of April 2007

(2) As of March 1998

Source:

(3) 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

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Paid employees										
Policy & executive	--	--	--	--	98	94	93	95	88	98
Law & justice	--	--	--	--	236	213	211	208	217	221
Public safety	--	--	--	--	1,389	1 383	1,367	1,357	1,415	1,425
Health & public assistance	--	--	--	--	1,685	1,667	1,652	1,660	1,706	1,688
Community resources & public facilities	--	--	--	--	583	556	552	519	524	502
General government & support services	--	--	--	--	464	441	432	425	436	432
General County programs	--	--	--	--	19	29	19	14	34	40
Solid Waste	--	--	--	--	94	93	91	91	91	90
Laguna Sanitation	--	--	--	--	14	14	13	13	15	15
Total County Employees	--	--	--	--	4,582	4,490	4,430	4,382	4,526	4,511
Actual full-time equivalent										
Policy & executive	--	--	--	--	92	88	87	88	87	91
Law & justice	--	--	--	--	227	209	207	205	206	214
Public safety	--	--	--	--	1,319	1,321	1,298	1,287	1,331	1 365
Health & public assistance	--	--	--	--	1,595	1,589	1,560	1,563	1,596	1,598
Community resources & public facilities	--	--	--	--	556	536	527	498	473	476
General government & support services	--	--	--	--	435	422	413	405	410	408
General County programs	--	--	--	--	18	28	18	14	28	38
Solid Waste	--	--	--	--	91	88	86	87	86	85
Laguna Sanitation	--	--	--	--	14	14	13	13	16	15
Total County Employees	--	--	--	--	4,347	4,295	4,209	4,160	4,233	4,290

Notes:

(1) County Employees by function/program is only available for the last six fiscal years due to the change in the County's functions as a result of the implementation of GASB 34

(2) Actual Full-Time Equivalents 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
Full-Time Equivalent This number is equal to the number of work hours divided by 80 (the normal number of hours worked by a full-time employee) For example, for a part-time employee that works 40 hours each pay period, the FTE

(3) Paid Employees Count of employees paid, including terminated employees Employees with more than one job will be counted once for each job that the employee was paid for

(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	Employees Paid	Full-Time Equivalents
1998	4,465	4,192
1999	4,507	4,265
2000	4,746	4,386
2001	4,652	4,239
2002	4,582	4,347
2003	4,490	4,295
2004	4,430	4,209
2005	4,382	4,160
2006	4,526	4,233
2007	4,511	4,290

Sources:

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

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

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Function/Program						
Law & justice						
Filed felonies-District Attorney	2,249	2,287	2 389	2,799	3,040	3 040
Filed misdemeanors-District Attorney	11,771	12,071	13,558	13,691	13,195	14,781
Public Defender's total new caseload	22 700	23,400	25 600	26,700	22,900	25,302
Public safety						
Fire emergency responses	8 400	8 750	9,400	9 500	9 700	10,163
Total miles patrolled by Sheriffs	1,580 000	1,410,000	1,277 615	1,518 166	1,504 057	1,546,905
Processed and booked adult offenders-Sheriff	16,967	17 496	17,535	19,582	17,747	18 403
Juvenile referrals processed- Probation	6,000	6,000	6,300	6,400	6 589	6,822
Cases supervised-Probation	7,100	7,400	10,550	10,579	10,191	11,678
Institutional care for minors-Probation (days)	63,100	63,400	58,300	52,280	62,375	67,154
Prepared adult sentencing reports-Probation	2,500	2,500	11,300	11,900	12,264	12,551
Health & public assistance						
ADMHS clients served	12,357	12,568	13,253	14,807	13,059	14,547
Processed child support payments	151,000	153 000	156,000	160,000	153 900	157 867
Assistance claims paid to eligible recipients	n/a	60 000	62,500	64 500	64,200	65,405
Patient treatments at Public Health clinics	100 000	100,000	112,000	116,100	118 400	123,000
Community resources & public facilities						
Building inspections	39,500	28,700	27,800	34,900	34 000	40,034
Enhanced or maintained road lanes (miles)	124	190	150	117	117	246
Flood control work requests	169	234	145	200	185	112
General government & support services						
Clerk-Recorder-Assessor						
Recorded Documents	110,000	139,000	170,000	131,000	123 700	135,000
Solid Waste						
Waste recycled (tons per month)	5 900	10,000	10,200	8,857	8,177	8 270
Landfill waste disposal (tons per month)	17,200	18,345	19,910	20,510	19,679	18 483

Note:

(1) Operating Indicators by function/program is only available for the last six 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 SIX FISCAL YEARS

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

Notes:

(1) Capital assets and infrastructure statistics by function/program is only available for the last six fiscal years due to the change in the County's functions as a result of the implementation of GASB 34

(2) Buildings includes those that are capitalized but excludes real property that is leased

(3) Includes City of Goleta

COUNTY OF SANTA BARBARA, CALIFORNIA
GLOSSARY FOR THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

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 debt owed by 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**

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

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

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) - A financial report that encompasses all funds and component units of the government The CAFR should contain (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 The CAFR is the governmental unit's official annual report and also should contain 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

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

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 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 used to indicate 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 These amounts include 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

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

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, 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 - for example, 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 There are five different types of governmental funds 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

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

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

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

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

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

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

TAX AND REVENUE ANTICIPATION NOTES (TRANS) - Notes issued in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenue levy whose collection they anticipate

TRUST FUNDS - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds

UNRESERVED UNDESIGNATED FUND BALANCE - That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body

UNQUALIFIED OPINION - An opinion rendered without reservation by the independent auditor that financial statements are fairly presented

UNRESERVED FUND BALANCE - That portion of a fund balance available for spending or appropriation in the future

UNRESTRICTED NET ASSETS - That portion of net assets that is neither restricted nor invested in capital assets (net of related debt)

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APPENDIX C

COUNTY OF SANTA BARBARA INVESTMENT POLICY

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SANTA BARBARA COUNTY

TREASURER

INVESTMENT POLICY

STATEMENT

February 2008

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INTRODUCTION:

The County of Santa Barbara's Investment Policy has been prepared in accordance with State law. This policy is presented annually to the Treasury Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code. The County establishes investment policies that meet its current investment goals. The County may change this policy as its investment objectives change.

I. POLICY STATEMENT

The purpose of this Investment Policy is to provide a basis for the implementation and management of a prudent, conservative investment program. It is the policy of the Santa Barbara County Treasurer (the Treasurer) to invest public funds in a manner which provides the maximum security of principal invested with secondary emphasis on achieving the highest return, while meeting the daily cash flow needs of the Investment Pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds.

As an elected official of the County of Santa Barbara, the Treasurer must manage public monies in a way that is consistent with investment oversight and sound investment practices. To have a policy which only concerns itself with maximizing return is reckless. The basic concept of investment management is the risk/reward relationship. A higher promised return on any investment may indicate a higher level of risk. Risk management must be an integral part of any prudent investment policy. Risk management must include adequate internal controls so Investment Pool participants and the public have confidence that public monies are secure. Though all investments contain a degree of risk, the proper exercise of prudence, the maintenance of a high level of ethical standards, and the proper delegation of authority reduces the potential for loss.

II. PURPOSES

This Investment Policy is set forth by the Treasurer for the following purposes:

A. To implement the investment program in accordance with its legislative parameters and the authority to invest which is hereby delegated to the Treasurer by the Board of Supervisors;

B. To establish a clear understanding for the Board of Supervisors, County management, responsible employees, citizens, and third parties of the objectives, policies and guidelines for the investment of County idle and surplus funds;

C. To offer guidance to investment staff and any external investment advisors on the investment of the Investment Pool; and

D. To establish a basis for evaluating results.

III. OBJECTIVES

The objectives of this Investment Policy are, in order of priority:

A. Safety of principal. The primary objective of the Treasurer's investment program is to safeguard investment principal by mitigating exposure to risk factors, including, but not limited to, market (interest rate) risk, credit risk, and reinvestment risk. Specific risk parameters are set forth in Sections XII and XIII.

B. Maintenance of sufficient liquidity to meet cashflow needs.

C. Attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity.

Investments must always be in compliance with all federal, state and local laws governing the investment of moneys under the control of the Treasurer, this Investment Policy, and the Prudent Investor standard of care.

IV. SCOPE

This Statement of Investment Policy applies to county, school and special district fund assets deposited in the County Treasury and under control of the Treasurer. It does not apply to assets that are not deposited in the County Treasury, including, but not limited to:

A. Bond Funds (the investment of which is governed by the bond documents);

B. Assets of Investment Pool participants other than assets on deposit in the County Treasury (which are the responsibility of the participant's governing body); and

C. Deferred Compensation Plan assets (which are invested for the benefit of participants in the Plan).

D. The Treasurer may direct specific-purpose assets belonging to the county or other Investment Pool participants in instruments the earnings of which are not shared, but credited to the specific-purpose fund. The investments for these direct investment pools shall be made in accordance with this Policy, except that investments may be for periods greater than five years when a longer term is advantageous for the investment of money held for specific purposes. Investments for periods longer than five years require prior approval of the governing body in accordance with Government Code Section 53601.

V. STANDARD OF CARE

A. **The Prudent Investor Standard** is the appropriate standard of care for the Investment Pool. This standard shall be used by investment officials and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

B. **The Prudent Investor Standard Defined:** When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

VI. DELEGATION OF AUTHORITY

Authority to manage the County's investment program is derived from the California Government Code Sections 53600 *et seq.*, and Sections 53630 *et seq.*

Within the Treasurer's office, only the Treasurer, Assistant Treasurer, Treasury Finance Chief, and the Investment & Debt Officer are authorized to make investments and to direct the receipt and delivery of investment securities at the custody bank.

VII. ETHICS AND CONFLICTS OF INTEREST

Individuals performing the investment function and members of the Treasury Oversight Committee shall maintain the highest standards of conduct. They must maintain their independence and not have actual conflicts of interest. In addition, they shall avoid the appearance of having conflicts of interest or having lack of independence.

All investment personnel shall disclose to the Treasurer any financial interests in financial institutions that conduct business with the County of Santa Barbara and shall disclose any material financial positions that could be related in a conflicting manner to the investment strategies and performance of the County of Santa Barbara's investment portfolio. In accordance with State law, the Treasurer, Assistant Treasurer, Treasury Finance Chief, and the Investment & Debt Officer shall complete and submit State of California Form 700, Statement of Economic Interests Disclosure. Should any conflicts be disclosed, the Treasurer will resolve such matters as soon as practical.

The Treasurer, Assistant Treasurer, Treasury Finance Chief, Investment & Debt Officer, and members of the Treasury Oversight Committee will not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the Treasurer conducts business.

The Treasurer, Assistant Treasurer, Treasury Finance Chief, Investment & Debt Officer, and members of the Treasury Oversight Committee may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the Treasurer conducts business or may, in the future, conduct business.

A member of the Treasury Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of the Treasurer or a candidate for a legislative body of a local agency that has deposited funds in the County Treasury in the previous three years or while a member of the Committee. A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms during the period that the person is a member of the Committee or for one year after leaving the Committee.

A member of the Treasury Oversight Committee may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

VIII. SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County shall be deposited for safekeeping with the custodial bank that has contracted to provide the Treasurer with custody and security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

IX. DELIVERY VS. PAYMENT

All security transactions are to be conducted using industry-standard "delivery-versus-payment" procedures.

X. INTERNAL CONTROLS

The Treasurer shall establish and document a system of internal controls that is prudent and comprehensive. Internal controls shall be designed to provide reasonable assurances that the combined Investment Pool assets are protected. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

Internal controls are designed to ensure separation of transaction authority from accounting and record keeping and to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's office.

No investment personnel may engage in an investment transaction except as provided under this investment policy and the procedures established by the Treasurer.

XI. AUTHORIZED DEALERS AND INSTITUTIONS

The Treasurer shall determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

- Primary government dealers (including their parent and subsidiaries) as designated by the Federal Reserve Bank;
- Nationally or state-chartered banks;
- The Federal Reserve Bank; and
- Direct issuers of securities eligible for purchase by the County.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the County shall be at the sole discretion of the County.

All financial institutions which desire to become authorized dealers for investment transactions must complete the Santa Barbara County's "Request For Qualification" form Each qualified dealer must certify in writing that they have reviewed the relevant California Government Code Sections and the County's Investment Policy and that all securities offered to the County shall comply fully and in every instance with all provisions of the Code and with this Investment Policy.

The authorized dealers and financial institutions must not have made any political contribution to the Treasurer, Board of Supervisors or candidates for these offices for 48 months before and any time during their engagement with the County.

The authorized dealers and financial institutions must agree not to provide any honoraria, gift, or gratuity to any Santa Barbara County investment personnel or to any member of the Treasury Oversight Committee.

Public deposits shall be made only in qualified public depositories within the State of California as established by State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.

The Treasurer, or designee, will create and review periodically an approved list of firms and financial institutions authorized to do business with the Treasurer. The Treasurer will maintain firms on the authorized list as long as it is in the best interest of the County to do so.

XII. PERMITTED INVESTMENTS

A. Authorized Investments

All investments shall be made in accordance with the California Government Code Sections 53630 *et seq.* and as described within this Investment Policy. Percentage allowances per this policy shall be determined by the overall portfolio size at book value on the close of the date any security is purchased. Permitted investments under this policy shall include:

1. Securities issued by the US Treasury, provided that
   a. There shall be no restriction on the percentage of portfolio investment in US Treasury securities, and
   b. The final maturity shall not exceed five years.

2. Securities issued and fully guaranteed as to payment by an agency, or government sponsored enterprise of the US Government, provided that
   a. There shall be no restriction on the percentage of portfolio investment in US Government agencies and sponsored enterprises,
   b. The final maturity shall not exceed five years, unless specifically authorized by the governing body, and
   c. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.

3. Bonds, notes, warrants or certificates of indebtedness issued by the state of California, local agencies within California, or the County of Santa Barbara provided that
   a. The maximum allowable portfolio investment in this category shall be 10%,
   b. The final maturity shall not exceed five years,
   c. Prior approval of the Treasurer is obtained, and

d. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.

4. Banker's acceptances provided that
   a. The maximum allowable portfolio investment in banker's acceptances shall be 40%,
   b. The final maturity shall not exceed 180 days,
   c. Maximum exposure to any one issuer shall be limited to 5% of the total portfolio, and
   d. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.

5. Commercial Paper provided that
   a. The maximum allowable portfolio investment in commercial paper shall be 40%,
   b. The final maturity shall not exceed 270 days,
   c. The obligation is issued by a US corporation with total assets exceeding $500 million,
   d. The investment in paper of any one issuer may not exceed 10% of the outstanding debt of that issuer,
   e. Maximum exposure to any one issuer (including MTNs, CP, and other obligations) shall be limited to 5% of the total portfolio, and
   f. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.

6. State of California Local Agency Investment Fund (LAIF) provided that
   a. The County may invest up to the maximum amount permitted by LAIF, and
   b. the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

7. Investment Trust of California (CalTRUST) provided that
   a. The trust's policies adhere to Government Code 6509.7, and
   b. the trust's reports allow the Treasurer to adequately judge the risk inherent in CalTRUST's portfolio.

8. Negotiable certificates of deposit (NCDs) provided that
   a. The maximum allowable portfolio investment in NCDs shall be 30%,
   b. The final maturity shall not exceed one year,
   c. Maximum exposure to any one issuer shall be limited to 5% of the total portfolio, and
   d. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.

e. The issuer shall be a national or state chartered bank or a licensed branch of one of the top 100 foreign banks.

9. Bank deposits (Non-negotiable certificates of deposit) which are fully collateralized with securities in accordance with California law, provided that
   a. The maximum allowable portfolio investment in time non-negotiable certificates of deposit shall be 10%, and
   b. The final maturity shall not exceed one year.

10. Repurchase agreements collateralized with securities authorized under XII.A.1. and XII.A.2 of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that
    a. There shall be no restriction on the percentage of portfolio investment.
    b. The maximum allowable portfolio investment in repurchase agreements shall be one year,
    c. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Public Securities Association, and
    d. The counterparty to the repurchase agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York and state chartered banks.

11. Securities lending and reverse repurchase agreements
    a. The total of reverse repurchase agreements and securities that are subject to a securities lending agreement may not exceed 20% of the County's total portfolio,
    b. To the extent that the County's authorized securities lending agent does not utilize the full 20% allocation, the County may enter into reverse repurchase agreements in accordance with the government code. The term to maturity of such reverse repurchase agreements may not exceed 92 days, and the maturity of securities purchased with the proceeds of reverse repos must match the maturity of the reverse repurchase agreement, and
    c. The counterparty to the agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York.

12. Medium Term or Corporate Notes (MTNs) provided that
    a. The maximum allowable portfolio investment in MTNs shall be 30%,
    b. The final maturity shall not exceed 5 years,
    c. The maximum allowable portfolio investment in MTNs with maturity in excess of 3 years shall be 10%,
    d. The obligation shall be issued by a corporation organized and operating within the U.S. or by a depository institution licensed in the U.S. or any state and operating within the U.S.,
    e. Maximum exposure to any one issuer (including MTNs, CP and other obligations) shall be limited to 5% of the total portfolio, and

f. The issuer shall be rated AA by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is greater than 3 years. The issuer shall be rated AA- by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is 3 years or less.

13. Money Market Mutual Funds provided that
    a. The maximum allowable portfolio investment in Money Market Funds shall be 15%,
    b. The Fund is registered with the Securities and Exchange Commission,
    c. The Fund must have as one of its primary objectives that it will strive to maintain a $1.00 net asset value and share price,
    d. The Fund shall have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of $500 million, and
    e. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.

B. Prohibited Investment and Practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than money market funds as described above), unregulated and/or un-rated investment pools or trusts, collateralized mortgage obligations and futures and options.

2. In accordance with Government Code Section 53601.6, investments in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

4. Purchasing or selling securities on margin is prohibited.

XIII. PORTFOLIO RISK MANAGEMENT

A. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Treasurer shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section XII (A) are designed to mitigate credit risk in the portfolio.

2. No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and sponsored enterprises.

3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the County's risk preferences.

4. If the securities owned by the County are downgraded by Moody's, S&P, or Fitch to a level below the quality required by this Investment Policy, it shall be the County's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.

5. The Treasurer will continue to monitor and reevaluate the security on a weekly basis in order to reaffirm or change the decision to hold a downgraded security.

6. If a decision is made to retain a downgraded security in the portfolio, the status of the investment will be reported quarterly to the Board of Supervisors.

B. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios generally achieve higher returns. On the other hand, longer-term portfolios have a higher volatility of return. The County shall mitigate market risk by providing adequate liquidity for cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. All investments are categorized according to the period of time from settlement date to maturity date. Market circumstances and risk-return calculations for increased yield may require an extended schedule. In no event shall more than 75 percent of the funds available be invested for longer than one year.

2. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy. The five-year maturity of callable securities is measured to the final maturity date, not to a call date.

3. Maturity of investments should be governed by the Treasury's demand for funds through analysis of revenue and expenditure activity over prior periods. The portfolio shall be structured in such manner that securities mature concurrent with cash needs.

C. Mitigating Reinvestment Risk in the Portfolio

Reinvestment risk is the risk that cash flows from securities will be reinvested at interest rates that are lower than the rate of the original investment. Securities that are highly subject to reinvestment risk include mortgage-backed and callable securities.

The County, therefore, adopts the following strategies to control and mitigate its exposure to reinvestment risk:

1. The portfolio shall include securities with a range of durations and maturities.

2. Mortgage-backed securities are prohibited.

3. Investment in callable securities is limited to 50%.

XIV. PERFORMANCE AND PROGRAM EVALUATION

The Treasurer shall submit quarterly reports to the Treasury Oversight Committee, the Investment Pool participants, the Auditor Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code.

The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles that is commensurate with investment risk constraints and cash flow needs.

XV. REPORTING AND DISCLOSURE

A. Monthly Reports

The Investment Officer shall submit a report to the Treasurer on a monthly basis that includes at a minimum, the following:

1. A detailed listing of assets in the portfolio, including cost and current market value (including accrued interest);

2. A table displaying the distribution of the portfolio by maturity and by duration;

3. A table displaying the elements of the Investment Policy and the level of portfolio compliance with each;

4. A complete list of the corporate positions (MTNs, commercial paper and other non-governmental issues) in the portfolio displaying credit ratings by Moody's, S&P and Fitch, as well as "credit watch" status and outlook; and

5. A brief description of any significant events or news that affect any of the portfolio holdings.

B. Quarterly Reports

The Treasurer shall submit quarterly investment reports to the Board of Supervisors. These reports shall disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:

1. An asset listing showing par value, cost and market value of each security, type of investment, issuer, and interest rate;

2. A one-page summary report showing:
   a. average maturity of the portfolio;
   b. maturity distribution of the portfolio;
   c. a statement of compliance with investment policy, including a schedule of transactions or holdings which do not comply with this policy or with the California Government Code, with a justification for their presence in the portfolio and a timetable for resolution; and
   d. a statement that the County has adequate funds to meet its cash flow requirements for the next six months.

C. Semi-Annual Reports

The Treasurer shall submit a copy of the quarterly investment report, as submitted to the Board of Supervisors, to the California Debt and Investment Advisory Commission (CDIAC) twice a year. The quarterly report for the year ending June 30, shall be submitted no later than the end of August. The quarterly report for the period ending December 31, shall be submitted no later than the end of February.

D. Annual Reports

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

A copy of the investment policy shall be submitted to the California Debt and Investment Advisory Commission (CDIAC) each calendar year and within 60 days of any amendment to the investment policy.

Any internal or external audit reports shall be presented to the Treasury Oversight Committee, together with a plan of implementation of audit recommendations.

XVI. TREASURY OVERSIGHT COMMITTEE

The Board of Supervisors shall establish a Treasury Oversight Committee pursuant to Section 27131 of the California Government Code. The Committee shall consist of between three and eleven member nominated by the Treasurer and confirmed by the Board of Supervisors. Any changes to the Investment Policy Statement shall be reviewed by the Treasury Oversight Committee.

Pursuant to Section 53646 and 53607 of California Government Code, the Treasurer shall annually render to the Board of Supervisors for review and approval the Investment Policy Statement and renew the delegation of investment authority.

Pursuant to California Government Code Section 27137, the county treasury oversight committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.

XVII. COST AND EARNINGS APPORTIONMENT

Prior to quarterly interest distribution, actual investment costs incurred by the Treasurer will be deducted from the interest earnings of the Investment Pool. The costs are described in Government Code Sections 27013, 27133 and 27135 and include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds.

The Investment Pool earnings distributed to each participant are proportionate to the average daily balance of the amounts on deposit by the participant. The County Auditor-Controller conducts the apportionment process based on the net earnings of the Investment Pool each quarter. In the event there is a negative balance in a participant's fund at any time, it shall reduce the average daily balance for the fund.

XVIII. VOLUNTARY PARTICIPANTS

The Treasurer does not solicit any agency's voluntary entry into the Investment Pool. However, should any agency solicit entry, the agency shall comply with the requirements of section 53684 of the Government Code and provide to the Treasurer a resolution adopted by their governing board stating that they have excess funds available for the purpose of investment. The resolution shall specify the amount of monies to be invested, the person authorized to coordinate the transaction, the anticipated time frame for deposit, and the agency's willingness to be bound to the 30 day written notice requirement for withdrawals, as well as the Treasurer's ability to deduct pro-rata administrative charges permitted by Section XVII of this investment policy. Any solicitation for entry into the Investment Pool must have the Treasurer's prior written approval.

XIX. PARTICIPANT WITHDRAWAL

Before a local agency withdraws funds from the Investment Pool, it must submit a withdrawal request to the Treasurer. The Treasurer shall review the withdrawal request based on the size of the withdrawal, the remaining balances in the Investment Pool after the withdrawal, current market conditions, effect on cash flows, availability of funds, the circumstances involving the request, and whether the withdrawal would adversely affect other depositors in the Investment Pool. Exiting pool participants will not recognize posted GASB 31 fair market value gains or losses, except in extraordinary circumstances, as defined by the Treasurer at that time.

XX. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated immediately into the Investment Policy.

Appendix I

AUTHORIZED INVESTMENT SUMMARY TABLE

AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury Obligations	100%	None	Max 5 years	NA
Notes, participation's or obligations issued by an agency of the federal government or U.S. government sponsored enterprises	100%	None	Max 5 years	AAA
Bonds, notes, warrants, or certificates of indebtedness issued by the state or local agencies or County of Santa Barbara	10%	With approval of Treasurer	Max 5 year	AAA by at least 2 of the 3 rating agencies
Bankers Acceptances among the 100 largest banks by size of deposits.	40%	Max 5% of portfolio per issuer	Max 180 days	A1 / P1 / F1 by at least 2 of the 3 rating agencies
Commercial paper of U.S. corporations with total assets exceeding $500,000,000	40%	Max 10% of outstanding paper of any one issuer & max 5% per any one issuer	Max 270 days	A1 / P1 / F1 by at least 2 of the 3 rating agencies
State of California- Local Agency Investment Fund (LAIF)	As limited by LAIF	As limited by LAIF	NA	NA
Investment Trust of California (CalTRUST)	As Limited by CalTRUST	As Limited by CalTRUST	NA	NA
Negotiable CDs issued by national or state chartered banks or a licensed branch of the top 100 foreign banks	30%	Max 5% of any one issuer	Max 1 year	A1 / P1 / F1 by at least 2 of the 3 rating agencies
Collateralized Time Deposits	10%	As stipulated in Ca. Government Code 53630 et al	Max 1 year	NA
Repurchase Agreements with 102% collateral limited to U.S. treasuries & agencies with maturity not exceeding 5 yrs	100%	Contract must be on file	1 yr	Restricted to primary dealers and state chartered banks on eligible list
Reverse Repurchase Agreements	20%	Contract must be on file	92 days	Restricted to primary dealers on eligible list
Medium Term Notes or Corporate Notes on U.S. corporation	30%/ 10%in maturity greater than 3 years	Max 5% of any one issuer	Max 5 years	AA by at least 2 of the 3 rating agencies if more than 3 yrs; AA- up to 3 yrs
Money Market mutual funds that meet requirements of Ca. Government Code	15%	Registered with SEC; no NAV adjustments; no front end loads	Immediate liquidity	AAA by at least 2 of the 3 rating agencies
Callable Securities	50%	As above	As above	As above

Appendix II

GLOSSARY OF TERMS

ACCRUED INTEREST – The amount of interest that is earned, but unpaid since the last payment date.

BANKERS ACCEPTANCES – A draft or bill or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill. With the credit strength of a bank behind it, the bankers acceptance usually qualifies as a money market instrument. In its simplest and most traditional form, a bankers acceptance is merely a check drawn on a bank by an importer or exporter of goods.

BASIS POINT - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

BID - The indicated price at which a buyer is willing to purchase a security or commodity.

BOOK ENTRY – The system maintained by the Federal Reserve, by which most money market securities are delivered to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment).

BOOK VALUE - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

BROKER/DEALER – Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION (CDIAC)- The CDIAC provides information, education, and technical assistance on public debt and investments to local public agencies and other public finance professionals.

CALLABLE BOND - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK - The risk to a bondholder that a bond may be redeemed prior to maturity.

CASH SALE/PURCHASE - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

COLLERATERALIZATION - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMBINED INVESTMENT POOL – The county maintains a combined Investment Pool with cash and investments which provide cash flow for the funding needs of the participants. The combined Investment Pool is managed by the Santa Barbara County Treasurer. The combined Investment Pool is carried at amortized cost and includes accrued interest.

COMMERCIAL PAPER - An unsecured short-term promissory note issued by banks, corporations and other borrowers with temporarily idle cash, with maturities ranging from 2 to 270 days. Such instruments are usually discounted, although some are interest bearing. It is issued only by top-rated concerns and is nearly always backed by bank lines of credit.

CONFIRMATION – Formal memorandum from a broker/dealer to the Treasurer giving the details of a securities transaction, i.e., purchase or sale.

COUPON RATE - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

CREDIT QUALITY - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSTODIAN/CUSTODY – The financial institution where the investments purchased by the County Treasury are held.

DELIVERY VERSUS PAYMENT (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

DERIVATIVE - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT - The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION – The spreading of risk by investing in assets among a range of security types by sector, maturity, and quality rating.

DURATION - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

EARNINGS APPORTIONMENT – The quarterly interest distribution to the Investment Pool participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Investment Pool.

FAIR VALUE - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE - Interest rate charged by one institution lending Federal funds to the other.

FITCH IBCA, INC. (FITCH) – One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. (Moody's), and Standard and Poor's Corporation (S & P). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

GUARANTEED INVESTMENT CONTRACTS (GICS) – An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

GOVERNMENT SECURITIES - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest

quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

HIGHLY LIQUID – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

IDLE FUNDS – funds in the combined Investment Pool not required for immediate cash needs.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INFORMAL COMPETITIVE BID – A verbal or written bid submitted to the County Treasury by a broker/dealer for a specific issue at a specific price or yield.

INTEREST RATE - See "Coupon Rate."

INTEREST RATE RISK - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

INTERNAL CONTROLS - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal

control structure that is contingent on the various staff positions and their respective responsibilities.

6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERTED YIELD CURVE - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT POLICY - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUID - An asset that can be converted easily and quickly into cash because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY INVESTMENT FUND (LAIF) – The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – A security with the maturity greater than one year.

MARK-TO-MARKET - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET RISK - The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE – The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

MATURITY - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

MEDIUM TERM NOTES – Corporate Notes and Deposit Notes that are obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

MOODY'S INVESTORS SERVICE, INC. (Moody's) - One of the three best known rating agencies in the United States, the others being Standard and Poor's Corporation (S & P) and Fitch IBCA, Inc. (Fitch). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

MUTUAL FUND - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in the secondary markets.

NET ASSET VALUE - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

NO LOAD FUND - A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

NONCALLABLE – A bond that is exempt from any kind of redemption for a stated time period.

NOTE – A written promise to pay a specific amount to a certain entity on demand or on a specified date.

OFFER - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

PAR - Face value or principal value of a bond, typically $1,000 per bond.

PORTFOLIO – Combined holding of more than one stock, bond, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

POSITIVE YIELD CURVE - A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM - The amount by which the price paid for a security exceeds the security's par value.

PRIMARY DEALER – A group of securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers and banks.

PRIME RATE - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

PROSPECTUS - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the

issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR RULE - An investment standard where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is met is if a prudent person acting in such a situation would engage in similar conduct to ensure investments safeguard principal and maintain liquidity.

PUT OPTION – The sale of an option to another party giving them the right to sell to the Investment Pool a security at a specified price within a specified time period.

RATING – Evaluation of financial institutions' investment and credit risks by professional rating services. The County Treasury utilizes the ratings designations of Moody's, S&P and Fitch.

REGISTERED STATE WARRANT – A short-term obligation of a state governmental body issued in anticipation of revenue.

REGULAR WAY DELIVERY - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

REINVESTMENT RISK - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT (REPO) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES AND EXCHANGE COMMISSION (SEC) – Agency created by Congress to protect investors in securities transactions by administering securities laws. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

SECURITIES LENDING – A transaction wherein the Investment Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SHORT-TERM – A security with a maturity one year or less.

STANDARD AND POOR'S CORPORATION (S&P) – One of the three best known rating agencies in the United States, the others being Moody's Investment Service, Inc. (Moody's), and Fitch IBCA, Inc. (Fitch). The County Treasury uses all three as its primary rating sources in determining eligibility for securities purchases.

SWAP - Trading one asset for another.

TOTAL RETURN - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

TREASURY BILLS - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

TREASURY NOTES - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

TREASURY BONDS - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

VOLATILITY - A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI) - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

YIELD-TO-CALL (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITIES - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Extracted from 2008 Certificate of Participation Official Statement

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Definitions

Set forth below are the definitions of certain of the terms used in the Sublease, the Trust Agreement, the Lease, the Assignment Agreement and this Official Statement.

"**Additional Certificates**" means additional series of certificates of participation executed and delivered under and pursuant to the Trust Agreement.

"**Additional Rental**" means all amounts required under the Sublease to be paid by the County to the Corporation or the Trustee as Additional Rental (which amounts include but are not limited to all fees, costs and expenses and all administrative costs of the Corporation and the Trustee in connection with the Demised Premises, the Sublease, the Assignment Agreement and the Trust Agreement and all taxes, assessments and governmental charges of any nature levied or imposed by any governmental authority against the Corporation, the Demised Premises or the rentals and the other payments required to be made by the County to comply with the terms of the Sublease).

"**Agency**" means the Redevelopment Agency of the County of Santa Barbara.

"**Base Rental**" or "**Base Rental Payments**" means all amounts payable to the Corporation by the County as Base Rental pursuant to the Sublease together with any amounts held by the Trustee and credited against the Base Rental Payments which would otherwise be payable by the County or pay principal or interest with respect to the Certificates when the County does not have use and occupancy of the Demised Premises (including without limitation, insurance proceeds used to make Base Rental Payments and earnings on investments credited against Base Rental Payments pursuant to the Trust Agreement).

"**Business Day**" means a day (i) other than a Saturday or a Sunday, (ii) on which banks located in New York City or the State of California are not required or authorized to be closed, or (iii) on which the New York Stock Exchange is not closed.

"**Certificate Owner**" or "**owner**" or "**registered owner**" means the registered owner of any Outstanding Certificate.

"**Certificate Payment Date**" means, with respect to any Certificate, the Certificate Payment Date designated therein, which is the December 1 on which the principal component of the Base Rental Payments evidenced and represented by the Certificates becomes due and payable (commencing on December 1, 2008).

"**Certificates**" means the County of Santa Barbara 2008 Certificates of Participation Series A-1 and 2008 Series A-2, authorized by and at any time Outstanding under the Trust Agreement, and Additional Certificates.

"**Certification**" or "**Request**" means, with respect to the County, an instrument in writing signed on behalf of the County by the Chairman or the Vice Chairman of its Board of Supervisors, the County Treasurer or her designee or any other officer of the County duly authorized by the Board of Supervisors of the County for that purpose, and with respect to the Corporation, an instrument in writing signed on behalf of the Corporation by its President or any other person (whether or not an officer of the

Corporation) who is specifically authorized by resolution of the Board of Directors of the Corporation to sign or execute such a document on its behalf. If and to the extent required by the provisions of the Trust Agreement, each such Certification of the County shall include the statements provided for in the Trust Agreement.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

"**Costs of Issuance**" means all items of expense directly or indirectly payable by or reimbursable to the County or the Corporation and related to the authorization, execution and delivery of the Sublease and the related sale of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and its counsel, legal fees and charges of Special Counsel, title insurance premiums, certificate insurance premiums, if any, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Certificates, and any other cost, charge or fee in connection with the original execution and delivery of the Certificates, to the extent such fees and expenses are approved by the County.

"**Demised Premises**" means the real property and all buildings, structures and fixtures thereon and improvements thereto, as shown on Exhibit A attached to the Sublease.

"**Event of Default**" means one or more events of default as defined in the Sublease.

"**Expiry Date**" means December 1, 2023 with respect to Betteravia Building B, and December 1, 2028 with respect to the Juvenile Hall Facility, Probation Building and Betteravia Building A.

"**Fiscal Year**" means the County's fiscal year, which begins on July 1 and ends on the next succeeding June 30.

"**Interest Payment Date**" means a date on which interest evidenced and represented by the Certificates becomes due and payable, being June 1 and December 1 of each year to which reference is made (commencing on December 1, 2008).

"**Opinion of Counsel**" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"**Outstanding,**" when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except —

(1) Certificates cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates paid or deemed to have been paid within the meaning of the defeasance provisions of the Trust Agreement; and

(3) Certificates in lieu of and in substitution for which other Certificates shall have been executed and delivered by the Trustee under the Trust Agreement.

"**Permitted Encumbrances**" means as of any particular time:

(1) liens for general ad valorem taxes and assessments, if any, not then delinquent;

(2) the Lease, as it may be amended from time to time;

(3) the Assignment Agreement, as it may be amended from time to time;

(4) the Sublease, as it may be amended from time to time;

(5) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law;

(6) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date the term of the Sublease commences and which the County certifies in writing will not materially impair the use of the Demised Premises by the County; and

(7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Sublease and to which the County and the Corporation consent in writing.

"**Permitted Investments**" means any of the following to the extent then permitted by law:

(A) Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

- United States of America treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(B) Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies

(3) United States of America dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P;

(8) Santa Barbara County Investment Pool;

(9) Investment in the Local Agency Investment Fund (as that term is defined in Section 16429.1 of the California Government Code, as such Section may be amended or recodified from time to time);

(10) Investment agreements approved in writing by the County; and

(11) Other forms of investments (including repurchase agreements) which will not adversely affect the then-current rating on the Certificates.

The value of the above investments shall be determined as follows:

"Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the County and the Trustee.

"**Projects**" means the acquisition and construction of (i) a liner at Tajiguas Landfill, and (ii) capital improvements of the Agency, including but not limited to the widening of sidewalks; improvements to intersections; acquisition of land, development of parking improvements; expansion and development of park facilities; various road, public utilities and storm drain improvements; and construction and installation of landscaping improvements; and (iii) any other capital improvement in substitution for, or in addition to, the foregoing which are identified in a Request of the County delivered to the Trustee.

"**Rating Agency**" means Standard & Poors Ratings Services ("S&P") or its successor and Moody's Investors Service ("Moody's") or its successor and any other nationally recognized rating agency then rating the Certificates at the request of the County.

"**Rental Payments**" means the Base Rental Payments and Additional Rental.

"**Reserve Fund Requirement**" means an amount equal to the least of (i) ten percent (10%) of the aggregate original principal amount of the Certificates, (ii) one hundred twenty-five percent (125%) of the average annual principal and interest with respect to all Outstanding Certificates, or (iii) maximum annual principal and interest with respect to all Outstanding Certificates.

"**Tax Certificate**" means the Tax Certificate of the County dated the date of original execution and delivery of the Certificates, as the same may be amended or supplemented in accordance with its terms.

The Sublease

The following is a summary of certain provisions of the Sublease. Reference is hereby made to the actual Sublease for a complete recital of its terms.

The Sublease Term. The Sublease term commences July 1, 2008, or the date the Sublease is recorded, whichever is earlier, and will terminate on the respective Expiry Date, unless extended or sooner terminated as provided in the Sublease. If on the Expiry Date, the principal components of the Base Rental Payments and all Additional Rental attributable to the related Demised Premises will not have been paid, or provision therefor made for any reason, including, without limitation, because the Base Rental Payments will have been abated at any time and for any reason, then the term of the Sublease with respect to such Demised Premises will be extended until 10 days after all the principal components of the Base Rental Payments and all Additional Rental attributable to the related Demised Premises have been paid, or provision therefor made, except that the term will in no event be extended beyond 10 years after the respective Expiry Date. If prior to an Expiry Date, the principal components of the Base Rental Payments and all Additional Rental attributable to the related Demised Premises have been paid, or provision therefor made, the term of the Sublease with respect to such Demised Premises will end 10 days thereafter or 10 days after written notice by the Corporation to the County, whichever is earlier.

Rental Payments. Rental payable for the use and occupancy of the Demised Premises is denominated "Base Rental Payments" and "Additional Rental." The Corporation and the County have determined that such total rental does not exceed the fair rental value of the Demised Premises.

The County will pay as Base Rental under the Sublease, without deduction or offset of any kind except as otherwise expressly provided in the Sublease or in the Trust Agreement, annual rental payments with interest and principal components, the interest components being payable semiannually, in accordance with the Base Rental Payment Schedule set forth in Exhibit B to the Sublease and made a part thereof or, in the event that a portion of the Certificates are prepaid, in accordance with the provisions of the Sublease. Each Base Rental Payment will be payable in funds that are immediately available to the Trustee no later than the date which is five days before its due date, and the Trustee will deposit any interest or other income with respect thereto accruing prior to such due date in the Base Rental Payment Fund.

The interest components of the Base Rental Payments will be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments, computed on the basis of a 360-day year composed of twelve 30-day months. Each aggregate annual payment of Base Rental

will be for the use of the Demised Premises for the twelve-month period ending on the day immediately preceding the December 1 on which the principal component of such Base Rental is due. If the term of the Sublease is extended (see "**The Sublease — *The Sublease Term***" under this caption), Base Rental Payments will continue to be due on June 1 and December 1 in each year, continuing to and including the date of termination of the Sublease. Upon such extension of the Sublease, the principal and interest components of the Base Rental Payments will be established so that the principal components will in the aggregate be sufficient to pay all unpaid principal components and the interest components will be sufficient to pay all unpaid interest components plus interest on the extended principal components at a rate equal to the composite rate on the outstanding Certificates.

The County will also pay, in addition to the Base Rental Payments, such amounts as Additional Rental in each year as will be required for the payment of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Sublease or the assignment thereof, of the Trust Agreement, of the sublease of the Demised Premises to the County, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Corporation and the Trustee in connection with the Demised Premises, the Sublease, the Assignment Agreement and the Trust Agreement and all taxes, assessments and governmental charges of any nature whatsoever hereafter levied or imposed by any governmental authority against the Corporation, the Demised Premises or the rentals and the other payments required to be made by the County under the Sublease.

The County will covenant in the Sublease to include all Base Rental Payments and Additional Rental due under the Sublease in its annual budgets and to make the necessary annual appropriations for all such payments. The covenants on the part of the County contained in the Sublease will be deemed to be and will be construed to be duties imposed by law. The County will furnish each year to the Trustee within 30 days after the final adoption of its budget a Certification that the budget for the next Fiscal Year appropriates sufficient moneys to make all payments due under the Sublease.

Except to the extent of amounts held in the Reserve Fund or otherwise available to the Trustee for payments under the Sublease, during any period in which, by reason of material damage or destruction (other than by condemnation, which is provided for in the Sublease) there is substantial interference with the use and occupancy by the County of any portion of the Demised Premises, Base Rental Payments due under the Sublease will be abated. See "**SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Abatement**" in the body of this Official Statement. The amount of such abatement will be such that the resulting Base Rental Payments do not exceed the lesser of (i) the amount necessary to pay the originally scheduled Base Rental Payments remaining unpaid and (ii) the fair rental value for the use and possession of the Demised Premises not so damaged or destroyed. Such abatement will continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Demised Premises so damaged or destroyed.

Substitution; Release. The County and the Corporation may substitute real property and the improvements, buildings, fixtures and equipment thereon for all or a part of, or may release a part of, the Demised Premises for purposes of the Lease and the Sublease, but only after the County has filed with the Corporation and the Trustee, with copies to each rating agency then providing a rating for the Certificates, all of the following:

(a) Executed copies of the Lease and the Sublease or amendments thereto containing the amended description of the Demised Premises, including the legal description of the Demised Premises as modified if necessary.

(b) A Certification of the County, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the annual fair rental value of the Demised Premises which will constitute the Demised Premises after such substitution (which may be based on the construction or acquisition cost or replacement cost of such facility to the County) or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current year or in any subsequent year.

(c) With respect to substitution, a leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Demised Premises after such substitution in an amount at least equal to the amount of such insurance provided with respect to the Demised Premises prior to such substitution; each such insurance instrument, when issued, will name the Trustee as the insured, and will insure the leasehold estate of the Corporation in such substituted property subject only to such exceptions as do not substantially interfere with the County's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the County under the Sublease.

(d) A Certification of the County stating that such substitution or withdrawal as applicable, does not adversely affect the County's use and occupancy of the Demised Premises.

(e) An Opinion of Counsel stating that such amendment or modification (i) will, upon the execution and delivery thereof, be valid and binding upon the County; and (ii) will not, in and of itself, cause the interest represented by the Certificates to be included in gross income for federal income tax purposes.

Prohibition Against Encumbrance or Sale of Demised Premises; Assignment and Subleasing. The County will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Demised Premises or any part thereof, or upon any real or personal property essential to the operation of the Demised Premises, without the consent of the Corporation; provided, however, the County may sublet the Demised Premises without such consent if such subletting does not adversely affect the tax-exempt status of the interest components of the Base Rental Payments payable by the County under the Sublease. No such mortgage, pledge, lien, charge, encumbrance or sublease will in any event affect or reduce the obligation of the County to make the Base Rental Payments and Additional Payments required under the Sublease.

Maintenance, Utilities, Taxes and Assessments. During the term of the Sublease, all maintenance, both ordinary and extraordinary, of the Demised Promises will be the sole responsibility of the County, which will at all times maintain or otherwise arrange for the maintenance of the Demised Premises for the purposes intended, and the County will pay for or otherwise arrange for the payment of all costs of operations and maintenance and all utility services supplied to the Demised Premises. The County will also pay to the appropriate taxing entity such amounts in each year as are required for the payment of all taxes and assessments of any type or nature charged to the Corporation, the Trustee or the County with respect to the Demised Premises. In exchange for the rentals provided in the Sublease, the Corporation agrees only to provide the Demised Premises to the County as provided in the Sublease. The County agrees to operate, maintain and preserve, or cause to be operated, maintained and preserved, the Demised Premises in good repair and working order and will operate, or cause the Demised Premises to be operated, in an efficient and economical manner..

Insurance to Be Maintained by the County. The County will procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, insurance against loss or damage to any structure constituting any part of the Demised Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance

will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises, excluding the cost of excavations, of grading and filling and of the land, but in any event, will be in an amount and in a form sufficient, in the event of total or partial loss, to enable the Corporation either to make a payment equal to the aggregate principal components of the unpaid Base Rental or to restore the Demised Premises to the condition existing before such loss. The County may, in its discretion, insure the Demised Premises under blanket insurance policies which insure not only the Demised Premises but also other properties as long as such blanket insurance policies comply with the requirements of the Sublease. The County may, at its election, provide for insurance pursuant to this section partially or wholly by means of a self-insurance program meeting the requirements of the Sublease. The net proceeds of such insurance will be applied as provided in the Trust Agreement. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 for all losses in any year.

The County will procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of the Demised Premises as the result of any of the hazards insured against as discussed in the preceding paragraph, in an amount sufficient to pay the total rent under the Sublease for a period of at least 24 months.

The County will procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, liability insurance, or alternatively will establish a program of self-insurance, against risk or loss from public liability and property damage claims for personal injury, death or property damage occasioned by reason of the use and operation of the Demised Premises. Such insurance will afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose, provided, however, that the County's obligation to provide liability insurance may be satisfied by self-insurance meeting the requirements of the Sublease.

The fire and extended coverage insurance policy and use and occupancy insurance policy required by the Sublease must provide that all proceeds thereunder are payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Board of Fire Underwriters of the Pacific and the California Bankers Association. Each insurance policy required under the Sublease will require that the Corporation and the Trustee be given thirty 30 days' notice of any intended cancellation thereof or reduction of the coverage provided thereby.

The self-insurance program of the County referred to above will afford reasonable protection to the County, the Corporation, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the County. Before such other method or plan may be provided by the County, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Sublease, there will be filed with the Trustee a certificate of an actuary, independent insurance consultant or other qualified person (who may, but need not be, an employee of the County), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Sublease and, when effective, would afford reasonable protection to the County, the Corporation, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby.

Application of Insurance and Condemnation Proceeds. The proceeds of any casualty insurance with respect to the Demised Premises, if received by the Corporation or the County, will be paid immediately to the Trustee. The Trustee will deposit any such proceeds which it receives in a special fund which it will establish and maintain and hold in trust, to be known as the "Insurance Proceeds Fund." Within 90 days of payment of such proceeds to the Trustee, the County will indicate to the Trustee in a Certification whether it elects to repair or replace the Demised Premises. In the event that the County elects to repair or replace the Demised Premises, it will furnish to the Corporation, concurrently with such Certification, plans of the contemplated repair or replacement, accompanied by a certificate of an architect or other qualified expert satisfactory to the Corporation estimating the reasonable cost of such repair or replacement and the time required to complete such work and will deliver to the Corporation and the Trustee a Certification of the County stating that (1) amounts in the Insurance Proceeds Fund, together with investment income reasonably expected to be received with respect thereto and any other funds available or reasonably expected to become available therefor (which the County will use best efforts to make available and will agree to deposit in said fund when so available) will be sufficient to repair or replace the property damaged or destroyed in accordance with said plans and to make Base Rental Payments during the period required for repair or replacement and (2) stating that the fair rental value of the Demised Premises as so repaired or replaced is reasonably expected to be at least equal to the Base Rental Payments to become due after such repair or replacement. After deducting therefrom the reasonable charges and expenses of the Trustee in connection with the collection and disbursement of such moneys, moneys in the Insurance Proceeds Fund will be disbursed by the Trustee for the purposes of repairing or replacing the Demised Premises, in each case upon receipt of a Request of the County.

In the event the County shall not elect to repair or replace the property damaged, destroyed or taken, as provided in the preceding paragraph, or in the event that the County shall not provide the Certification and other documentation required in the Trust Agreement, the Trustee will transfer all amounts or the excess amounts, as the case may be, in the Insurance Proceeds Fund to the Prepayment Account and will apply the amounts so transferred to the prepayment of Outstanding Certificates at the earliest possible prepayment date as provided in the Trust Agreement.

Tax Covenant. The County and the Corporation must at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest component of the Base Rental will not be included in the gross income of the owner thereof for federal income tax purposes and must take no action that would result in such interest being so included.

Events of Default and Remedies Under the Sublease. (a) If default is made by the County in the observance or performance of any agreement, condition, covenant or term contained in the Sublease required to be observed or performed by it or upon the happening of any of the events specified in subsection (b) of this section (in either case an "Event of Default"), then it will be lawful for the Corporation or its assignee to exercise any and all remedies available or granted to it pursuant to law or under the Sublease. Upon the breach of any agreement, condition, covenant or term contained in the Sublease required to be observed or performed by the County, the Corporation or its assignee may exercise any and all rights of entry upon or possession of the Demised Premises and, also, at its option, with or without such entry, may terminate the Sublease; provided, that no termination will be effected either by operation of law or acts of the parties thereto except upon express written notice from the Corporation or its assignee to the County terminating the Sublease, as provided below. In the event of such default and notwithstanding any entry by the Corporation or its assignee, the Corporation or its assignee may at any time thereafter (with or without notice and demand and without limiting any other rights or remedies the Corporation may have):

(1) Maintain the Sublease in full force and effect and recover rent and other monetary charges as they become due without terminating the County's right to possession, regardless of whether or not the County has abandoned the Demised Premises. In the event the Corporation or its assignee elects not to terminate the Sublease, it will have the right and the County irrevocably appoints the Corporation or its assignee as its agent and attorney-in-fact for such purpose to attempt to relet the Demised Premises at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Demised Premises as the Corporation or its assignee deems desirable or necessary, and the County waives any and all claims for any damages that may result to the Demised Premises thereby; provided, that no such actions will be deemed to terminate the Sublease and the County will continue to remain liable for any deficiency that may arise out of such reletting, payable at the same time and manner as provided for Base Rental in the Sublease.

(2) Terminate the Sublease in the manner hereinafter provided on account of default by the County, notwithstanding any re-entry or re-letting of the Demised Premises and to re-enter the Demised Premises and remove all persons in possession thereof and all personal property whatsoever situated upon the Demised Premises and place such personal property in storage in any warehouse or other suitable place located within the County of Santa Barbara, California. In the event of such termination, the County agrees to surrender immediately possession of the Demised Premises, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Demised Premises and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Sublease. Neither notice to pay rent or to deliver up possession of the Demised Premises given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Demised Premises nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under the Sublease will of itself operate to terminate the Sublease, and no termination of the Sublease on account of default by the County will be or become effective by operation of law or acts of the parties to the Sublease, or otherwise, unless and until the Corporation has given written notice to the County of the election on the part of the Corporation to terminate the Sublease. The County covenants and agrees that no surrender of the Demised Premises over the remainder of the term of the Sublease or any termination of the Sublease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Each and all of the remedies given to the Corporation or its assignee under the Sublease or by any law now existing or hereafter enacted are cumulative and the exercise of any one remedy will not impair the right of the Corporation to any or all other remedies.

(a) In addition to any default resulting from breach by the County of any agreement, condition, covenant or term of the Sublease, if (1) the County's interest in the Sublease or any part thereof be assigned, sublet or transferred without the written consent of the Corporation, either voluntarily or by operation of law; or (2) the County or any assignee will file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or (3) the County abandons or vacates the

Demised Premises or any part thereof; then in each and every such case the County will be deemed to be in default under the Sublease.

(b) The County will in no event be in default in the performance of any of its obligations under the Sublease (except for its obligation to make Base Rental Payments pursuant to the Sublease) unless and until it has failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the Trustee to it properly specifying wherein it has failed to perform such obligation.

(c) In addition to the remedies set forth in this section, upon the occurrence of an Event of Default as defined in the Sublease, the Corporation and its assignee will be entitled to proceed to protect and enforce the rights vested in the Corporation and its assignee by the Sublease by such appropriate judicial proceeding as the Corporation or its assignee will deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Sublease or to enforce any other legal or equitable right vested in the Corporation and its assignee by the Sublease or by law. The provisions of the Sublease and the duties of the County and of its supervisors, officers or employees will be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee will have the right to bring the following actions:

(1) **Accounting**. By action or suit in equity to require the County and its supervisors, officers and employees and its assigns to account as the trustee of an express trust.

(2) **Injunction**. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation or its assignee.

(3) **Mandamus**. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the County (and its supervisors, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the Corporation as provided in the Sublease.

The waiver by the Corporation of any breach by the County of any agreement, condition, covenant or term of the Sublease will not operate as a waiver of any subsequent breach of the same or any other agreement, condition, covenant or term of the Sublease.

The Lease

The following is a summary of certain provisions of the Lease. Reference is hereby made to the actual Lease for a complete recital of its terms.

Demise of the Demised Premises. The County will demise and lease the Demised Premises to the Corporation in accordance with the terms and conditions of the Lease and subject only to Permitted Encumbrances. The County covenants in the Lease to provide the Corporation, during the term of the Lease, with quiet use and enjoyment of the Demised Premises, except as expressly set forth in the Lease or the Sublease, and subject to the County's rights to peaceful and quiet enjoyment of the Demised Premises under the terms of the Sublease. Under the Assignment Agreement, the Lease is assigned by the Corporation to the Trustee for the benefit of the Certificate owners.

Events of Default and Remedies. In the event the Corporation is in default in the performance of any obligation on its part to be performed under the terms of the Lease, which default

continues for 60 days (or such additional time as is reasonably required to correct any such default) following notice and demand for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Lease and the Sublease will be deemed to occur as a result thereof; provided, however, that the County will have no power to terminate the Lease by reason of any default on the part of the Corporation.

Right of Entry. The County and its assignees have the right to enter upon the Demised Premises during reasonable business hours (and in emergencies at all times) to inspect the Demised Premises, for any purpose connected with the County's or Corporation's rights or obligations under the Lease or the Sublease, and for all other lawful purposes.

The Trust Agreement

The following is a summary of certain provisions of the Trust Agreement not summarized elsewhere herein. Reference is hereby made to the actual Trust Agreement for a complete recital of its terms.

Payment of the Certificates. The principal amount of, premium, if any, and interest represented by the Certificates are payable solely from the Base Rental Payments as provided in the Sublease and the Trust Agreement; and the Base Rental Payments, when, as and if received by the Trustee, are to be held in trust for the payment of the principal, premium, if any, and interest with respect to the Certificates. See "**SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Deposit of Base Rental Payments**" in the body of this Official Statement.

Prepayment. The Certificates are subject to prior prepayment as described in "**THE CERTIFICATES — Prepayment Provisions**" in the body of this Official Statement.

Funds and Accounts. The Trust Agreement provides for the establishment of various funds and accounts as described in the following paragraphs. Except as otherwise provided in the Sublease and the Trust Agreement, the Trustee will hold all funds and accounts in trust for the benefit of the Certificate owners.

The Base Rental Payment Fund and the Prepayment Account. All Base Rental Payments will be paid directly by the County to the Trustee, and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be held in trust by the Trustee under the terms of the Trust Agreement and will be deposited by it as and when received in the Base Rental Payment Fund, which fund the Trustee agrees to establish and maintain so long as any Certificates are Outstanding, and all money will be held in trust in such funds by the Trustee for the benefit of the Owners. The Trustee will use and withdraw moneys in the Base Rental Payment Fund to pay the following obligations in the following order of priority: (i) the interest evidenced and represented by the Certificates to but not including their respective Interest Payment Dates and (ii) the principal evidenced and represented by the Certificates on their respective Certificate Payment Dates.

In the event that the Trustee receives amounts which in accordance with the Trust Agreement are to be used to prepay Certificates, the Trustee will, upon receipt of such amount, establish an account within the Base Rental Payment Fund called the "Prepayment Account" into which account the Trustee will deposit the amount received for such prepayment. All money so deposited in the Prepayment Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and premium, if any, evidenced and represented by the Certificates to be prepaid on their respective prepayment dates determined in accordance with the Trust Agreement.

The Reserve Fund. An amount equal to the Reserve Fund Requirement will be deposited in the Reserve Fund from Certificate proceeds on the date of original execution and delivery of the Certificates (see "**ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS**" in the body of this Official Statement). Amounts in the Reserve Fund will be used to pay interest or principal with respect to the Certificates if the amounts in the Base Rental Payment Fund are insufficient for such purpose.

The County may satisfy the Reserve Fund Requirement, in whole or in part, at any time by the deposit with the Trustee for the credit of the Reserve Fund of a surety bond, an insurance policy or letter of credit as described below, or any combination thereof.

(i) Surety Bond or Insurance Policy. A surety bond or insurance policy issued to the Trustee, on behalf of the Owners, by a company licensed to issue an insurance policy guaranteeing the timely payment of principal and interest represented by the Certificates (a "municipal bond insurer") may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of such municipal bond insurer shall be rated "Aaa" by Moody's and "AAA" by S&P on the date of deposit to the Reserve Fund.

(ii) Letter of Credit. A letter of credit may be deposited in the Reserve Fund to meet the Reserve Fund Requirement, provided that any such letter of credit must be issued or confirmed by a state or national bank or a foreign bank with an agency or branch located in the continental United States which has outstanding an issue of unsecured long term debt securities rated at least equal to the second highest rating category (disregarding rating subcategories) by Moody's and S&P on the date of deposit to the Reserve Fund.

Unless the Certificates have been fully paid and retired, the Trustee will draw the full amount of any letter of credit credited to the Reserve Fund for such Certificates on the third Business Day preceding the date such letter of credit (taking into account any extension, renewal or replacement thereof) would otherwise expire, and will deposit moneys realized pursuant to such draw in the Reserve Fund.

(iii) Release of Moneys in Reserve Fund. If the County replaces a cash-funded Reserve Fund, in whole or in part, with a surety bond, insurance policy or letter of credit meeting the requirements of either (i) or (ii) above, amounts on deposit in the Reserve Fund will, upon the Request of the County to the Trustee, be transferred, subject to the receipt by the County and Trustee of an Opinion of Counsel that such transfer will not cause the interest represented by the Certificates to be included in gross income for purposes of federal income tax purposes, to the County and applied for the acquisition, construction, installation or equipping of public capital improvements.

Upon termination of the Sublease in accordance with its terms, any balance remaining in the Reserve Fund will be released and may be transferred to such other fund or account of the County, or otherwise used by the County for any other lawful purposes, as the County may direct in accordance with the Tax Certificate.

The Costs of Issuance Fund; Project Fund. The moneys in the Costs of Issuance Fund will be used to pay the Costs of Issuance upon receipt of a Request of the County filed with the Trustee. Except as otherwise provided in the Trust Agreement, all money in the Project Fund will be withdrawn by the Trustee to pay costs of the Projects and the expenses incidental thereto (including reimbursement to the County or Agency in accordance with the Tax Certificate) for any such cost or expenses paid by it upon a Request of the County filed with the Trustee.

When the acquisition and construction of the Projects have been completed, the County will deliver to the Trustee a Certification of the County stating the fact and date of the completion of such acquisition and construction and stating that all the costs of the acquisition and construction and the expenses incidental thereto have been determined and paid (or that all such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claim until such dispute is resolved). The Trustee will then transfer any remaining balance of money in the Project Fund (but less the amount of any such retention) to (i) the Reserve Fund to the extent moneys are needed to meet the Reserve Fund Requirement; and (ii) the Base Rental Payment Fund. Upon such transfer, the Project Fund will be closed.

Interest earnings on amounts in the Project Fund will be deposited in the Project Fund. Moneys in the Project Fund will be invested in Permitted Investments.

The Rebate Fund. The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Trust Agreement designated as the Rebate Fund. Within the Rebate Fund, the Trustee will maintain such accounts as shall be specified in written directions of the County necessary in order to comply with the terms and requirements of the Tax Certificate. Subject to the transfer provisions provided in the Trust Agreement, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Certificate) for payment to the federal government of the United States of America. The County and the Owner of any Certificates will have no rights in or claim to such money. Any funds remaining in the Rebate Fund after prepayment and payment of all of the Certificates and any amounts then owed to the Trustee, or provision made therefor satisfactory to the Trustee, and payment and satisfaction of any Rebate Amount, will be withdrawn and remitted to the County upon its written direction to the Trustee.

Tax Covenant. The County will not directly or indirectly use or permit the use of any proceeds of the Certificates or the obligation which they represent or any other funds of the County or take or omit to take any action that would cause any Certificate or the obligation which it represents to be an "arbitrage bond" within the meaning of Section 148 of the code or "federally guaranteed" within the meaning of Section 149(b) of the Code or a "private activity bond" within the meaning of Section 141(a) of the Code.

Additional Certificates. The Corporation may, at any time, cause to be executed and delivered Additional Certificates pursuant to a Supplemental Trust Agreement but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Certificates:

(a) The Supplemental Trust Agreement will require that the proceeds of the sale of such Additional Certificates will be applied to the completion of the Projects, or for the refunding or repayment of any Certificates then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Certificates. The Supplemental Trust Agreement may also provide that a portion of such proceeds will be applied to the payment of the interest due or to become due with respect to said Additional Certificates during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(b) The Supplemental Trust Agreement will provide, if necessary, that from such proceeds or other sources an amount will be deposited in the Reserve Fund so that following such deposit there will be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement.

(c) The aggregate principal amount of Certificates executed and at any time Outstanding under the Trust Agreement will not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(d) The Sublease shall have been amended, if necessary, so that the Base Rental Payments payable by the County thereunder in each twelve month period ending December 1 shall at least equal debt service, including debt service on the Additional Certificates, in each twelve-month period ending December 1.

Investment of Moneys. Any moneys held by the Trustee in the funds and accounts established under the Trust Agreement will be invested by the Trustee as directed by the County only in the specific Permitted Investments designated by the County. In the absence of directions from the County, the Trustee will invest any moneys held under the Trust Agreement only in Permitted Investments described in clause (B)(5) of the definition of Permitted Investments.

Discharge of the Trust Agreement. If the Trustee pays or causes to be paid or there shall otherwise be paid to the Owners of all Outstanding Certificates the interest, principal and prepayment premium, if any, evidenced and represented thereby at the times and in the manner provided in the Trust Agreement and therein, then such Owners will cease to be entitled to the pledge of and lien on the Base Rental Payments as provided in the Trust Agreement, and all agreements and covenants of the Corporation and the County to such Owners under the Trust Agreement will thereupon cease, terminate and become void and will be discharged and satisfied.

Any Outstanding Certificates will prior to their Certificate Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if (1) in case any of such Certificates are to be prepaid on any date prior to their Certificate Payment Dates, the County has given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail to the Owners of such Certificates of the prepayment of such Certificates on such prepayment dates, (2) there shall have been deposited with the Trustee either money in an amount which will be sufficient or United States Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal and prepayment premium, if any, and which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient, in the opinion of an independent certified public accountant, to pay when due the interest evidenced and represented by such Certificates on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto, as the case may be, and the principal and prepayment premium, if any, evidenced and represented by such Certificates, and (3) in the event such Certificates are not by their terms subject to prepayment within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail to the Owners of such Certificates that the deposit required by clause (2) above has been made with the Trustee and that such Certificates are deemed to have been paid in accordance with this section and stating their Certificate Payment Dates or their dates of prepayment prior thereto upon which money is to be available for the payment of the interest and principal and prepayment premium, if any, evidenced and represented by such Certificates.

Events of Default and Remedies Under the Trust Agreement. An event of default under the Sublease (see "**The Sublease — *Events of Default and Remedies Under the Sublease***" under this caption) constitutes a default under the Trust Agreement. If an event of default happens, then during the continuance thereof the Trustee or the owners of not less than a majority in aggregate principal amount of

Certificates then Outstanding will be entitled upon notice in writing to the Corporation and to the County, to exercise the remedies provided to the Corporation and Trustee in the Trust Agreement and in the Sublease then in default; provided, that nothing contained in the Trust Agreement will affect or impair the right of action of any Owner to institute suit directly against the County to enforce payment of the obligation evidenced and represented by such Owner's Certificate; and provided further, that notwithstanding anything in the Trust Agreement or in the Sublease to the contrary there will be no right to accelerate the Base Rental Payments or otherwise to declare any Rental Payments not then in default to be immediately due and payable. The Trustee will have the right (a) by mandamus, or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the County or any supervisor, officer or employee thereof, and to compel the Corporation or the County or any such supervisor, officer or employee thereof to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed or performed by it or him; or (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default.

Obligations and Liabilities of the Trustee. The Trust Agreement contains provisions that set forth the express terms and conditions regarding the duties and liabilities of the Trustee.

Pursuant to the Trust Agreement, the County, to the extent permitted by law, assumes liability for, and agrees to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Projects by the County, including as a result of the use, storage, disposal, presence or release of any Hazardous Substances on or about the Projects, (ii) any act of negligence of the County or of any of its agents, contractors, supervisors, employees, invitees, licensees or officers in connection with the Projects, (iii) the authorization of the payment of any costs or expenses of the acquisition and construction of the Projects, or (iv) the exercise of any rights or obligations of the Trustee under the Trust Agreement; provided, that no indemnification will be made for willful misconduct or negligence under the Trust Agreement by the Trustee.

The Trust Agreement provides that the Trustee may resign and become discharged from its duties under the Trust Agreement, by giving prior written notice to the County and to the Corporation and by notice by mail to all owners of Certificates. Also, the Trust Agreement provides for the removal of the Trustee from its duties under the Trust Agreement by the County upon written notice to the Trustee and the Corporation and upon notice by mail to all owners of Certificates. Any successor Trustee must, among other requirements, be a bank or trust company doing business and having a principal corporate trust office in California or, if it does not have a principal corporate trust office in California, having the power under California law to perform all the duties of the Trustee under the Trust Agreement as evidenced by an opinion of its counsel, having (or, if such bank or trust company is a member of a bank holding company system, the bank holding company of which has) a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and subject to supervision or examination by state or national authorities.

Supplements to and Amendments of the Trust Agreement. The Trust Agreement and the rights and obligations of the Corporation and the County and the owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which will become binding when the written consents of the owners of a majority in aggregate principal amount of the Certificates then Outstanding exclusive of Certificates disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment or supplement will (1) reduce the rate of interest evidenced and represented by any Certificate or extend the time of payment thereof or reduce the amount of principal evidenced and represented by any Certificate or extend the Certificate Payment Date thereof without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of certain amendments of the Trust Agreement or supplements thereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Trust Agreement and the rights and obligations of the Corporation and the County and the owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment which will become binding upon execution without the written consents of any owners, but only to the extent permitted by law and after receipt of an approving opinion of counsel and only for any one or more of the following purposes:

(1) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right reserved therein to or conferred therein on the Corporation or the County, and which in either case will not adversely affect the interests of the owners;

(2) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Corporation or the County may deem desirable or necessary and which will not adversely affect the interests of the owners; or

(3) to modify, amend or supplement the Trust Agreement in such a manner as to maintain the tax-exempt status of interest with respect to the Certificates.

(4) to provide for the requirements of any entity providing a policy of municipal bond insurance or letter of credit or similar financial instrument for deposit in the Reserve Fund to satisfy all or a portion of the Reserve Fund Requirement, so long as such alterations, amendments or modifications are not materially adverse to the interest of the Owners; or

(5) for any other purpose which is not materially adverse to Owners.

Modification of Sublease. The Corporation and the County will not amend the Sublease without the prior written consent of the Trustee, which consent will be given only (i) if, based upon an Opinion of Counsel or a Certification of the County, such amendment will not result in any material impairment of the security given or intended to be given by the Sublease for the payment of the Rental Payments, or (ii) to provide for the requirements of any entity providing a policy of municipal bond insurance or letter of credit or similar financial instrument for deposit in the Reserve Fund to satisfy all or a portion of the Reserve Fund Requirement, so long as such alterations, amendments or modifications are not materially adverse to the interests of the Owners, or (iii) if the Trustee first obtains the written consents of the owners of at least a majority in aggregate principal amount of the Certificates then Outstanding to such alterations, amendments or modifications.

APPENDIX E

PROPOSED FORM OF LEGAL OPINION

[Closing Date]

County of Santa Barbara
Santa Barbara, California

County of Santa Barbara
2008 Certificates of Participation, Series A-1 and Series A-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the County of Santa Barbara (the "County") in connection with the execution and delivery of $23,600,000 aggregate principal amount of County of Santa Barbara 2008 Certificates of Participation, Series A-1 and Series A-2 (the "Certificates"). In such connection, we have reviewed a lease, dated as of June 1, 2008 (the "Lease"), between the County, as lessor, and the Santa Barbara County Finance Corporation, Inc., as lessee (the "Corporation"); a sublease, dated as of June 1, 2008 (the "Sublease") between the Corporation, as lessor, and the County, as lessee; a trust agreement, dated as of June 1, 2008 (the "Trust Agreement"), among the County, U.S. Bank National Association, as trustee (the "Trustee") and the Corporation; a tax certificate of the County, dated as of the date hereof (the "Tax Certificate"); opinions of counsel to the County, the Corporation and the Trustee; certificates of the County, the Trustee, the Corporation and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Sublease.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Lease, the Sublease, the Trust Agreement and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest portion of the Base Rental Payments to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Certificates, the Lease, the Sublease, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Lease, the Sublease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Lease, the Sublease and the Trust Agreement have been duly executed and delivered by, and constitute the valid and binding obligations of, the County.

2. The obligation of the County to make the Base Rental Payments during the term of the Sublease constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. The portion of each Base Rental Payment designated as and constituting interest paid by the County under the Sublease and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The interest portion of each Base Rental Payment is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that the interest portion of each Base Rental Payment is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of the Certificates or the accrual or receipt of the interest portion of each Base Rental Payment.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by the County of Santa Barbara, California (the "County") and U.S. Bank National Association (in its capacity as the "Trustee" and as the "Dissemination Agent") in connection with the execution and delivery of $23,600,000 County of Santa Barbara 2008 Certificates of Participation, Series A-1 and Series A-2 (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2008, by and among the County, the Santa Barbara County Finance Corporation, Inc., and the Trustee (the "Trust Agreement"). The County, the Trustee, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County, the Trustee, and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Central Post Office" shall mean the Disclosure USA website maintained by the Texas Municipal Advisory Council (the "MAC") or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Agreement.

"Disclosure Representative" shall mean the County Administrator of the County or his or her designee, or such other officer or employee as the County shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the Trustee a written acceptance of such designation.

"Holders" shall mean the registered owners of the Certificates.

"Listed Events" shall mean any of the events listed in Section 5 (a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean Banc of America Securities LLC, the original underwriter(s) of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent by written direction, to, not later than nine months after the end of the County's fiscal year (currently June 30), commencing with the report for the 2007-2008 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f). The Dissemination Agent shall have no responsibility for the content of any Annual Report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with subsection (a).

(c) If the Trustee has not received the Annual Report and is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Annual Report is provided to the Dissemination Agent for filing, file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the County:

County of Santa Barbara
105 East Anapamu Street
Santa Barbara, California 93101
Attention: Robert W. Geis
Telephone: (805) 568-2100
Facsimile: (805) 568-2016

With Copy to:

County of Santa Barbara
105 East Anapamu Street
Santa Barbara, California 93101
Attention: Bernice James
Telephone: (805) 568-2490
Facsimile: (805) 568-2487

To the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services
Telephone: (213) 615-6005
Facsimile: (213) 615-6196

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated June 26, 2008

COUNTY OF SANTA BARBARA

By: _____
Chair of the Board of Supervisors

[SEAL]

ATTEST:

Michael F. Brown,
Clerk of the Board of Supervisors

By _____

APPROVED AS TO ACCOUNTING FORM:

Robert W. Geis, C.P.A.,
Auditor-Controller

By _____

APPROVED AS TO FORM:

Daniel J. Wallace,
County Counsel

By _____

APPROVED AS TO FORM:

Ray Aromatorio,
Risk Manager

By _____

U.S. BANK NATIONAL ASSOCIATION
as Trustee and as Dissemination Agent

By: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: County of Santa Barbara (the "County")

Name of Certificate Issue: 2008 Certificates of Participation, Series A-1 and Series A-2

Date of Delivery: June 26, 2008

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Agreement dated as of _____, 2008 between the County and U.S. Bank National Association, as Trustee and as Dissemination Agent. [The County anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent, on behalf of the County

_____

EXHIBIT B

An updated list of Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission may be found at the following internet address: http://www.sec.gov/info/municipal/nrmsir.htm

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTTC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all 2008 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the County nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Certificates paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the County nor the Trustee take any responsibility for the accuracy thereof.

The County and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the County nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

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