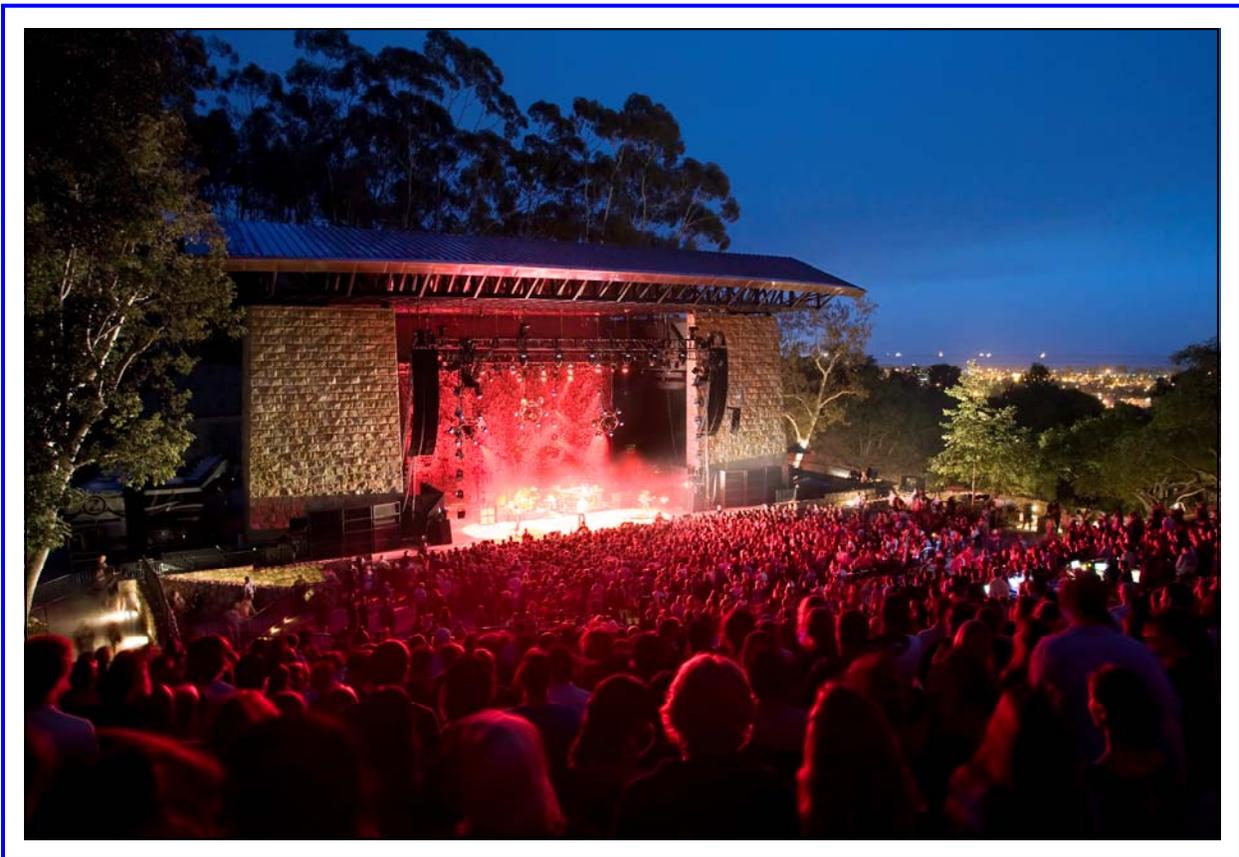


COUNTY OF SANTA BARBARA  
STATE OF CALIFORNIA

# 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



County Administration Bldg.  
105 E. Anapamu Street, Rm. 303  
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	Public Safety	Health & Public Assistance	Community Resources & Facilities	General Government & Support Services
Christie Stanley District Attorney	John Scherrei Fire	Doug Barton, Interim Alcohol, Drug, & Mental Health Services (ADMHS)	William Gillette Agriculture & Cooperative Extension	Robert W. Geis, CPA, CPFO Auditor-Controller
Greg Paraskou Public Defender	Patricia Stewart Probation	Carrie Topliffe Child Support Services	John Torell, CPA Housing & Community Development	Joseph E. Holland, CPFO Clerk-Recorder-Assessor
Gary Blair Court Special Services	Bill Brown Sheriff-Coroner	Dr. Elliot Schulman Public Health Services	Dan Hernandez Parks	Bob Nisbet General Services
		Kathy Gallagher Social Services	John Baker Planning & Development	Susan Paul Human Resources
			Scott McGolpin, Interim Public Works	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

Santa Barbara News-Press January 12, 2007

### 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

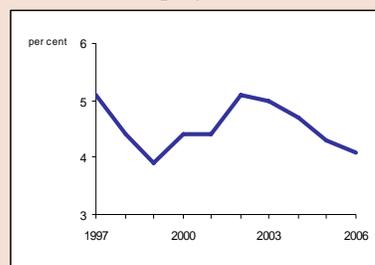
- The county-wide median home price increased 6.6% to \$719 thousand, compared to a state-wide home price increase of 6.4%.
- Santa Barbara County's residential real estate market slowed during 2006. The slowdown was reflected in sales volume, price growth, and new housing production. Given this market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

### Tourism

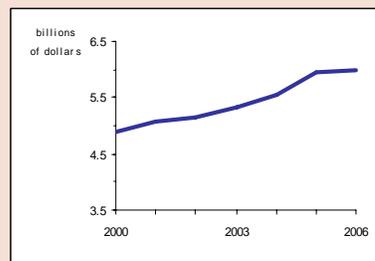
- The South Coast's 2006 hotel and motel occupancy rate was estimated at 71.6%.

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).

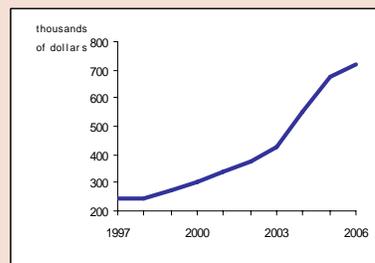
Unemployment Rate



Retail Sales



Median Home Price



### 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](http://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](http://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](http://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

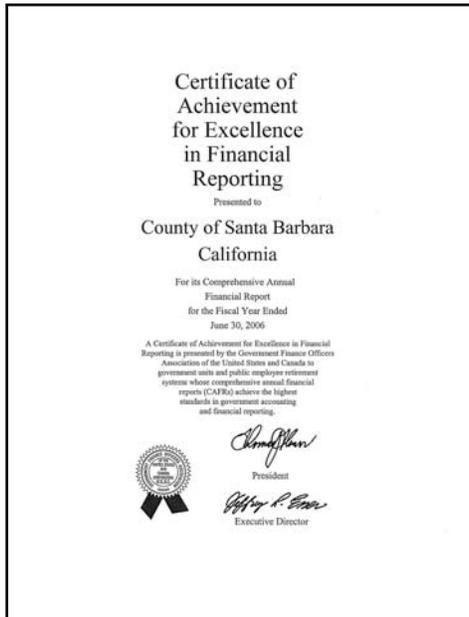
The County's Five-Year Capital Improvement Plan provides for an integration of capital projects and operating impacts in the proposed operating budget each budget cycle.

#### 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.



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.

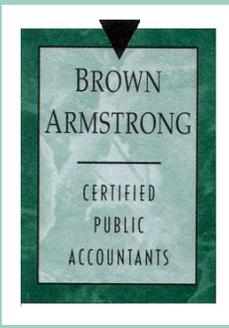
**Certificate of Distinction:** In September 2006, the International City/County Management Association (ICMA) presented Santa Barbara County with its Certificate of Distinction for exceeding the standards established by the ICMA Center for Performance Measurement in the application of performance data 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





**BROWN ARMSTRONG PAULDEN**  
**MCCOWN STARBUCK THORNBURGH & KEETER**  
**Certified Public Accountants**

**Main Office**  
4200 Truxtun Ave., Suite 300  
Bakersfield, California 93309  
Tel 661.324.4971 Fax 661.324.4997  
e-mail: [info@bacpas.com](mailto:info@bacpas.com)

**Shafter Office**  
560 Central Avenue  
Shafter, California 93263  
Tel 661.746.2145 Fax 661.746.1218

Andrew J. Paulden, CPA  
Peter C. Brown, CPA  
Burton H. Armstrong, CPA, MST  
Harvey J. McCown, CPA  
Steven R. Starbuck, CPA  
Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA

**INDEPENDENT AUDITOR'S REPORT**

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

Lynn R. Krausse, CPA, MST  
Rosalva Flores, CPA  
Connie M. Perez, CPA  
Sharon Jones, CPA, MST  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Montgomery, CPA, MBA  
Matthew Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan J. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Michael C. Olivares, CPA  
Amanda Fedewa, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California, as of and for the year ended June 30, 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.

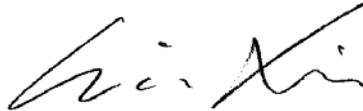
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, as of June 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.

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

A handwritten signature in black ink, appearing to read "G. H. K.", is positioned below the printed name of the accounting firm.

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 resulting in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave) as revenues and expenses in this statement.

The government-wide financial statements distinguish functions of the County principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include policy and executive, law and justice, public safety, health and public assistance, community resources and facilities, general government and support services, and general County programs. The business-type 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 and are under substantially the same governing board as the County or provide services entirely to the County. They include the First 5 Children and Families Commission, County Service Areas, Santa Barbara County Fire Protection District, Flood Control and Water Conservation Districts, Lighting Districts, Sanitation and Sewer Maintenance Districts, Sandyland Seawall Maintenance District, Redevelopment Agency of the County of Santa Barbara, the Santa Barbara County Finance Corporation, Community Facilities Districts, and the Water Agency.

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

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

County funds are divided into three categories:

- Governmental funds
- Proprietary funds
- Fiduciary funds

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

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

The County maintains 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:

<b>Changes in restricted net assets</b>	<b>Increase (Decrease)</b>
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
<b>Total</b>	<b>\$ 6,754</b>

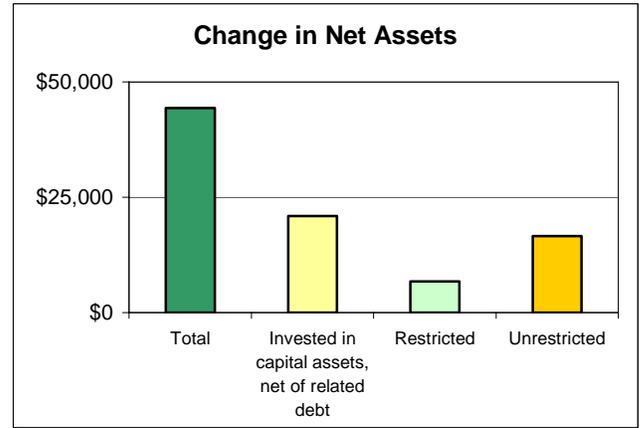
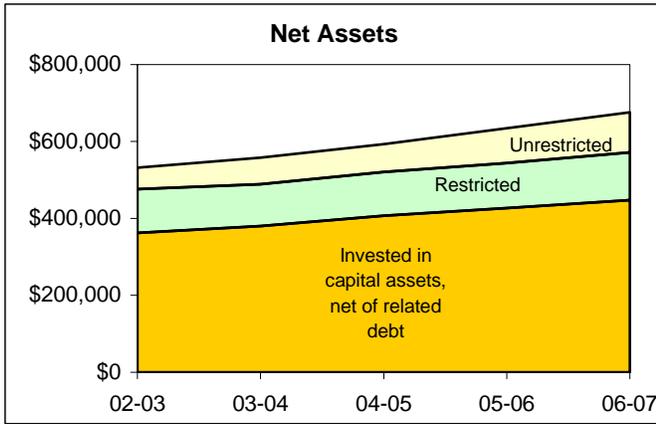
Unrestricted net assets in the amount of \$104,346 are available to fund County programs to citizens and debt obligations to creditors. Unrestricted net assets increased \$14,210 compared to the prior year.

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>				<b>Dollar</b>	<b>Percent</b>
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>Change</b>	<b>Change</b>
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%
<b>Total assets</b>	<b>817,317</b>	<b>815,674</b>	<b>94,872</b>	<b>99,842</b>	<b>912,189</b>	<b>915,516</b>	<b>3,327</b>	<b>0%</b>
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%)
<b>Total liabilities</b>	<b>237,977</b>	<b>198,871</b>	<b>40,093</b>	<b>40,592</b>	<b>278,070</b>	<b>239,463</b>	<b>(38,607)</b>	<b>(14%)</b>
<b>Net assets:</b>								
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%
<b>Total net assets</b>	<b>\$ 579,340</b>	<b>\$ 616,803</b>	<b>\$ 54,779</b>	<b>\$ 59,250</b>	<b>\$ 634,119</b>	<b>\$ 676,053</b>	<b>\$ 41,934</b>	<b>7%</b>

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
<b>Revenues</b>								
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%
<b>Total revenues</b>	<b>632,300</b>	<b>679,766</b>	<b>30,190</b>	<b>31,459</b>	<b>662,490</b>	<b>711,225</b>	<b>48,735</b>	<b>7%</b>
<b>Expenses</b>								
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	12,069	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%
<b>Total expenses</b>	<b>597,239</b>	<b>642,306</b>	<b>24,283</b>	<b>26,985</b>	<b>621,522</b>	<b>669,291</b>	<b>47,769</b>	<b>8%</b>
Excess of revenues over expenses	35,061	37,460	5,907	4,474	40,968	41,934	966	2%
Transfers	55	3	(55)	(3)	--	--	--	--
<b>Increase in net assets</b>	<b>35,116</b>	<b>37,463</b>	<b>5,852</b>	<b>4,471</b>	<b>40,968</b>	<b>41,934</b>	<b>966</b>	<b>2%</b>
<b>Net Assets - Beginning</b>	<b>544,224</b>	<b>579,340</b>	<b>48,927</b>	<b>54,779</b>	<b>593,151</b>	<b>634,119</b>	<b>40,968</b>	<b>7%</b>
<b>Net Assets - Ending</b>	<b>\$ 579,340</b>	<b>\$ 616,803</b>	<b>\$ 54,779</b>	<b>\$ 59,250</b>	<b>\$ 634,119</b>	<b>\$ 676,053</b>	<b>\$ 41,934</b>	<b>7%</b>

**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.

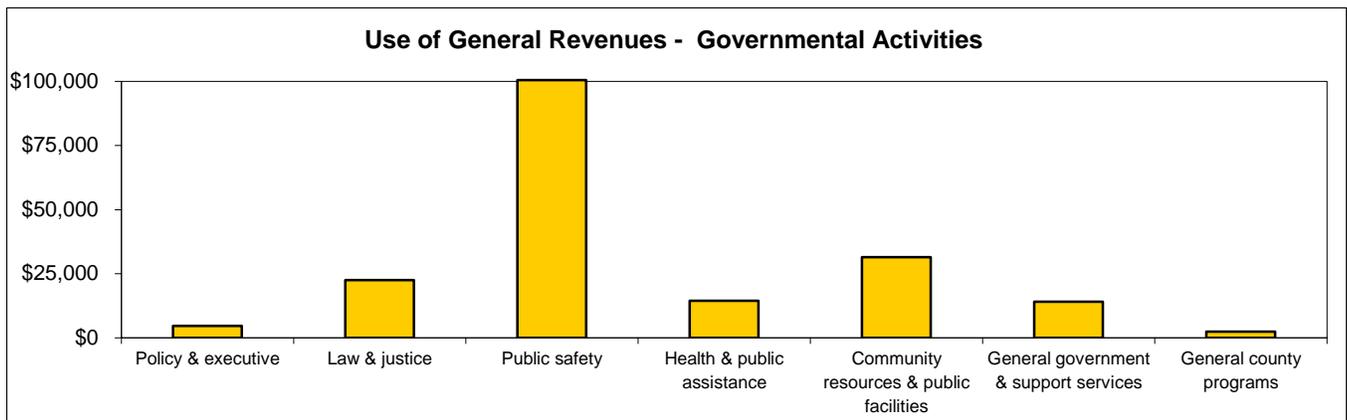
**Revenues.** Total revenues for the County's governmental activities increased 8% from the prior year.

As an arm of the state government, operating grants and contributions serve multiple programs representing 40% of the County's funding for governmental activities and are tied to mandated services such as public assistance, health, and mental health. These revenue sources increased by \$13,264, or 5%, from the prior year as the cost of providing these services grew. Additionally, charges for services increased by \$15,499, and capital grants and contributions decreased by \$278.

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

The \$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.

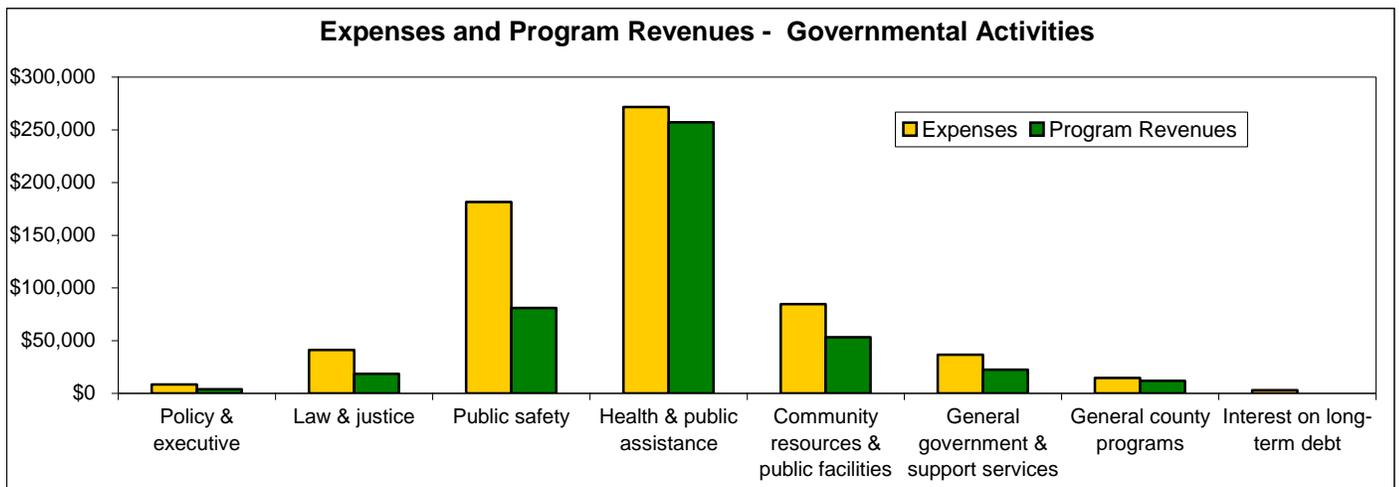


**Expenses.** Total expenses for governmental activities were \$642,306, an increase of 8%, or \$45,067, from the prior year. As a service delivery entity, the County's major cost component is salaries and benefits, amounting to 58% of the total County expenses. The average full time equivalent (FTE) employee count for the County (including business-type activities) increased from 4,233 in the prior year to 4,290 at June 30, 2007.

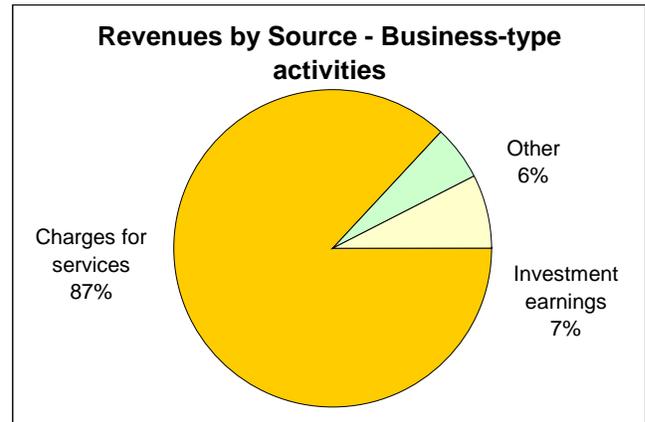
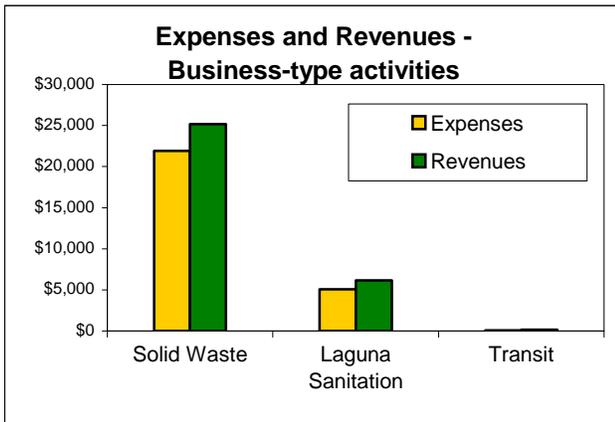
The total increase in program expenses for the County's governmental activities is attributed generally to the following factors:

- 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:

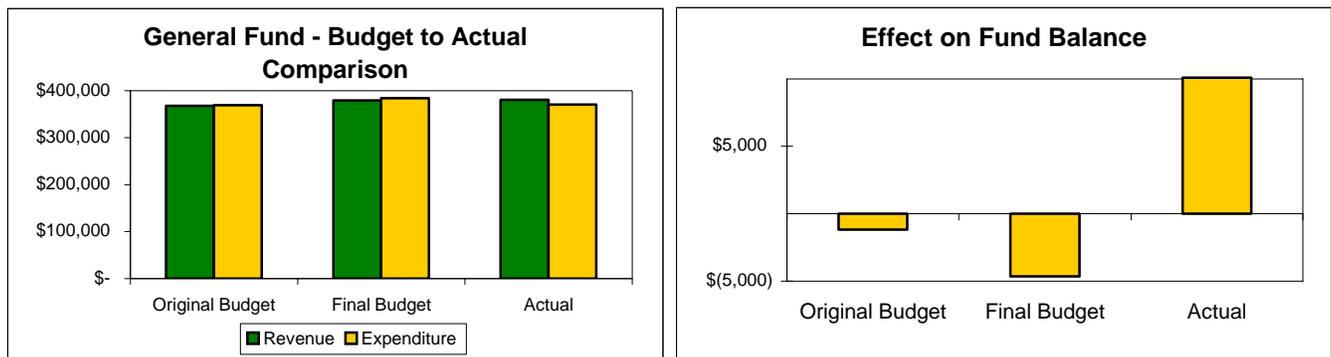
- General County Program's adopted budget for interest expense was decreased by \$1,744 directly related to not issuing a TRAN during this fiscal year.
- The Probation Department had \$812 of the additional appropriation due to a retirement rate increase and additional staff required to supervise a higher 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	Percent
							Change	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%
<b>Total</b>	<b>\$ 431,397</b>	<b>\$ 444,995</b>	<b>\$ 59,010</b>	<b>\$ 59,826</b>	<b>\$ 490,407</b>	<b>\$ 504,821</b>	<b>\$ 14,414</b>	<b>3%</b>

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)
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%)
<b>Total</b>	<b>\$ 69,704</b>	<b>\$ 64,169</b>	<b>\$ 14,134</b>	<b>\$ 12,294</b>	<b>\$ 83,838</b>	<b>\$ 76,463</b>	<b>\$ (7,375)</b>	<b>(9%)</b>

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](http://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](http://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
<b>ASSETS</b>			
Cash and investments (Note 4)	\$ 257,021	\$ 21,262	\$ 278,283
Accounts receivable, net:			
Taxes	24,406	--	24,406
Licenses, permits, and franchises	1,066	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)	<u>330,752</u>	<u>45,606</u>	<u>376,358</u>
Total assets	<u>815,674</u>	<u>99,842</u>	<u>915,516</u>
<b>LIABILITIES</b>			
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	<u>198,871</u>	<u>40,592</u>	<u>239,463</u>
<b>NET ASSETS</b>			
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	<u>93,424</u>	<u>10,922</u>	<u>104,346</u>
Total net assets	<u>\$ 616,803</u>	<u>\$ 59,250</u>	<u>\$ 676,053</u>

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

Functions/Programs				Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	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	2,889	--	2,889	--	--	--	(2,889)	--	(2,889)
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
<b>ASSETS</b>									
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	5,056	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	<u>\$ 96,890</u>	<u>\$ 8,715</u>	<u>\$ 32,182</u>	<u>\$ 18,164</u>	<u>\$ 21,589</u>	<u>\$ 45,960</u>	<u>\$ 34,490</u>	<u>\$ 57,925</u>	<u>\$ 315,915</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 2,567	\$ 1,691	\$ 2,701	\$ 746	\$ 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	255	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	<u>17,962</u>	<u>7,383</u>	<u>4,390</u>	<u>14,042</u>	<u>16,019</u>	<u>783</u>	<u>5,225</u>	<u>8,222</u>	<u>74,026</u>
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	<u>78,928</u>	<u>1,332</u>	<u>27,792</u>	<u>4,122</u>	<u>5,570</u>	<u>45,177</u>	<u>29,265</u>	<u>49,703</u>	<u>241,889</u>
Total liabilities and fund balances	<u>\$ 96,890</u>	<u>\$ 8,715</u>	<u>\$ 32,182</u>	<u>\$ 18,164</u>	<u>\$ 21,589</u>	<u>\$ 45,960</u>	<u>\$ 34,490</u>	<u>\$ 57,925</u>	<u>\$ 315,915</u>

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	<u>\$ 616,803</u>

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
<b>Revenues</b>									
Taxes	\$ 172,676	\$ 8,399	\$ --	\$ --	\$ --	\$ 7,631	\$ --	\$ 31,877	\$ 220,583
Licenses, permits, and franchises	13,782	367	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	--	171	91	3,800	13,414
Total revenues	<u>327,180</u>	<u>27,816</u>	<u>68,784</u>	<u>105,671</u>	<u>70,673</u>	<u>16,339</u>	<u>2,075</u>	<u>69,104</u>	<u>687,642</u>
<b>Expenditures</b>									
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	6,467	--	--	--	--	--	--	8,085	14,552
Debt service:									
Principal	220	56	--	136	--	--	--	7,464	7,876
Interest	133	6	--	6	--	--	--	2,785	2,930
Capital outlay	--	--	--	--	--	--	10,620	--	10,620
Total expenditures	<u>302,388</u>	<u>32,624</u>	<u>72,381</u>	<u>115,637</u>	<u>70,053</u>	<u>12,485</u>	<u>11,942</u>	<u>56,749</u>	<u>674,259</u>
Excess (deficiency) of revenues over (under) expenditures	24,792	(4,808)	(3,597)	(9,966)	620	3,854	(9,867)	12,355	13,383
<b>Other Financing Sources (Uses)</b>									
Transfers in	53,335	1,838	8,288	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)	<u>(14,704)</u>	<u>1,497</u>	<u>6,996</u>	<u>11,005</u>	<u>(277)</u>	<u>(6)</u>	<u>10,894</u>	<u>(12,370)</u>	<u>3,035</u>
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	<u>\$ 78,928</u>	<u>\$ 1,332</u>	<u>\$ 27,792</u>	<u>\$ 4,122</u>	<u>\$ 5,570</u>	<u>\$ 45,177</u>	<u>\$ 29,265</u>	<u>\$ 49,703</u>	<u>\$ 241,889</u>

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

Net change in fund balances - total governmental funds	\$ 16,418
<u>Capital assets &amp; long term debt</u>	
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)
<u>Measurement focus</u>	
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.	7,876
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)
<u>Internal service funds</u>	
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)	<u>\$ 37,463</u>

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		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>311,836</u>	<u>321,935</u>	<u>327,180</u>	<u>5,245</u>
<b>Expenditures</b>				
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	<u>308,198</u>	<u>314,491</u>	<u>302,388</u>	<u>12,103</u>
Excess of revenues over expenditures	<u>3,638</u>	<u>7,444</u>	<u>24,792</u>	<u>17,348</u>
<b>Other Financing Sources (Uses)</b>				
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)	<u>(4,820)</u>	<u>(12,094)</u>	<u>(14,704)</u>	<u>(2,610)</u>
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	<u>\$ 67,658</u>	<u>\$ 64,190</u>	<u>\$ 78,928</u>	<u>\$ 14,738</u>

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		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>32,371</u>	<u>31,853</u>	<u>27,816</u>	<u>(4,037)</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	32,801	35,862	32,562	3,300
Debt service:				
Principal	56	56	56	--
Interest	6	6	6	--
Total expenditures	<u>32,863</u>	<u>35,924</u>	<u>32,624</u>	<u>3,300</u>
(Deficiency) of revenues (under) expenditures	<u>(492)</u>	<u>(4,071)</u>	<u>(4,808)</u>	<u>(737)</u>
<b>Other Financing Sources (Uses)</b>				
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	<u>1,060</u>	<u>1,423</u>	<u>1,497</u>	<u>74</u>
Net change in fund balances	568	(2,648)	(3,311)	(663)
Fund balances - beginning	4,643	4,643	4,643	--
Fund balances - ending	<u>\$ 5,211</u>	<u>\$ 1,995</u>	<u>\$ 1,332</u>	<u>\$ (663)</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>62,924</u>	<u>65,499</u>	<u>68,784</u>	<u>3,285</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	73,957	74,885	72,381	2,504
Total expenditures	<u>73,957</u>	<u>74,885</u>	<u>72,381</u>	<u>2,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,033)</u>	<u>(9,386)</u>	<u>(3,597)</u>	<u>5,789</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	11,621	8,343	8,288	(55)
Transfers out	<u>(4,637)</u>	<u>(1,503)</u>	<u>(1,292)</u>	<u>211</u>
Total other financing sources	<u>6,984</u>	<u>6,840</u>	<u>6,996</u>	<u>156</u>
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	<u>\$ 20,344</u>	<u>\$ 21,847</u>	<u>\$ 27,792</u>	<u>\$ 5,945</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>106,547</u>	<u>109,158</u>	<u>105,671</u>	<u>(3,487)</u>
<b>Expenditures</b>				
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	<u>118,777</u>	<u>121,138</u>	<u>115,637</u>	<u>5,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,230)</u>	<u>(11,980)</u>	<u>(9,966)</u>	<u>2,014</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	18,055	11,827	11,447	(380)
Transfers out	<u>(6,696)</u>	<u>(773)</u>	<u>(442)</u>	<u>331</u>
Total other financing sources (uses)	<u>11,359</u>	<u>11,054</u>	<u>11,005</u>	<u>(49)</u>
Net change in fund balances	(871)	(926)	1,039	1,965
Fund balances - beginning	<u>3,083</u>	<u>3,083</u>	<u>3,083</u>	<u>--</u>
Fund balances - ending	<u>\$ 2,212</u>	<u>\$ 2,157</u>	<u>\$ 4,122</u>	<u>\$ 1,965</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>69,056</u>	<u>71,782</u>	<u>70,673</u>	<u>(1,109)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	69,830	72,445	70,053	2,392
Total expenditures	<u>69,830</u>	<u>72,445</u>	<u>70,053</u>	<u>2,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(774)</u>	<u>(663)</u>	<u>620</u>	<u>1,283</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,586	4,046	3,821	(225)
Transfers out	(4,789)	(4,431)	(4,098)	333
Total other financing sources (uses)	<u>(203)</u>	<u>(385)</u>	<u>(277)</u>	<u>108</u>
Net change in fund balances	(977)	(1,048)	343	1,391
Fund balances - beginning	5,227	5,227	5,227	--
Fund balances - ending	<u>\$ 4,250</u>	<u>\$ 4,179</u>	<u>\$ 5,570</u>	<u>\$ 1,391</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>15,283</u>	<u>15,336</u>	<u>16,339</u>	<u>1,003</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	14,309	15,035	12,485	2,550
Total expenditures	<u>14,309</u>	<u>15,035</u>	<u>12,485</u>	<u>2,550</u>
Excess of revenues over expenditures	<u>974</u>	<u>301</u>	<u>3,854</u>	<u>3,553</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(4)	(8)	(6)	2
Total other financing sources (uses)	<u>(4)</u>	<u>(8)</u>	<u>(6)</u>	<u>2</u>
Net change in fund balances	970	293	3,848	3,555
Fund balances - beginning	41,329	41,329	41,329	--
Fund balances - ending	<u>\$ 42,299</u>	<u>\$ 41,622</u>	<u>\$ 45,177</u>	<u>\$ 3,555</u>

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

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

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Solid Waste	Laguna Sanitation	Nonmajor - Transit Operations		
<b>ASSETS</b>					
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	<u>20,134</u>	<u>3,843</u>	<u>272</u>	<u>24,249</u>	<u>57,304</u>
Noncurrent assets:					
Restricted cash and investments (Notes 4 & 5)	18,046	234	--	18,280	10
Deferred charges	57	2	--	59	--
Capital assets, not being depreciated (Note 7)	11,421	2,799	--	14,220	--
Capital assets, net of accumulated depreciation (Note 7)	<u>20,385</u>	<u>25,221</u>	<u>--</u>	<u>45,606</u>	<u>20,542</u>
Total noncurrent assets	<u>49,909</u>	<u>28,256</u>	<u>--</u>	<u>78,165</u>	<u>20,552</u>
Total assets	<u>70,043</u>	<u>32,099</u>	<u>272</u>	<u>102,414</u>	<u>77,856</u>
<b>LIABILITIES</b>					
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)	<u>907</u>	<u>164</u>	<u>--</u>	<u>1,071</u>	<u>--</u>
Total current liabilities	<u>3,226</u>	<u>968</u>	<u>--</u>	<u>4,194</u>	<u>11,948</u>
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 16)	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)	<u>2</u>	<u>3</u>	<u>--</u>	<u>5</u>	<u>--</u>
Total noncurrent liabilities	<u>30,450</u>	<u>7,707</u>	<u>--</u>	<u>38,157</u>	<u>24,661</u>
Total liabilities	<u>33,676</u>	<u>8,675</u>	<u>--</u>	<u>42,351</u>	<u>36,609</u>
<b>NET ASSETS</b>					
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	<u>7,887</u>	<u>3,576</u>	<u>272</u>	<u>11,735</u>	<u>20,965</u>
Total fund net assets	<u>\$ 36,367</u>	<u>\$ 23,424</u>	<u>\$ 272</u>	<u>60,063</u>	<u>\$ 41,247</u>
Adjustment to reflect the allocation of the internal service funds' cumulative net loss				(813)	
Net assets of business-type activities				<u>\$ 59,250</u>	

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Solid Waste	Laguna Sanitation	Nonmajor - Transit Operations		
<b>Operating revenues:</b>					
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	<u>21,508</u>	<u>5,951</u>	<u>11</u>	<u>27,470</u>	<u>42,509</u>
<b>Operating expenses:</b>					
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	<u>21,670</u>	<u>4,848</u>	<u>64</u>	<u>26,582</u>	<u>40,993</u>
Operating income (loss)	<u>(162)</u>	<u>1,103</u>	<u>(53)</u>	<u>888</u>	<u>1,516</u>
<b>Non-operating revenues (expenses):</b>					
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	<u>3,428</u>	<u>(29)</u>	<u>145</u>	<u>3,544</u>	<u>3,094</u>
Income before transfers	<u>3,266</u>	<u>1,074</u>	<u>92</u>	<u>4,432</u>	<u>4,610</u>
Transfers in	--	--	--	--	872
Transfers out (Note 13)	(3)	--	--	(3)	(235)
Transfers in (out), net	<u>(3)</u>	<u>--</u>	<u>--</u>	<u>(3)</u>	<u>637</u>
Change in net assets	<u>3,263</u>	<u>1,074</u>	<u>92</u>	<u>4,429</u>	<u>5,247</u>
Total net assets - beginning	<u>33,104</u>	<u>22,350</u>	<u>180</u>	<u>55,634</u>	<u>36,000</u>
Total net assets - ending	<u>\$ 36,367</u>	<u>\$ 23,424</u>	<u>\$ 272</u>	<u>\$ 60,063</u>	<u>\$ 41,247</u>
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				<u>\$ 4,471</u>	

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

COUNTY OF SANTA BARBARA, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Solid Waste	Laguna Sanitation	Nonmajor - Transit Operations		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
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	<u>3,637</u>	<u>2,147</u>	<u>(53)</u>	<u>5,731</u>	<u>6,394</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
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	<u>1,495</u>	<u>48</u>	<u>134</u>	<u>1,677</u>	<u>201</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
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	<u>(4,785)</u>	<u>(1,124)</u>	<u>--</u>	<u>(5,909)</u>	<u>(5,376)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Use of money and property received	1,991	155	9	2,155	2,728
Net cash provided by investing activities	<u>1,991</u>	<u>155</u>	<u>9</u>	<u>2,155</u>	<u>2,728</u>
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	<u>\$ 35,479</u>	<u>\$ 3,794</u>	<u>\$ 269</u>	<u>\$ 39,542</u>	<u>\$ 56,266</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets</b>					
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	<u>\$ 35,479</u>	<u>\$ 3,794</u>	<u>\$ 269</u>	<u>\$ 39,542</u>	<u>\$ 56,266</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
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	<u>\$ 3,637</u>	<u>\$ 2,147</u>	<u>\$ (53)</u>	<u>\$ 5,731</u>	<u>\$ 6,394</u>

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)

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

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

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

FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

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

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

**NOTES TO THE  
FINANCIAL STATEMENTS**



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Reporting Entity

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

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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The function of the *Flood Control and Water Conservation Districts* is to control flood and storm waters and to conserve such waters for beneficial public use. Revenues consist primarily of property taxes and aid from other governmental units.

*Lighting Districts* provide for the operation and maintenance of streetlights in certain areas of the County and are financed by property taxes and benefit assessments.

*Sanitation and Sewer Maintenance Districts* provide water and sewage treatment to users. The costs of operating these units are charged to the users in the form of water charges and sewer fees.

*Mello-Roos Community Facilities Districts* allow for financing of public improvements and services. The services and improvements that can be financed include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities.

The *Sandyland Seawall Maintenance District* provides for the maintenance of a seawall constructed in the Sandyland Cove area, and is financed through benefit assessments levied against those properties adjacent to that beachfront area.

The *Water Agency* prepares investigations and reports on the County's water requirements, project development, and importation of water from the State Water Project. The agency provides technical assistance to County departments, water districts, and the public relative to ground water availability and water well locations and design. The agency also administers the Cachuma Project and Twitchell Project contracts with the U.S. Bureau of Reclamation.

The *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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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 XIII B of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to \$1 per \$100 of full cash value. Taxes levied to service voter-approved debt 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

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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.

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**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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**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)
<b>Assets:</b>					
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
<b>Total Assets</b>	<b>\$ 315,915</b>	<b>\$ 425,476</b>	<b>\$ 77,856</b>	<b>\$ (3,573)</b>	<b>\$ 815,674</b>
<b>Liabilities:</b>					
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
<b>Total Liabilities</b>	<b>74,026</b>	<b>92,622</b>	<b>36,609</b>	<b>(4,386)</b>	<b>198,871</b>
<b>Fund Balance/Net Assets:</b>					
Total Fund Balance/Net Assets	241,889	332,854	41,247	813	616,803
<b>Total Liabilities &amp; Fund Balance/Net Assets</b>	<b>\$ 315,915</b>	<b>\$ 425,476</b>	<b>\$ 77,856</b>	<b>\$ (3,573)</b>	<b>\$ 815,674</b>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**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	<u>(84)</u>
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)	<u>375</u>
	<u><u>\$ 332,854</u></u>
(2) Internal Service Funds are used by management to charge the costs of information technology, vehicle operations and maintenance, risk management and insurance, 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.	 <u><u>\$ 41,247</u></u>
(3) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year.	 <u><u>\$ 813</u></u>

**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.

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**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:

<u>Issuer</u>	<u>Issuer Type</u>	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
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.

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**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:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u> <u>Range</u>	<u>Maturity</u> <u>Date/Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u>	<u>Credit</u> <u>Ratings</u>
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	<u>2,616</u>	<u>2,572</u>	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	<u>13,704</u>	<u>13,704</u>				
Total Investments	<u>\$ 835,178</u>	833,227				
Cash in Banks:						
Non-Interest Bearing Deposits		23,278				
Cash on hand		41				
Total Cash and Investments		<u>\$ 856,546</u>				
Total Unrestricted Cash and Investments		\$ 818,665				
Total Restricted Cash and Investments (Note 5)		<u>37,881</u>				
Total Cash and Investments		<u>\$ 856,546</u>				
Total Cash and Investments Summary:						
Total Governmental Activities		\$ 276,622				
Total Business-Type Activities		39,542				
Total Fiduciary Funds		<u>540,382</u>				
Total Cash and Investments		<u>\$ 856,546</u>				

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	<u>\$ 819,523</u>
Equity of internal pool participants	\$ 310,949
Equity of external pool participants (voluntary and involuntary)	<u>508,574</u>
Total Equity	<u>\$ 819,523</u>
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	<u>\$ 819,523</u>

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**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:

<u>General Fund</u>	
Deposits by various developers	\$ 6,489
Property tax loss reserve	5,632
Total General Fund	\$ 12,121
 <u>Nonmajor Governmental Funds</u>	
Reserved for debt service	7,470
Total Nonmajor Governmental Funds	7,470
Total Governmental Funds	19,591
 <u>Internal Service Funds</u>	
Vehicle Operations and Maintenance - set aside for underground tank clean-up	10
Total Internal Service Funds	10
Total governmental activities	19,601
 <u>Solid Waste Enterprise Fund</u>	
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
 <u>Laguna Sanitation Enterprise Fund</u>	
Deposits by various developers	234
Total Laguna Sanitation Enterprise Fund	234
Total business-type activities	18,280
Total restricted cash and investments	\$ 37,881

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**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:

<b>Governmental funds:</b>	<u>Unearned</u>	<u>Deferred (Unavailable)</u>	<u>Total</u>
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	<u>4,707</u>	<u>166</u>	<u>4,873</u>
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	<u>--</u>	<u>2,891</u>	<u>2,891</u>
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	<u>5,843</u>	<u>--</u>	<u>5,843</u>
<b>Total governmental funds</b>	<u>\$ 27,000</u>	<u>\$ 3,294</u>	<u>\$ 30,294</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**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
<b>Governmental activities:</b>				
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	<u>106,321</u>	<u>20,940</u>	<u>(13,018)</u>	<u>114,243</u>
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	<u>501,187</u>	<u>20,871</u>	<u>(4,238)</u>	<u>517,820</u>
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	<u>(176,111)</u>	<u>(14,780)</u>	<u>3,823</u>	<u>(187,068)</u>
Total capital assets, being depreciated, net	<u>325,076</u>	<u>6,091</u>	<u>(415)</u>	<u>330,752</u>
Sub-total governmental activities	<u>431,397</u>	<u>27,031</u>	<u>(13,433)</u>	<u>444,995</u>
<b>Business-type activities:</b>				
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	<u>14,146</u>	<u>2,850</u>	<u>(2,776)</u>	<u>14,220</u>
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	<u>65,298</u>	<u>4,029</u>	<u>(650)</u>	<u>68,677</u>
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	<u>(20,434)</u>	<u>(2,814)</u>	<u>177</u>	<u>(23,071)</u>
Total capital assets, being depreciated, net	<u>44,864</u>	<u>1,215</u>	<u>(473)</u>	<u>45,606</u>
Sub-total business-type activities	<u>59,010</u>	<u>4,065</u>	<u>(3,249)</u>	<u>59,826</u>
Total	<u>\$ 490,407</u>	<u>\$ 31,096</u>	<u>\$ (16,682)</u>	<u>\$ 504,821</u>

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**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
<b>Solid Waste:</b>				
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	<u>11,327</u>	<u>2,850</u>	<u>(2,756)</u>	<u>11,421</u>
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	<u>32,275</u>	<u>3,974</u>	<u>(623)</u>	<u>35,626</u>
Less accumulated depreciation for:				
Structures and improvements	(4,800)	(585)	168	(5,217)
Equipment	(8,894)	(1,139)	9	(10,024)
Total accumulated depreciation	<u>(13,694)</u>	<u>(1,724)</u>	<u>177</u>	<u>(15,241)</u>
Total capital assets, being depreciated, net	<u>18,581</u>	<u>2,250</u>	<u>(446)</u>	<u>20,385</u>
Subtotal Solid Waste	<u>29,908</u>	<u>5,100</u>	<u>(3,202)</u>	<u>31,806</u>
<b>Laguna Sanitation:</b>				
Capital assets, not being depreciated:				
Land	2,799	--	--	2,799
Construction in progress	20	--	(20)	--
Total capital assets, not being depreciated	<u>2,819</u>	<u>--</u>	<u>(20)</u>	<u>2,799</u>
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	<u>33,023</u>	<u>55</u>	<u>(27)</u>	<u>33,051</u>
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	<u>(6,740)</u>	<u>(1,090)</u>	<u>--</u>	<u>(7,830)</u>
Total capital assets, being depreciated, net	<u>26,283</u>	<u>(1,035)</u>	<u>(27)</u>	<u>25,221</u>
Subtotal Laguna Sanitation	<u>29,102</u>	<u>(1,035)</u>	<u>(47)</u>	<u>28,020</u>
Total business-type activities	<u>\$ 59,010</u>	<u>\$ 4,065</u>	<u>\$ (3,249)</u>	<u>\$ 59,826</u>

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**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
<b>Internal Service Funds:</b>				
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	<u>41,220</u>	<u>6,333</u>	<u>(3,683)</u>	<u>43,870</u>
Less accumulated depreciation for:				
Structures and improvements	(334)	(58)	--	(392)
Equipment	(22,895)	(3,327)	3,286	(22,936)
Total accumulated depreciation	<u>(23,229)</u>	<u>(3,385)</u>	<u>3,286</u>	<u>(23,328)</u>
Total capital assets, being depreciated, net	<u>17,991</u>	<u>2,948</u>	<u>(397)</u>	<u>20,542</u>
Total	<u>\$ 17,991</u>	<u>\$ 2,948</u>	<u>\$ (397)</u>	<u>\$ 20,542</u>

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

	Depreciation (excluding ISF)	ISF Depreciation Allocation (1)	Total
<b>Governmental activities</b>			
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	<u>11,395</u>	<u>3,275</u>	<u>14,670</u>
<b>Business-type activities</b>			
Solid waste	1,724	104	1,828
Laguna sanitation	1,090	6	1,096
Total depreciation expense-business-type activities	<u>2,814</u>	<u>110</u>	<u>2,924</u>
Grand Total	<u>\$ 14,209</u>	<u>\$ 3,385</u>	<u>\$ 17,594</u>

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

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**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	
--------------------------------	--	-----------	--

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**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	<u>\$ 47,000</u>	<u>\$ --</u>	<u>\$ (47,000)</u>	<u>\$ --</u>

**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	<u>\$ 7,833</u>	<u>\$ 1,692</u>	<u>\$ 9,525</u>

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**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:

<u>Year Ending June 30,</u>	<u>Amount</u>
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:

<u>Year Ending June 30,</u>	<u>Amount</u>
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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**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:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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	<u>6,932</u>	<u>34</u>
Less: Amount Representing Interest	<u>(1,917)</u>	<u>(4)</u>
Total Present Value of Minimum Lease Payments	<u>\$ 5,015</u>	<u>\$ 30</u>

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

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

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,

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**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
<b>Governmental activities:</b>					
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				<u>80,852</u>	<u>59,143</u>
<b>Business-type activities:</b>					
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				<u>12,353</u>	<u>4,321</u>
Total				<u>\$ 93,205</u>	<u>\$ 63,464</u>

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	<u>\$ 59,143</u>	<u>\$ 19,567</u>	<u>\$ 4,321</u>	<u>\$ 639</u>

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**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:

Year Ending June 30,	Cachuma Sanitation Loan	
	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.

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**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
<b>Governmental activities:</b>					
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	<u>132,667</u>	<u>21,556</u>	<u>(23,506)</u>	<u>130,717</u>	<u>18,524</u>
<b>Business-type activities:</b>					
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	<u>38,629</u>	<u>1,106</u>	<u>(1,848)</u>	<u>37,887</u>	<u>1,489</u>
Total	<u>\$ 171,296</u>	<u>\$ 22,662</u>	<u>\$ (25,354)</u>	<u>\$ 168,604</u>	<u>\$ 20,013</u>

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
<b>Solid Waste:</b>					
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	<u>\$ 29,503</u>	<u>\$ 1,097</u>	<u>\$ (992)</u>	<u>\$ 29,608</u>	<u>\$ 916</u>
<b>Laguna Sanitation:</b>					
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	<u>9,126</u>	<u>9</u>	<u>(856)</u>	<u>8,279</u>	<u>573</u>
Total business-type activities	<u>\$ 38,629</u>	<u>\$ 1,106</u>	<u>\$ (1,848)</u>	<u>\$ 37,887</u>	<u>\$ 1,489</u>

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**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
<b>Internal Service Funds:</b>					
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	<u>\$ 33,518</u>	<u>\$ 16,119</u>	<u>\$ (14,268)</u>	<u>\$ 35,369</u>	<u>\$ 10,708</u>

**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).

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**11. LANDFILL CLOSURE COSTS - CONTINUED**

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

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

**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:

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

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:

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

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.

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**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	<u>469</u>	\$ 68,139
Road Fund	Non-Major Governmental Funds	202	
	Capital Projects Fund	<u>155</u>	357
Public Health Fund	Alcohol Drug & Mental Health Services Fund	636	
	Capital Projects Fund	393	
	General Fund	210	
	Non-Major Governmental Funds	<u>53</u>	1,292
Social Services Fund	Capital Projects Fund	295	
	General Fund	122	
	Internal Service Funds	<u>25</u>	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	<u>221</u>	4,098
Flood Control District Fund	Capital Projects Fund	3	
	Non-Major Governmental Funds	<u>3</u>	6
Capital Projects Fund	General Fund	1,401	
	Internal Service Funds	378	
	Public Health Fund	118	
	Non-Major Governmental Funds	<u>46</u>	1,943
Non-Major Governmental Funds	General Fund	49,510	
	Non-Major Governmental Funds	2,673	
	Capital Projects Fund	711	
	Public Health Fund	<u>30</u>	52,924
Solid Waste Fund	Capital Projects Fund	<u>3</u>	3
Internal Service Funds	Capital Projects Fund	194	
	General Fund	<u>41</u>	235
Total transfers			<u><u>\$ 129,439</u></u>

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**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	<u>739</u>	
		\$ 12,990
Restricted for Health & Public Assistance:		
Public Health	13,516	
Alcohol, Drug and Mental Health Services	5,570	
Child Support Services	147	
Other	<u>4</u>	
		19,237
Restricted for Community Resources & Facilities:		
Flood Control Districts	45,178	
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	<u>222</u>	
		60,486
Restricted for General Government & Support Services:		
Affordable Housing	5,289	
Clerk-Recorder-Assessor	<u>4,624</u>	
		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	<u>147</u>	
		12,469
Restricted for Debt Service	<u>8,484</u>	
		8,484
Total Restricted Net Assets - Governmental Activities		<u>\$ 123,579</u>

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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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
<b>Reserved for:</b>									
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
<b>Designated for:</b>									
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

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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:

<u>Type of Coverage</u>	<u>Self-Insurance Limit</u>	<u>Authority Limit</u>
General Liability	\$ 500	\$ 25,000
Medical Malpractice	500	10,000
Workers’ Compensation	500	150,000

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(in thousands)**

**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:

	<u>July 1, 2006</u>	<u>June 30, 2007</u>
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	<u>\$ 32,685</u>	<u>\$ 34,492</u>

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	<u>\$ 373,915</u>
Loss reserves	\$ 285,776
Other liabilities	30,384
Fund equity	57,755
Total liabilities and fund equity	<u>\$ 373,915</u>
Total revenues	\$ 291,887
Total expenses	(259,805)
Revenues in excess of expenses	<u>\$ 32,082</u>

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

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(in thousands)**

**18. RETIREMENT PLANS - CONTINUED**

Employer/Employee Contribution

Employer and employee contribution rates are as follows:

<u>Description</u>		<u>Employer contribution rates</u>	<u>Employee contribution rates</u>
<u>Open for New Enrollment</u>			
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%
<u>Closed to New Enrollment:</u>			
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:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Contributions</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contribution</u>
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%

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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:

<u>Fiscal Year Ended</u>	<u>Contribution</u>
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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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.

**20. 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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(in thousands)**

**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:

<u>Fiscal Year Ended</u>	<u>Contributions</u>
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:

<u>Fiscal Year Ended</u>	<u>Contributions</u>
6/30/2005	\$ 88
6/30/2006	108
6/30/2007	100



**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**June 30, 2007**  
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Retirement System - Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial 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.

# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## **Local Fishermen's Contingency**

The Local Fishermen's Contingency Fund is financed by county permit conditions placed upon energy projects to mitigate impacts to the commercial fishing industry. The intent of the fund is to provide an interest-free loan program to fishermen awaiting payment of claims from the Federal Fishermen's Contingency Fund 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.

# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## **Redevelopment Agency**

The Santa Barbara County Redevelopment Agency was formed on September 12, 1989 under Section 33200 of the State of California Health and Safety Code. The Isla Vista 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 277 streetlights.

#### **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.

# NONMAJOR GOVERNMENTAL FUNDS (Continued)

## **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.

# **NONMAJOR GOVERNMENTAL FUNDS** (Continued)

## **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt.

### **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
<b>ASSETS</b>								
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	<u>\$ 10,022</u>	<u>\$ 46</u>	<u>\$ 106</u>	<u>\$ 2,155</u>	<u>\$ 240</u>	<u>\$ 451</u>	<u>\$ 430</u>	<u>\$ 2,369</u>
<b>LIABILITIES</b>								
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	<u>1,145</u>	<u>3</u>	<u>7</u>	<u>--</u>	<u>37</u>	<u>304</u>	<u>--</u>	<u>50</u>
<b>FUND BALANCES</b>								
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	<u>8,877</u>	<u>43</u>	<u>99</u>	<u>2,155</u>	<u>203</u>	<u>147</u>	<u>430</u>	<u>2,319</u>
Total liabilities and fund balances	<u>\$ 10,022</u>	<u>\$ 46</u>	<u>\$ 106</u>	<u>\$ 2,155</u>	<u>\$ 240</u>	<u>\$ 451</u>	<u>\$ 430</u>	<u>\$ 2,369</u>

See accompanying independent auditor's report.

**Special  
Revenue**

<b>Affordable Housing</b>	<b>Court Activities</b>	<b>Criminal Justice Construction</b>	<b>Courthouse Construction</b>	<b>Inmate Welfare</b>	<b>Redevelop- ment Agency</b>	
\$ 6,239	\$ 213	\$ 765	\$ 331	\$ 1,237	\$ 2,511	<b>ASSETS</b>
--	177	92	92	--	--	Cash and investments
82	--	10	3	15	72	Accounts receivable (net of allowance):
367	--	--	--	--	--	Fines, forfeitures, and penalties
--	265	--	--	--	--	Use of money and property
--	77	--	--	--	--	Intergovernmental
585	--	--	--	--	5,107	Charges for services
--	--	--	--	--	--	Other
<u>\$ 7,273</u>	<u>\$ 732</u>	<u>\$ 867</u>	<u>\$ 426</u>	<u>\$ 1,252</u>	<u>\$ 7,690</u>	Other receivables
						Restricted cash and investments
						Total assets
						<b>LIABILITIES</b>
2	615	1	1	2	3	Accounts payable
--	--	--	--	23	--	Salaries and benefits payable
--	9	--	--	--	--	Interest payable
12	--	--	--	--	--	Due to other funds
99	--	1	1	--	--	Other payables
587	--	--	--	--	5,107	Unearned revenues
<u>700</u>	<u>624</u>	<u>2</u>	<u>2</u>	<u>25</u>	<u>5,110</u>	Total liabilities
						<b>FUND BALANCES</b>
						Reserved for:
--	--	--	--	--	--	Receivables
--	--	--	--	--	--	Imprest cash
--	--	--	--	--	--	Debt service
						Unreserved:
--	81	785	--	--	--	Designated
6,573	27	80	424	1,227	2,580	Undesignated
<u>6,573</u>	<u>108</u>	<u>865</u>	<u>424</u>	<u>1,227</u>	<u>2,580</u>	Total fund balances
<u>\$ 7,273</u>	<u>\$ 732</u>	<u>\$ 867</u>	<u>\$ 426</u>	<u>\$ 1,252</u>	<u>\$ 7,690</u>	Total liabilities and fund balances

(Continued)

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

	Special Revenue						Special Revenue Total
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	
<b>ASSETS</b>							
Cash and investments	\$ 1,980	\$ 227	\$ 8,286	\$ 316	\$ 4	\$ 4,948	\$ 41,360
Accounts receivable (net of allowance):							
Fines, forfeitures, and penalties	--	--	--	--	--	--	361
Use of money and property	28	2	93	4	--	60	564
Intergovernmental	--	--	--	--	--	--	1,489
Charges for services	--	--	--	--	--	--	303
Other	--	--	--	--	--	--	233
Other receivables	--	--	--	--	--	--	5,697
Restricted cash and investments	--	--	--	--	--	2	2
Total assets	<u>\$ 2,008</u>	<u>\$ 229</u>	<u>\$ 8,379</u>	<u>\$ 320</u>	<u>\$ 4</u>	<u>\$ 5,010</u>	<u>\$ 50,009</u>
<b>LIABILITIES</b>							
Accounts payable	1	1	1	1	--	36	1,860
Salaries and benefits payable	--	--	--	--	--	22	395
Interest payable	--	--	--	--	--	--	9
Due to other funds	--	--	--	--	--	--	12
Other payables	--	--	--	--	--	2	103
Unearned revenues	--	--	149	--	--	--	5,843
Total liabilities	<u>1</u>	<u>1</u>	<u>150</u>	<u>1</u>	<u>--</u>	<u>60</u>	<u>8,222</u>
<b>FUND BALANCES</b>							
Reserved for:							
Receivables	--	--	--	--	--	--	4
Imprest cash	--	--	--	--	--	--	1
Debt service	--	--	--	--	--	--	--
Unreserved:							
Designated	441	8	3,086	--	--	113	13,880
Undesignated	1,566	220	5,143	319	4	4,837	27,902
Total fund balances	<u>2,007</u>	<u>228</u>	<u>8,229</u>	<u>319</u>	<u>4</u>	<u>4,950</u>	<u>41,787</u>
Total liabilities and fund balances	<u>\$ 2,008</u>	<u>\$ 229</u>	<u>\$ 8,379</u>	<u>\$ 320</u>	<u>\$ 4</u>	<u>\$ 5,010</u>	<u>\$ 50,009</u>

See accompanying independent auditor's report.

Redevelop- ment Agency	Debt Service		Total Nonmajor Governmental Funds	
	Santa Barbara County Finance Corporation	Debt Service Total		
\$ 28	\$ 418	\$ 446	\$ 41,806	<b>ASSETS</b>
--	--	--	361	Cash and investments
--	2	2	566	Accounts receivable (net of allowance):
--	--	--	1,489	Fines, forfeitures, and penalties
--	--	--	303	Use of money and property
--	--	--	233	Intergovernmental
--	--	--	5,697	Charges for services
298	7,170	7,468	7,470	Other
<u>\$ 326</u>	<u>\$ 7,590</u>	<u>\$ 7,916</u>	<u>\$ 57,925</u>	Other receivables
				Restricted cash and investments
				Total assets
				<b>LIABILITIES</b>
--	--	--	1,860	Accounts payable
--	--	--	395	Salaries and benefits payable
--	--	--	9	Interest payable
--	--	--	12	Due to other funds
--	--	--	103	Other payables
--	--	--	5,843	Unearned revenues
<u>--</u>	<u>--</u>	<u>--</u>	<u>8,222</u>	Total liabilities
				<b>FUND BALANCES</b>
--	--	--	4	Reserved for:
--	--	--	1	Receivables
326	7,275	7,601	7,601	Imprest cash
				Debt service
--	315	315	14,195	Unreserved:
--	--	--	27,902	Designated
<u>326</u>	<u>7,590</u>	<u>7,916</u>	<u>49,703</u>	Undesignated
				Total fund balances
<u>\$ 326</u>	<u>\$ 7,590</u>	<u>\$ 7,916</u>	<u>\$ 57,925</u>	Total liabilities and fund balances

COUNTY OF SANTA BARBARA, CALIFORNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED June 30, 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
<b>Revenues</b>								
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	<u>6,905</u>	<u>10</u>	<u>198</u>	<u>144</u>	<u>651</u>	<u>9,837</u>	<u>30</u>	<u>722</u>
<b>Expenditures</b>								
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	<u>7,234</u>	<u>17</u>	<u>229</u>	<u>330</u>	<u>796</u>	<u>9,778</u>	<u>2</u>	<u>236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(329)</u>	<u>(7)</u>	<u>(31)</u>	<u>(186)</u>	<u>(145)</u>	<u>59</u>	<u>28</u>	<u>486</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	31	--	--	--	--	20	--	--
Transfers out	(3)	--	(1)	--	--	(12)	--	--
Total other financing sources (uses)	<u>28</u>	<u>--</u>	<u>(1)</u>	<u>--</u>	<u>--</u>	<u>8</u>	<u>--</u>	<u>--</u>
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	<u>\$ 8,877</u>	<u>\$ 43</u>	<u>\$ 99</u>	<u>\$ 2,155</u>	<u>\$ 203</u>	<u>\$ 147</u>	<u>\$ 430</u>	<u>\$ 2,319</u>

See accompanying independent auditor's report.

**Special  
Revenue**

Affordable Housing	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	Redevelop- ment Agency	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,955	<b>Revenues</b>
--	--	--	--	--	--	Taxes
--	2,186	1,091	1,091	--	--	Licenses, permits, and franchises
401	15	51	14	484	287	Fines, forfeitures, and penalties
3,354	41	--	--	--	--	Use of money and property
639	3,177	--	--	--	--	Intergovernmental
366	939	--	--	497	384	Charges for services
<u>4,760</u>	<u>6,358</u>	<u>1,142</u>	<u>1,105</u>	<u>981</u>	<u>3,626</u>	Other
						Total revenues
						<b>Expenditures</b>
						Current:
--	14,403	--	--	--	--	Law & justice
--	--	--	--	874	--	Public safety
--	--	--	--	--	--	Health & public assistance
3,597	--	--	--	--	4,383	Community resources & facilities
--	--	--	--	--	--	General government & support services
--	--	--	--	--	503	General county programs
999	--	--	--	--	--	Debt service:
34	--	--	--	--	--	Principal
--	--	--	--	--	--	Interest
<u>4,630</u>	<u>14,403</u>	<u>--</u>	<u>--</u>	<u>874</u>	<u>4,886</u>	Capital outlay
						Total expenditures
						Excess (deficiency) of revenues over (under) expenditures
<u>130</u>	<u>(8,045)</u>	<u>1,142</u>	<u>1,105</u>	<u>107</u>	<u>(1,260)</u>	
						<b>Other Financing Sources (Uses)</b>
--	8,014	--	--	--	--	Transfers in
<u>(1,202)</u>	<u>--</u>	<u>(1,336)</u>	<u>(1,151)</u>	<u>(60)</u>	<u>(392)</u>	Transfers out
<u>(1,202)</u>	<u>8,014</u>	<u>(1,336)</u>	<u>(1,151)</u>	<u>(60)</u>	<u>(392)</u>	Total other financing sources (uses)
(1,072)	(31)	(194)	(46)	47	(1,652)	Net change in fund balances
<u>7,645</u>	<u>139</u>	<u>1,059</u>	<u>470</u>	<u>1,180</u>	<u>4,232</u>	Fund balances - beginning
<u>\$ 6,573</u>	<u>\$ 108</u>	<u>\$ 865</u>	<u>\$ 424</u>	<u>\$ 1,227</u>	<u>\$ 2,580</u>	Fund balances - ending

(Continued)

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

	Special Revenue						Special Revenue Total
	County Service Areas	Community Facilities Districts	Fire Protection District	Lighting Districts	Sandyland Seawall Maintenance	Water Agency	
<b>Revenues</b>							
Taxes	\$ 1,052	\$ 154	\$ 25,328	\$ 396	\$ --	\$ 1,992	\$ 31,877
Licenses, permits, and franchises	--	--	--	--	--	--	15
Fines, forfeitures, and penalties	--	--	--	--	--	--	4,375
Use of money and property	113	6	524	11	3	230	3,126
Intergovernmental	12	--	532	3	--	737	20,435
Charges for services	557	--	--	130	--	93	4,775
Other	--	--	60	--	--	1	3,800
Total revenues	<u>1,734</u>	<u>160</u>	<u>26,444</u>	<u>540</u>	<u>3</u>	<u>3,053</u>	<u>68,403</u>
<b>Expenditures</b>							
Current:							
Law & justice	--	--	--	--	--	--	14,403
Public safety	--	--	294	--	--	--	1,168
Health & public assistance	--	--	--	--	--	--	9,778
Community resources & facilities	708	11	--	412	47	2,628	12,270
General government & support services	--	--	--	--	--	--	796
General county programs	--	--	--	--	--	--	8,067
Debt service:							
Principal	--	--	--	--	--	--	999
Interest	--	--	--	--	--	--	34
Total expenditures	<u>708</u>	<u>11</u>	<u>294</u>	<u>412</u>	<u>47</u>	<u>2,628</u>	<u>47,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,026</u>	<u>149</u>	<u>26,150</u>	<u>128</u>	<u>(44)</u>	<u>425</u>	<u>20,888</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	23,385	--	--	--	--	572	32,022
Transfers out	(24,234)	(11)	(24,492)	--	--	(30)	(52,924)
Total other financing sources (uses)	<u>(849)</u>	<u>(11)</u>	<u>(24,492)</u>	<u>--</u>	<u>--</u>	<u>542</u>	<u>(20,902)</u>
Net change in fund balances	177	138	1,658	128	(44)	967	(14)
Fund balances - beginning	1,830	90	6,571	191	48	3,983	41,801
Fund balances - ending	<u>\$ 2,007</u>	<u>\$ 228</u>	<u>\$ 8,229</u>	<u>\$ 319</u>	<u>\$ 4</u>	<u>\$ 4,950</u>	<u>\$ 41,787</u>

See accompanying independent auditor's report.

Redevelopment Agency	Debt Service		Total Nonmajor Governmental Funds	
	Santa Barbara County Finance Corporation	Debt Service Total		
\$ --	\$ --	\$ --	\$ 31,877	<b>Revenues</b>
--	--	--	15	Taxes
--	--	--	4,375	Licenses, permits, and franchises
10	250	260	3,386	Fines, forfeitures, and penalties
--	441	441	20,876	Use of money and property
--	--	--	4,775	Intergovernmental
--	--	--	3,800	Charges for services
10	691	701	69,104	Other
				Total revenues
				<b>Expenditures</b>
				Current:
--	--	--	14,403	Law & justice
--	--	--	1,168	Public safety
--	--	--	9,778	Health & public assistance
--	--	--	12,270	Community resources & facilities
--	--	--	796	General government & support services
1	17	18	8,085	General county programs
330	6,135	6,465	7,464	Debt service:
85	2,666	2,751	2,785	Principal
416	8,818	9,234	56,749	Interest
				Total expenditures
(406)	(8,127)	(8,533)	12,355	Excess (deficiency) of revenues over (under) expenditures
				<b>Other Financing Sources (Uses)</b>
392	8,140	8,532	40,554	Transfers in
--	--	--	(52,924)	Transfers out
392	8,140	8,532	(12,370)	Total other financing sources (uses)
(14)	13	(1)	(15)	Net change in fund balances
340	7,577	7,917	49,718	Fund balances - beginning
\$ 326	\$ 7,590	\$ 7,916	\$ 49,703	Fund balances - ending

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)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 200	\$ 200	\$ 567	\$ 367
Intergovernmental	5,234	5,234	5,396	162
Other	862	899	942	43
Total revenues	<u>6,296</u>	<u>6,333</u>	<u>6,905</u>	<u>572</u>
<b>Expenditures</b>				
Current:				
General county programs	<u>6,720</u>	<u>7,598</u>	<u>7,234</u>	<u>364</u>
Total expenditures	<u>6,720</u>	<u>7,598</u>	<u>7,234</u>	<u>364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(424)</u>	<u>(1,265)</u>	<u>(329)</u>	<u>936</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	83	31	31	--
Transfers out	<u>(12)</u>	<u>(15)</u>	<u>(3)</u>	<u>12</u>
Total other financing sources	<u>71</u>	<u>16</u>	<u>28</u>	<u>12</u>
Net change in fund balances	(353)	(1,249)	(301)	948
Fund balances - beginning	<u>9,178</u>	<u>9,178</u>	<u>9,178</u>	<u>--</u>
Fund balances - ending	<u>\$ 8,825</u>	<u>\$ 7,929</u>	<u>\$ 8,877</u>	<u>\$ 948</u>

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		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 15	\$ 15	\$ 7	\$ (8)
Use of money and property	<u>2</u>	<u>2</u>	<u>3</u>	<u>1</u>
Total revenues	<u>17</u>	<u>17</u>	<u>10</u>	<u>(7)</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	<u>30</u>	<u>30</u>	<u>17</u>	<u>13</u>
Total expenditures	<u>30</u>	<u>30</u>	<u>17</u>	<u>13</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13)</u>	<u>(13)</u>	<u>(7)</u>	<u>6</u>
Net change in fund balances	(13)	(13)	(7)	6
Fund balances - beginning	<u>50</u>	<u>50</u>	<u>50</u>	<u>--</u>
Fund balances - ending	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 43</u>	<u>\$ 6</u>

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		
<b>Revenues</b>				
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	<u>312</u>	<u>272</u>	<u>198</u>	<u>(74)</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	347	346	229	117
Total expenditures	<u>347</u>	<u>346</u>	<u>229</u>	<u>117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35)</u>	<u>(74)</u>	<u>(31)</u>	<u>43</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	--	(1)	(1)	--
Total other financing uses	<u>--</u>	<u>(1)</u>	<u>(1)</u>	<u>--</u>
Net change in fund balances	(35)	(75)	(32)	43
Fund balances - beginning	131	131	131	--
Fund balances - ending	<u>\$ 96</u>	<u>\$ 56</u>	<u>\$ 99</u>	<u>\$ 43</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 61	\$ 104	\$ 144	\$ 40
Total revenues	<u>61</u>	<u>104</u>	<u>144</u>	<u>40</u>
<b>Expenditures</b>				
Current:				
General county programs	331	331	330	1
Total expenditures	<u>331</u>	<u>331</u>	<u>330</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(270)</u>	<u>(227)</u>	<u>(186)</u>	<u>41</u>
Net change in fund balances	(270)	(227)	(186)	41
Fund balances - beginning	2,341	2,341	2,341	--
Fund balances - ending	<u>\$ 2,071</u>	<u>\$ 2,114</u>	<u>\$ 2,155</u>	<u>\$ 41</u>

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)**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 2	\$ 2	\$ 11	\$ 9
Intergovernmental	981	971	639	(332)
Other	6	71	1	(70)
Total revenues	<u>989</u>	<u>1,044</u>	<u>651</u>	<u>(393)</u>
<b>Expenditures</b>				
Current:				
General government & support services	<u>983</u>	<u>1,211</u>	<u>796</u>	<u>415</u>
Total expenditures	<u>983</u>	<u>1,211</u>	<u>796</u>	<u>415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6</u>	<u>(167)</u>	<u>(145)</u>	<u>22</u>
Net change in fund balances	6	(167)	(145)	22
Fund balances - beginning	348	348	348	--
Fund balances - ending	<u>\$ 354</u>	<u>\$ 181</u>	<u>\$ 203</u>	<u>\$ 22</u>

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 Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>9,598</u>	<u>9,896</u>	<u>9,837</u>	<u>(59)</u>
<b>Expenditures</b>				
Current:				
Health & public assistance	<u>9,598</u>	<u>9,905</u>	<u>9,778</u>	<u>127</u>
Total expenditures	<u>9,598</u>	<u>9,905</u>	<u>9,778</u>	<u>127</u>
Excess (deficiency) of revenues over (under) expenditures	--	(9)	59	68
<b>Other Financing Sources (Uses)</b>				
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	<u>\$ 80</u>	<u>\$ 79</u>	<u>\$ 147</u>	<u>\$ 68</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 9	\$ 9	\$ 23	\$ 14
Other	7	7	7	--
Total revenues	<u>16</u>	<u>16</u>	<u>30</u>	<u>14</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	<u>26</u>	<u>27</u>	<u>2</u>	<u>25</u>
Total expenditures	<u>26</u>	<u>27</u>	<u>2</u>	<u>25</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10)</u>	<u>(11)</u>	<u>28</u>	<u>39</u>
Net change in fund balances	(10)	(11)	28	39
Fund balances - beginning	<u>402</u>	<u>402</u>	<u>402</u>	<u>--</u>
Fund balances - ending	<u>\$ 392</u>	<u>\$ 391</u>	<u>\$ 430</u>	<u>\$ 39</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 47	\$ 47	\$ 119	\$ 72
Other	611	611	603	(8)
Total revenues	<u>658</u>	<u>658</u>	<u>722</u>	<u>64</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	<u>2,200</u>	<u>2,200</u>	<u>236</u>	<u>1,964</u>
Total expenditures	<u>2,200</u>	<u>2,200</u>	<u>236</u>	<u>1,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,542)</u>	<u>(1,542)</u>	<u>486</u>	<u>2,028</u>
Net change in fund balances	(1,542)	(1,542)	486	2,028
Fund balances - beginning	<u>1,833</u>	<u>1,833</u>	<u>1,833</u>	<u>--</u>
Fund balances - ending	<u>\$ 291</u>	<u>\$ 291</u>	<u>\$ 2,319</u>	<u>\$ 2,028</u>

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)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
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	366	243
Total revenues	<u>3,806</u>	<u>5,960</u>	<u>4,760</u>	<u>(1,200)</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	6,333	7,733	3,597	4,136
Debt service:				
Principal	72	999	999	--
Interest	54	34	34	--
Total expenditures	<u>6,459</u>	<u>8,766</u>	<u>4,630</u>	<u>4,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,653)</u>	<u>(2,806)</u>	<u>130</u>	<u>2,936</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(848)</u>	<u>(1,439)</u>	<u>(1,202)</u>	<u>237</u>
Total other financing sources (uses)	<u>(848)</u>	<u>(1,439)</u>	<u>(1,202)</u>	<u>237</u>
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	<u>\$ 4,144</u>	<u>\$ 3,400</u>	<u>\$ 6,573</u>	<u>\$ 3,173</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 2,649	\$ 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	<u>7,381</u>	<u>6,972</u>	<u>6,358</u>	<u>(614)</u>
<b>Expenditures</b>				
Current:				
Law & justice	14,902	15,054	14,403	651
Total expenditures	<u>14,902</u>	<u>15,054</u>	<u>14,403</u>	<u>651</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,521)</u>	<u>(8,082)</u>	<u>(8,045)</u>	<u>37</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,512	8,088	8,014	(74)
Total other financing sources (uses)	<u>7,512</u>	<u>8,088</u>	<u>8,014</u>	<u>(74)</u>
Net change in fund balances	(9)	6	(31)	(37)
Fund balances - beginning	139	139	139	--
Fund balances - ending	<u>\$ 130</u>	<u>\$ 145</u>	<u>\$ 108</u>	<u>\$ (37)</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 1,235	\$ 1,100	\$ 1,091	\$ (9)
Use of money and property	22	22	51	29
Total revenues	<u>1,257</u>	<u>1,122</u>	<u>1,142</u>	<u>20</u>
<b>Expenditures</b>				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues over expenditures	<u>1,257</u>	<u>1,122</u>	<u>1,142</u>	<u>20</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(1,384)</u>	<u>(1,384)</u>	<u>(1,336)</u>	<u>48</u>
Total other financing sources (uses)	<u>(1,384)</u>	<u>(1,384)</u>	<u>(1,336)</u>	<u>48</u>
Net change in fund balances	(127)	(262)	(194)	68
Fund balances - beginning	<u>1,059</u>	<u>1,059</u>	<u>1,059</u>	<u>--</u>
Fund balances - ending	<u>\$ 932</u>	<u>\$ 797</u>	<u>\$ 865</u>	<u>\$ 68</u>

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 Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Fines, forfeitures, and penalties	\$ 1,235	\$ 1,135	\$ 1,091	\$ (44)
Use of money and property	9	7	14	7
Total revenues	<u>1,244</u>	<u>1,142</u>	<u>1,105</u>	<u>(37)</u>
<b>Expenditures</b>				
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,244</u>	<u>1,142</u>	<u>1,105</u>	<u>(37)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(1,214)</u>	<u>(1,214)</u>	<u>(1,151)</u>	<u>63</u>
Total other financing sources (uses)	<u>(1,214)</u>	<u>(1,214)</u>	<u>(1,151)</u>	<u>63</u>
Net change in fund balances	30	(72)	(46)	26
Fund balances - beginning	<u>470</u>	<u>470</u>	<u>470</u>	<u>--</u>
Fund balances - ending	<u>\$ 500</u>	<u>\$ 398</u>	<u>\$ 424</u>	<u>\$ 26</u>

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 Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Use of money and property	\$ 595	\$ 595	\$ 484	\$ (111)
Other	476	476	497	21
Total revenues	<u>1,071</u>	<u>1,071</u>	<u>981</u>	<u>(90)</u>
<b>Expenditures</b>				
Current:				
Public safety	921	919	874	45
Total expenditures	<u>921</u>	<u>919</u>	<u>874</u>	<u>45</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150</u>	<u>152</u>	<u>107</u>	<u>(45)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(59)	(60)	(60)	--
Total other financing uses	<u>(59)</u>	<u>(60)</u>	<u>(60)</u>	<u>--</u>
Net change in fund balances	91	92	47	(45)
Fund balances - beginning	1,180	1,180	1,180	--
Fund balances - ending	<u>\$ 1,271</u>	<u>\$ 1,272</u>	<u>\$ 1,227</u>	<u>\$ (45)</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
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	<u>2,149</u>	<u>2,135</u>	<u>3,626</u>	<u>1,491</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	1,501	4,422	4,383	39
General county programs	1,439	848	503	345
Total expenditures	<u>2,940</u>	<u>5,270</u>	<u>4,886</u>	<u>384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(791)</u>	<u>(3,135)</u>	<u>(1,260)</u>	<u>1,875</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	--	12	--	(12)
Transfers out	(486)	(413)	(392)	21
Total other financing sources (uses)	<u>(486)</u>	<u>(401)</u>	<u>(392)</u>	<u>9</u>
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	<u>\$ 2,955</u>	<u>\$ 696</u>	<u>\$ 2,580</u>	<u>\$ 1,884</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
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	<u>1,639</u>	<u>1,642</u>	<u>1,734</u>	<u>92</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	<u>669</u>	<u>777</u>	<u>708</u>	<u>69</u>
Total expenditures	<u>669</u>	<u>777</u>	<u>708</u>	<u>69</u>
Excess of revenues over expenditures	<u>970</u>	<u>865</u>	<u>1,026</u>	<u>161</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	23,385	23,385	23,385	--
Transfers out	<u>(24,318)</u>	<u>(24,518)</u>	<u>(24,234)</u>	<u>284</u>
Total other financing sources (uses)	<u>(933)</u>	<u>(1,133)</u>	<u>(849)</u>	<u>284</u>
Net change in fund balances	37	(268)	177	445
Fund balances - beginning	<u>1,830</u>	<u>1,830</u>	<u>1,830</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,867</u>	<u>\$ 1,562</u>	<u>\$ 2,007</u>	<u>\$ 445</u>

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		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 397	\$ 397	\$ 154	\$ (243)
Use of money and property	1	1	6	5
Total revenues	<u>398</u>	<u>398</u>	<u>160</u>	<u>(238)</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	1	11	11	--
Total expenditures	<u>1</u>	<u>11</u>	<u>11</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>397</u>	<u>387</u>	<u>149</u>	<u>(238)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(277)	(277)	(11)	266
Total other financing sources (uses)	<u>(277)</u>	<u>(277)</u>	<u>(11)</u>	<u>266</u>
Net change in fund balances	120	110	138	28
Fund balances - beginning	90	90	90	--
Fund balances - ending	<u>\$ 210</u>	<u>\$ 200</u>	<u>\$ 228</u>	<u>\$ 28</u>

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)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 24,756	\$ 25,181	\$ 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	<u>25,756</u>	<u>26,322</u>	<u>26,444</u>	<u>122</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>345</u>	<u>345</u>	<u>294</u>	<u>51</u>
Total expenditures	<u>345</u>	<u>345</u>	<u>294</u>	<u>51</u>
Excess of revenues over expenditures	<u>25,411</u>	<u>25,977</u>	<u>26,150</u>	<u>173</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(26,988)</u>	<u>(27,598)</u>	<u>(24,492)</u>	<u>3,106</u>
Total other financing sources (uses)	<u>(26,988)</u>	<u>(27,598)</u>	<u>(24,492)</u>	<u>3,106</u>
Net change in fund balances	(1,577)	(1,621)	1,658	3,279
Fund balances - beginning	<u>6,571</u>	<u>6,571</u>	<u>6,571</u>	<u>--</u>
Fund balances - ending	<u>\$ 4,994</u>	<u>\$ 4,950</u>	<u>\$ 8,229</u>	<u>\$ 3,279</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
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	<u>511</u>	<u>511</u>	<u>540</u>	<u>29</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	416	416	412	4
Total expenditures	<u>416</u>	<u>416</u>	<u>412</u>	<u>4</u>
Excess of revenues over expenditures	<u>95</u>	<u>95</u>	<u>128</u>	<u>33</u>
Net change in fund balances	95	95	128	33
Fund balances - beginning	191	191	191	--
Fund balances - ending	<u>\$ 286</u>	<u>\$ 286</u>	<u>\$ 319</u>	<u>\$ 33</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 1	\$ 1	\$ 3	\$ 2
Total revenues	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	63	63	47	16
Total expenditures	<u>63</u>	<u>63</u>	<u>47</u>	<u>16</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62)</u>	<u>(62)</u>	<u>(44)</u>	<u>18</u>
Net change in fund balances	(62)	(62)	(44)	18
Fund balances - beginning	48	48	48	--
Fund balances - ending	<u>\$ (14)</u>	<u>\$ (14)</u>	<u>\$ 4</u>	<u>\$ 18</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
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	<u>2,803</u>	<u>2,997</u>	<u>3,053</u>	<u>56</u>
<b>Expenditures</b>				
Current:				
Community resources & facilities	<u>3,152</u>	<u>3,551</u>	<u>2,628</u>	<u>923</u>
Total expenditures	<u>3,152</u>	<u>3,551</u>	<u>2,628</u>	<u>923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(349)</u>	<u>(554)</u>	<u>425</u>	<u>979</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,016	714	572	(142)
Transfers out	<u>(507)</u>	<u>(205)</u>	<u>(30)</u>	<u>175</u>
Total other financing sources	<u>509</u>	<u>509</u>	<u>542</u>	<u>33</u>
Net change in fund balances	160	(45)	967	1,012
Fund balances - beginning	<u>3,983</u>	<u>3,983</u>	<u>3,983</u>	<u>--</u>
Fund balances - ending	<u>\$ 4,143</u>	<u>\$ 3,938</u>	<u>\$ 4,950</u>	<u>\$ 1,012</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 3	\$ 3	\$ 10	\$ 7
Total revenues	<u>3</u>	<u>3</u>	<u>10</u>	<u>7</u>
<b>Expenditures</b>				
Current:				
General county programs	1	1	1	--
Debt service:				
Principal	330	330	330	--
Interest	<u>82</u>	<u>85</u>	<u>85</u>	<u>--</u>
Total expenditures	<u>413</u>	<u>416</u>	<u>416</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(410)</u>	<u>(413)</u>	<u>(406)</u>	<u>7</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>413</u>	<u>413</u>	<u>392</u>	<u>(21)</u>
Total other financing sources (uses)	<u>413</u>	<u>413</u>	<u>392</u>	<u>(21)</u>
Net change in fund balances	3	--	(14)	(14)
Fund balances - beginning	<u>340</u>	<u>340</u>	<u>340</u>	<u>--</u>
Fund balances - ending	<u>\$ 343</u>	<u>\$ 340</u>	<u>\$ 326</u>	<u>\$ (14)</u>

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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Use of money and property	\$ 150	\$ 179	\$ 250	\$ 71
Intergovernmental	419	449	441	(8)
Total revenues	<u>569</u>	<u>628</u>	<u>691</u>	<u>63</u>
<b>Expenditures</b>				
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	<u>8,237</u>	<u>8,847</u>	<u>8,818</u>	<u>29</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,668)</u>	<u>(8,219)</u>	<u>(8,127)</u>	<u>92</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,818	8,450	8,140	(310)
Total other financing sources (uses)	<u>7,818</u>	<u>8,450</u>	<u>8,140</u>	<u>(310)</u>
Net change in fund balances	150	231	13	(218)
Fund balances - beginning	7,577	7,577	7,577	--
Fund balances - ending	<u>\$ 7,727</u>	<u>\$ 7,808</u>	<u>\$ 7,590</u>	<u>\$ (218)</u>

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		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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	<u>2,016</u>	<u>4,987</u>	<u>2,075</u>	<u>(2,912)</u>
<b>Expenditures</b>				
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	<u>12,071</u>	<u>27,425</u>	<u>11,942</u>	<u>15,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,055)</u>	<u>(22,438)</u>	<u>(9,867)</u>	<u>12,571</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,930	15,983	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)	<u>2,436</u>	<u>11,875</u>	<u>10,894</u>	<u>(981)</u>
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	<u>\$ 20,619</u>	<u>\$ 17,675</u>	<u>\$ 29,265</u>	<u>\$ 11,590</u>

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
<b>ASSETS</b>					
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	<u>4,367</u>	<u>12,631</u>	<u>33,476</u>	<u>6,830</u>	<u>57,304</u>
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	<u>1,615</u>	<u>15,875</u>	<u>27</u>	<u>3,035</u>	<u>20,552</u>
Total assets	<u>5,982</u>	<u>28,506</u>	<u>33,503</u>	<u>9,865</u>	<u>77,856</u>
<b>LIABILITIES</b>					
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	<u>252</u>	<u>288</u>	<u>11,342</u>	<u>66</u>	<u>11,948</u>
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	<u>472</u>	<u>138</u>	<u>23,962</u>	<u>89</u>	<u>24,661</u>
Total liabilities	<u>724</u>	<u>426</u>	<u>35,304</u>	<u>155</u>	<u>36,609</u>
<b>NET ASSETS</b>					
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)	<u>\$ 5,258</u>	<u>\$ 28,080</u>	<u>\$ (1,801)</u>	<u>\$ 9,710</u>	<u>\$ 41,247</u>

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
<b>Operating revenues:</b>					
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	<u>6,157</u>	<u>8,589</u>	<u>24,465</u>	<u>3,298</u>	<u>42,509</u>
<b>Operating expenses:</b>					
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	<u>6,120</u>	<u>8,096</u>	<u>23,546</u>	<u>3,231</u>	<u>40,993</u>
Operating income	<u>37</u>	<u>493</u>	<u>919</u>	<u>67</u>	<u>1,516</u>
<b>Non-operating revenues (expenses):</b>					
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	<u>197</u>	<u>777</u>	<u>1,795</u>	<u>325</u>	<u>3,094</u>
Income before transfers	<u>234</u>	<u>1,270</u>	<u>2,714</u>	<u>392</u>	<u>4,610</u>
Transfers in	40	832	--	--	872
Transfers out	--	(205)	--	(30)	(235)
Transfers in (out), net	<u>40</u>	<u>627</u>	<u>--</u>	<u>(30)</u>	<u>637</u>
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	<u>\$ 5,258</u>	<u>\$ 28,080</u>	<u>\$ (1,801)</u>	<u>\$ 9,710</u>	<u>\$ 41,247</u>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided	\$ 6,152	\$ 8,589	\$ 24,410	\$ 3,294	\$ 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	<u>292</u>	<u>2,673</u>	<u>2,888</u>	<u>541</u>	<u>6,394</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Other receipts	<u>5</u>	<u>--</u>	<u>196</u>	<u>--</u>	<u>201</u>
Net cash provided by noncapital and related financing activities	<u>5</u>	<u>--</u>	<u>196</u>	<u>--</u>	<u>201</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
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	<u>(312)</u>	<u>(4,864)</u>	<u>(24)</u>	<u>(176)</u>	<u>(5,376)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Use of money and property	<u>205</u>	<u>752</u>	<u>1,479</u>	<u>292</u>	<u>2,728</u>
Net cash provided by investing activities	<u>205</u>	<u>752</u>	<u>1,479</u>	<u>292</u>	<u>2,728</u>
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	<u>\$ 4,307</u>	<u>\$ 12,245</u>	<u>\$ 33,073</u>	<u>\$ 6,641</u>	<u>\$ 56,266</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets</b>					
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	<u>\$ 4,307</u>	<u>\$ 12,245</u>	<u>\$ 33,073</u>	<u>\$ 6,641</u>	<u>\$ 56,266</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
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	<u>\$ 292</u>	<u>\$ 2,673</u>	<u>\$ 2,888</u>	<u>\$ 541</u>	<u>\$ 6,394</u>

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
<b>CLEARING AND REVOLVING FUNDS</b>				
Assets:				
Cash and investments	\$ 8,132	\$ 900,894	\$ 900,384	\$ 8,642
Interest receivable	(1)	--	--	(1)
Total assets	<u>\$ 8,131</u>	<u>\$ 900,894</u>	<u>\$ 900,384</u>	<u>\$ 8,641</u>
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	<u>\$ 8,131</u>	<u>\$ 1,422,873</u>	<u>\$ 1,422,363</u>	<u>\$ 8,641</u>
<b>DEPOSITS FUNDS</b>				
Assets:				
Cash and investments	\$ 5,074	\$ 24,630	\$ 25,572	\$ 4,132
Total assets	<u>\$ 5,074</u>	<u>\$ 24,630</u>	<u>\$ 25,572</u>	<u>\$ 4,132</u>
Liabilities:				
Accounts payable	\$ 1	\$ 1,009	\$ 1,009	\$ 1
Funds held for others	5,073	25,639	26,581	4,131
Total liabilities	<u>\$ 5,074</u>	<u>\$ 26,648</u>	<u>\$ 27,590</u>	<u>\$ 4,132</u>
<b>OTHER AGENCY FUNDS</b>				
Assets:				
Cash and investments	\$ 4,722	\$ 99,662	\$ 99,168	\$ 5,216
Interest receivable	37	203	188	52
Total assets	<u>\$ 4,759</u>	<u>\$ 99,865</u>	<u>\$ 99,356</u>	<u>\$ 5,268</u>
Liabilities:				
Accounts payable	\$ 114	\$ 3,414	\$ 3,528	\$ -
Funds held for others	4,645	103,393	102,770	5,268
Total liabilities	<u>\$ 4,759</u>	<u>\$ 106,807</u>	<u>\$ 106,298</u>	<u>\$ 5,268</u>
<b>STATE AND CITY REVENUE FUNDS</b>				
Assets:				
Cash and investments	\$ 3,153	\$ 128,582	\$ 127,122	\$ 4,613
Interest receivable	50	370	298	122
Total assets	<u>\$ 3,203</u>	<u>\$ 128,952</u>	<u>\$ 127,420</u>	<u>\$ 4,735</u>
Liabilities:				
Accounts payable	\$ 205	\$ 112,434	\$ 112,507	\$ 132
Funds held for others	2,998	241,459	239,854	4,603
Total liabilities	<u>\$ 3,203</u>	<u>\$ 353,893</u>	<u>\$ 352,361</u>	<u>\$ 4,735</u>
<b>TAX COLLECTION FUNDS</b>				
Assets:				
Cash and investments	\$ 12,621	\$ 1,387,155	\$ 1,390,213	\$ 9,563
Interest receivable	430	2,570	2,459	541
Total assets	<u>\$ 13,051</u>	<u>\$ 1,389,725</u>	<u>\$ 1,392,672</u>	<u>\$ 10,104</u>
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	<u>\$ 13,051</u>	<u>\$ 1,428,865</u>	<u>\$ 1,431,812</u>	<u>\$ 10,104</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
Assets:				
Cash and investments	\$ 33,702	\$ 2,540,923	\$ 2,542,459	\$ 32,166
Interest receivable	516	3,143	2,945	714
Total assets	<u>\$ 34,218</u>	<u>\$ 2,544,066</u>	<u>\$ 2,545,404</u>	<u>\$ 32,880</u>
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	<u>\$ 34,218</u>	<u>\$ 3,339,086</u>	<u>\$ 3,340,424</u>	<u>\$ 32,880</u>

See accompanying independent auditor's report.

COUNTY OF SANTA BARBARA, CALIFORNIA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE<sup>1</sup>  
 AS OF June 30, 2007 (in thousands)

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	<u>Total</u>
<b>Governmental Funds Capital Assets</b>	
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	<u>\$ 588,193</u>
<b>Investments in governmental funds capital assets by source</b>	
General Fund	\$ 204,586
Special Revenue Funds	337,505
Grants	33,155
Donations	12,947
Total governmental funds capital assets	<u>\$ 588,193</u>

<sup>1</sup> 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<sup>1</sup>  
 AS OF June 30, 2007 (in thousands)

	Land	Structures and Improvements	Equipment	Infra- Structure	Construction in Progress	Total
<b>Function:</b>						
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	<u>\$ 90,817</u>	<u>\$ 201,814</u>	<u>\$ 46,151</u>	<u>\$ 225,985</u>	<u>\$ 23,426</u>	<u>\$ 588,193</u>

<sup>1</sup> 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<sup>1</sup>  
 FOR THE FISCAL YEAR ENDED June 30, 2007 (in thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Function:</b>				
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	<u>\$ 566,288</u>	<u>\$ 47,177</u>	<u>\$ 25,272</u>	<u>\$ 588,193</u>

<sup>1</sup> 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.

<b>CONTENTS</b>	<b>PAGE</b>
<b>FINANCIAL TRENDS</b> These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	<b>130</b>
<b>REVENUE CAPACITY</b> These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	<b>135</b>
<b>DEBT CAPACITY</b> 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.	<b>139</b>
<b>ECONOMIC AND DEMOGRAPHIC INFORMATION</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	<b>142</b>
<b>OPERATING INFORMATION</b> 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.	<b>144</b>

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
<b>Governmental activities</b>										
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
<b>Business-type activities</b>										
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
<b>Primary government</b>										
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
<b>Expenses</b>										
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
<b>Program Revenues</b>										
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	--	--	--	--	66,538	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
<b>Net (expense) / revenue</b>										
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
<b>General Revenues and Other Changes in Net Assets</b>										
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
<b>Changes in Net Assets</b>										
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
<b>General Fund</b>										
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
<b>All Other Governmental Funds</b>										
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)*

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
<b>Revenues (by source):</b>										
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
<b>Expenditures (by function):</b>										
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
<b>Other Financing Sources (Uses)</b>										
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%
<b>Expenditures (2):</b>										
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)**

<b>Fiscal Year</b>	<b>(1) Secured</b>	<b>(2) Unsecured</b>	<b>(3) Unitary</b>	<b>(4) Exempt</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
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**

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<b>Fiscal Year</b>	<b>County Direct Rates</b>		<b>Overlapping Rates</b>		<b>Total</b>
	<b>Santa Barbara County</b>		<b>Cities (1)</b>	<b>Schools (2)</b>	
	<b>General</b>				
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:**

<u>Taxpayers</u>	<u>Type of Business</u>	(1) <u>Net Assessed Secured Property Value</u>	(2) <u>Percentage of Total Net Assessed Value</u>	(3) <u>Total Secured Tax Levy Fiscal Year 2006-07</u>	<u>Percentage of Total Secured Tax Levy Fiscal Year 2006-07</u>
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		<u>\$ 51,974,411</u>	<u>100.00%</u>	<u>\$ 466,497</u>	<u>100.00%</u>

**June 30, 1998:**

<u>Taxpayers</u>	<u>Type of Business</u>	(1) <u>Net Assessed Secured Property Value</u>	(2) <u>Percentage of Total Net Assessed Value</u>	(3) <u>Total Secured Tax Levy Fiscal Year 1997-98</u>	<u>Percentage of Total Secured Tax Levy Fiscal Year 1997-98</u>
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 Incorporated	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		<u>\$ 25,318,174</u>	<u>100.00%</u>	<u>\$ 249,087</u>	<u>100.00%</u>

**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)**

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<b>Fiscal Year</b>	<b>(1) Taxes Levied</b>	<b>(2) Collections within the fiscal year of the levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
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	0.48%	\$ 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	839	385	4,933	118,156	0.33%	290	
2002 - 2003	61,635	1,753	83	1,025	45,000	6,225	408	330	9,388	125,847	0.33%	307	
2003 - 2004	58,773	1,361	67	750	45,000	7,037	210	275	8,999	122,472	0.30%	295	
2004 - 2005	71,169	1,272	1,117	475	55,000	6,886	130	220	8,620	144,889	0.32%	346	
2005 - 2006	65,173	3,301	1,030	200	47,000	5,655	83	165	8,231	130,838	0.26%	310	
2006 - 2007	59,143	5,015	11	-	-	4,321	30	110	7,833	76,463	0.14%	180	

**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)**

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<b>Fiscal Year</b>	<b>(1) Assessed Value</b>	<b>(2) Legal Debt Limit</b>	<b>Total net applicable debt</b>	<b>(3) Legal Debt Margin</b>	<b>Legal Debt Margin / Debt Limit</b>
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)

<b>2006-2007 Assessed Valuation:</b>	\$ 54,521,333
<b>Redevelopment Incremental Valuation:</b>	<u>2,755,032</u>
<b>Adjusted Assessed Valuation:</b>	<u>\$ 51,766,301</u>

<u>Overlapping Tax and Assessment Debt:</u>	<u>Percent Applicable (1)</u>	<u>Debt (3)</u>
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		<u><u>\$395,486</u></u>

<u>Direct and Overlapping General Fund Obligation Debt:</u>	Percent	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		<u>\$ 171,184</u>
Less: Carpinteria Sanitary District (100% self-supporting)		<u>15,580</u>
Total Net Direct and Overlapping General Fund Obligation Debt		<u><u>\$ 155,604</u></u>

Gross Combined Total Debt	\$ 566,670 (2)
Net Combined Total Debt	\$ 551,090

<u>Ratio to 2006-07 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	0.73%

<u>Ratios to Adjusted Assessed Valuation:</u>	
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)**

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<b>(1)</b> <b>Year</b>	<b>(2)</b> <b>Population</b>	<b>(4)</b> <b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>(5)</b> <b>School Enrollment</b>	<b>(6)</b> <b>Unemployment Rate</b>
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
<b>Total Population</b>	<b>424,425</b>

**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**

<b>June 30, 2007</b>			<b>June 30, 1998</b>		
<b>Company or Organization</b>	<b>Jobs (1)</b>	<b>(3) Percent of Total County Employment</b>	<b>Company or Organization</b>	<b>Jobs (2)</b>	<b>(3) Percent of Total County Employment</b>
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**

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
<b>Paid employees</b>										
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	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,582</u>	<u>4,490</u>	<u>4,430</u>	<u>4,382</u>	<u>4,526</u>	<u>4,511</u>
<b>Actual full-time equivalent</b>										
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	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,347</u>	<u>4,295</u>	<u>4,209</u>	<u>4,160</u>	<u>4,233</u>	<u>4,290</u>

**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):**

<u>Fiscal Year</u>	<u>Employees Paid</u>	<u>Full-Time Equivalents</u>
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**

<b>Function/Program</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>Law &amp; justice</b>						
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
<b>Public safety</b>						
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
<b>Health &amp; public assistance</b>						
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
<b>Community resources &amp; public facilities</b>						
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
<b>General government &amp; support services</b>						
Clerk-Recorder-Assessor						
Recorded Documents	110,000	139,000	170,000	131,000	123,700	135,000
<b>Solid Waste</b>						
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**

<b>Function/Program</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
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/ CUFRRs 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

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**GLOSSARY FOR THE COMPREHENSIVE ANNUAL FINANCIAL REPORT - Continued**  
**June 30, 2007**

**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.

**COUNTY OF SANTA BARBARA, CALIFORNIA**  
**GLOSSARY FOR THE COMPREHENSIVE ANNUAL FINANCIAL REPORT - Continued**  
**June 30, 2007**

**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.

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**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 retireable 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).