



# Annual Financial Report

## Fiscal Year Ended June 30, 2011

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**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Santa Barbara County Association of  
Governments  
Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara County Association of Governments (the Association) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Association's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Association'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 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara County Association of Governments, as of June 30, 2011, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 4 to basic financial statements effective July 1, 2010, the Santa Barbara County Association of Governments adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Statements Omnibus*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the budgetary information on pages 34 through 38, and the schedule of funding progress for post employment benefits other than pensions on page 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2011, on our consideration of the Santa Barbara County Association of Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

MOSS, LEVY & HARTZHEIM LLP

A handwritten signature in cursive script that reads "Moss, Levy & Hartzheim".

December 14, 2011

## Management's Discussion and Analysis

As management of the Santa Barbara County Association of Governments (SBCAG), we offer readers of the SBCAG's financial statements this narrative overview and analysis of the financial activities of the SBCAG for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the rest of the report.

### Financial Highlights

- The SBCAG's assets exceeded its liabilities at the close of the most recent fiscal year by \$16,270,117.
- The SBCAG's net assets increased by \$8,295,931 as a result of this fiscal year's operations.
- As of the close of the current fiscal year, the SBCAG's governmental funds reported combined ending fund balances of \$14,321,053, an increase of \$8,760,987 in comparison with the prior fiscal year. Approximately 4.5% of this total amount or \$640,106 is available for spending at the government's discretion (Fund Balance Residual).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$640,106 or 23% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SBCAG's basic financial statements. The SBCAG's basic financial statements are made up of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements and required information.

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

The *Statement of Net Assets* presents information on all of the SBCAG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the SBCAG is improving or deteriorating.

The *Statement of Activities* presents information showing how the SBCAG's net assets changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected intergovernmental revenues and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9-11 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SBCAG, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SBCAG can be classified as either Governmental Funds or Fiduciary Funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The SBCAG maintains five individual governmental 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 Fund, the Ordinance Number One Highway Development Fund, Service Authority for Freeway Emergencies Fund (SAFE), Traffic Solutions Fund, and the Ordinance Number Five Highway Development Fund.

The SBCAG adopts an annual appropriated budget for its General Fund, and its four special revenue funds. Budgetary comparison statements have been provided for these five funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

At June 30, 2011, SBCAG's governmental funds reported total fund balances of \$14,321,053, an increase of \$8,760,987 in comparison with the prior fiscal year's total ending fund balances. The components of total fund balance are as follows:

**Restricted fund balance** – of \$13,680,947 is comprised of: \$1,479,356 in the Serve Authority for Freeway Emergencies fund which represents the annual fee levied on all motor vehicles registered in Santa Barbara County for the administration, operation, and maintenance of the system of freeway call boxes installed on state highways and the operation of a freeway service patrol program; \$ 410,046 in the Traffic Solution fund which primary responsibility is to oversee and administer alternative modes of transportation and \$11,791,545 in the SBCLTA fund which is responsible for the administration of certain state and regional highway projects funded by the half percent sales and use tax approved by the electorate as Measure D in November 1989 and a voter approved extension named Measure A in November 2008. The specific uses of the SBCLTA funds were identified as part of the passage of the sales tax measure and cannot be used for any other purpose without board approval.

**Unassigned fund balance** - of \$640,106 represents the balance of the remaining fund or the SBCAG General Fund.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside of SBCAG. Fiduciary funds are not reflected in the government-wide and fund financial statements because the resources of those funds are not available to support SBCAG's ongoing programs. Fiduciary Funds are reported in the financial section and can be found on pages 15-16 of this report.

**Notes to basic financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17-33 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table presents the SBCAG's net assets at June 30, 2011 and June 30, 2010.

### Net Assets:

	<u>Governmental Activities</u>	
	2011	2010
Current and other assets	\$ 14,750,901	\$ 5,864,134
Capital assets	2,266,679	2,691,498
Total assets	<u>17,017,580</u>	<u>8,555,632</u>
Long-term liabilities outstanding	222,914	227,500
OPEB liabilities	94,701	49,878
Other liabilities	429,848	304,068
Total liabilities	<u>747,463</u>	<u>581,446</u>
Net assets:		
Invested in capital assets	2,266,679	2,691,498
Restricted	13,680,947	2,628,493
Unrestricted	322,491	2,654,195
	<u>\$ 16,270,117</u>	<u>\$ 7,974,186</u>

The SBCAG's assets exceeded liabilities by \$16,270,117, at the close of the current fiscal year. Overall Capital Assets experienced a decrease of \$424,819, from prior fiscal year due to depreciation of assets.

During the current fiscal year, SBCAG's increase to net assets was \$8,295,931. This increase is due to several factors which both decrease and increase net assets of governmental activities.

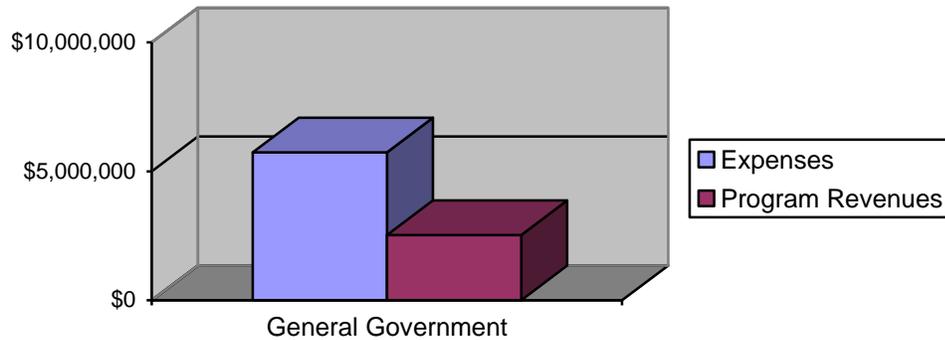
The following table demonstrates the changes in SBCAG's net assets for the years ended June 30, 2011 and June 30, 2010:

### Changes in Net Assets:

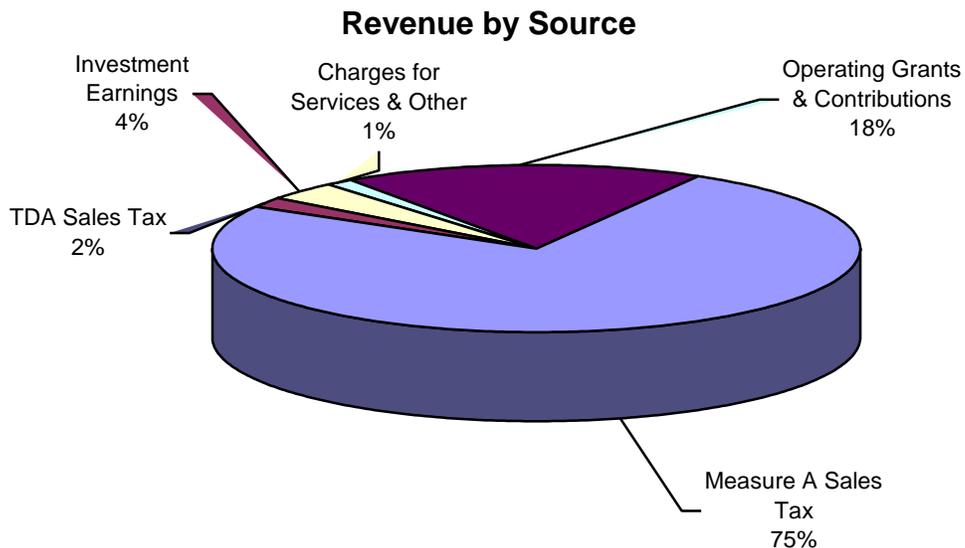
	<u>Governmental Activities</u>	
	2011	2010
Revenues:		
Program revenues		
Charges for services	\$ -	\$ 68,419
Operating grants and contributions	2,531,051	2,776,429
General revenues:		
TDA sales tax	254,185	339,192
Measure A/D sales tax	10,533,764	8,320,528
Investment earnings	529,471	43,021
Other	186,333	42,185
Total revenues	<u>14,034,804</u>	<u>11,589,774</u>
Expenses:		
General government	5,738,873	7,445,565
Interest on long-term debt	-	252,219
Total expenses	<u>5,738,873</u>	<u>7,697,784</u>
Increase in net assets	8,295,931	3,891,990
Net assets - beginning	7,974,186	4,082,196
Net assets - ending	<u>\$ 16,270,117</u>	<u>\$ 7,974,186</u>

The following chart presents the cost of SBCAG's general government function as compared to program revenues. Costs not funded by program revenues are paid for with general revenues, which include Measure D, Measure A and TDA sales taxes, investment earnings, and other revenue sources.

### Expenses and Program Revenues



The following chart depicts SBCAG's various revenue sources. Measure A sales tax revenues represent the largest portion (77%) of resources that flow through the SBCAG.



### Financial Analysis of the SBCAG's Funds

As noted earlier, the SBCAG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the SBCAG's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SBCAG's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the SBCAG's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the SBCAG's governmental funds reported combined ending fund balances of \$14,321,053, an increase of \$8,760,987 in comparison with the prior fiscal year. Approximately 4.5% of this total amount or \$640,106 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is set aside and is not available for spending because it has already been committed to future projects like those funded with Measure A and D (\$11,791,545) which have been previously identified.

The General Fund is the chief operating fund of the SBCAG. At the end of the current fiscal year, total fund balance reached \$640,106, all of which is available to spend at the governments' discretion. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 23% of total General Fund expenditures.

During the current fiscal year the SBCAG's General Fund balance decreased by \$468,726. This is due to anticipated expenditures being greater than revenues received in the fund.

The fund balance of the Ordinance Number One Highway Development Fund increased by \$171,915. This amount is attributed to the final settlement payment for a shared property with the City of Santa Barbara.

The Ordinance Number Five Highway Development was established in fiscal year 2010-2011 and had an ending fund balance of 8,991,137.

### General Fund Budgetary Highlights

There were no appropriation adjustments necessary in the general fund budget. Adopted appropriations were sufficient to cover all general fund operations during the fiscal year.

The General Fund expenditures were slightly greater than anticipated which resulted in the need to draw upon existing fund balances. At the end of the fiscal year the General Fund experienced a decrease to available fund balance of \$468,726.

### Capital Assets and Debt Administration

**Capital Assets.** The SBCAG's investment in capital assets as of June 30, 2011, amounts to \$2,266,679 net of accumulated depreciation. This investment in capital assets includes office equipment, furniture, software, commuter buses, and highway call boxes. The decrease in SBCAG's investments in capital was due to depreciation and disposals.

#### Capital Assets (net of depreciation):

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Equipment and furniture	\$ 39,441	\$ 61,118
Vehicles (commuter buses)	1,612,523	1,894,158
Callboxes	614,715	736,222
Total	<u>\$ 2,266,679</u>	<u>\$ 2,691,498</u>

Additional information on the SBCAG's capital assets can be found in Note III.C. on page 25 of this report.

### Long-term Liabilities

At the end of the current fiscal year, the SBCAG had total long-term liabilities outstanding in the amount of \$317,615 which is comprised of compensated absences of \$222,914 and OPEB obligations of \$94,701. Additional information on the SBCAG's long-term liabilities can be found in Note III.F. on page 27 of this report.

## **Economic Factors and Next Fiscal Year's Budgets and Rates**

The revenue and expenditure projections incorporated into the FY 2011-12 budget are based upon historical data with inflationary increases; revenue estimates for grants and sales tax revenues provided by outside agencies like the State Department of Transportation and the County Auditor's Office; and adjustments to expenditures to reflect the various stages of ongoing and new projects that the SBCAG will undertake in the coming year.

A priority of the SBCAG is to continue its longstanding policies of prudent fiscal management while ensuring long-term financial stability. The adopted budget for FY 2011-12 projects a combined decrease in fund balance of \$3,642,650.

## **Requests for Information**

This financial report is designed to provide a general overview of the SBCAG's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to SBCAG's Finance Officer at 260 N. San Antonio Road, Suite B, Santa Barbara, CA 93110.

# **Basic Financial Statements**



**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and investments	\$ 13,879,358
Receivables	871,543
Capital assets, net of depreciation	2,266,679
Total assets	17,017,580
<b>LIABILITIES:</b>	
Accounts payable and accrued liabilities	428,034
Deferred revenue	1,814
Non-current liabilities:	
Due within one year	21,962
Due in more than one year	295,653
Total liabilities	747,463
<b>NET ASSETS:</b>	
Invested in capital assets	2,266,679
Restricted for:	
Future projects	13,680,947
Unrestricted	322,491
Total net assets	\$ 16,270,117

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

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**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Statement of Activities**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2011**

<u>Functions/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses), Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
General government	\$ 5,738,873	\$ -	\$ 2,531,051	\$ (3,207,822)
Total governmental activities	<u>\$ 5,738,873</u>	<u>\$ -</u>	<u>\$ 2,531,051</u>	<u>(3,207,822)</u>

General revenues:	
TDA sales tax	254,185
Measure A/D sales tax	10,533,764
Investment earnings	529,471
Other	186,333

Total general revenues	<u>11,503,753</u>
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Change in net assets	8,295,931
Net assets, beginning of fiscal year	7,974,186
Net assets, end of fiscal year	<u>\$ 16,270,117</u>

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

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Balance Sheet  
Governmental Funds  
June 30, 2011**

	Special Revenue Funds					Total Governmental Funds
	General Fund	Ordinance Number One Highway Development Fund	Service Authority for Freeway Emergencies Fund	Traffic Solutions Fund	Ordinance Number Five Highway Development Fund	
<b>ASSETS:</b>						
Cash and investments	\$ 388,414	\$ 2,860,450	\$ 1,264,894	\$ 337,978	\$ 9,027,622	\$ 13,879,358
Receivables:						
Accounts	3,247		8,010			11,257
Interest	328	4,902	2,532	585	15,100	23,447
Due from other funds	111,950					111,950
Due from other governments	336,853		296,905	91,131		724,889
 Total assets	\$ 840,792	\$ 2,865,352	\$ 1,572,341	\$ 429,694	\$ 9,042,722	\$ 14,750,901
 <b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable and accrued liabilities	200,686	14,615	82,046	2,522	51,586	351,455
Due to other funds		50,328	9,125	17,126		76,579
Deferred revenue			1,814			1,814
 Total liabilities	200,686	64,943	92,985	19,648	51,586	429,848
 Fund balances:						
Restricted						
State and Regional Highway Projects		2,800,408			8,991,137	11,791,545
Callbox and Freeway Service Patrol			1,479,356			1,479,356
Alternative Transportation				410,046		410,046
Unassigned	640,106					640,106
 Total fund balances	640,106	2,800,408	1,479,356	410,046	8,991,137	14,321,053
 Total liabilities and fund balances	\$ 840,792	\$ 2,865,351	\$ 1,572,341	\$ 429,694	\$ 9,042,723	
 Amounts reported for governmental activities in the Statement of Net Assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						2,266,679
Long-term liabilities, such as OPEB liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.						(317,615)
 Net assets of governmental activities						\$ 16,270,117

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

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Special Revenue Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Ordinance Number One Highway Development Fund</u>	<u>Service Authority for Freeway Emergencies Fund</u>	<u>Traffic Solutions Fund</u>	<u>Ordinance Number Five Highway Development Fund</u>	
<b>REVENUES:</b>						
Transportation Development Act tax	\$ 254,185	\$ -	\$ -	\$ -	\$ -	\$ 254,185
Measure D sales tax		404,759				404,759
Measure A sales tax	311,004				9,818,000	10,129,004
Use of money and property		501,932	6,163	2,617	18,759	529,471
Intergovernmental	1,674,451		589,934	266,666		2,531,051
Other	62,299	124,014	20			186,333
<b>Total revenues</b>	<u>2,301,939</u>	<u>1,030,705</u>	<u>596,117</u>	<u>269,283</u>	<u>9,836,759</u>	<u>14,034,803</u>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Salaries and benefits	1,991,271	136,758	51,100	143,440	241,377	2,563,946
Services and supplies	768,232	539,099	479,162	125,037	469,151	2,380,681
Other	11,162	182,933			135,094	329,189
<b>Total expenditures</b>	<u>2,770,665</u>	<u>858,790</u>	<u>530,262</u>	<u>268,477</u>	<u>845,622</u>	<u>5,273,816</u>
<b>Net change in fund balances</b>	(468,726)	171,915	65,855	806	8,991,137	8,760,987
Fund balances, beginning of fiscal year	1,108,832	2,628,493	1,413,501	409,240		5,560,066
<b>Fund balances, end of fiscal year</b>	<u>\$ 640,106</u>	<u>\$ 2,800,408</u>	<u>\$ 1,479,356</u>	<u>\$ 410,046</u>	<u>\$ 8,991,137</u>	<u>\$ 14,321,053</u>

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

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

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

Net change in fund balances - total governmental funds (p. 13): \$ 8,760,987

- (1) Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, the loss on disposal of capital assets does not use current financial resources but decreases net assets. The net effect of the capital asset transactions is presented below.

Capital outlay	\$ -	
Depreciation	(424,819)	
	(424,819)	(424,819)

- (2) The net decrease in other long-term liabilities does not use current financial resources and, therefore, is not reported as an expenditure in governmental funds. 4,586

- (3) Accrued OPEB obligations do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds (44,823)

Change in net assets of governmental activities (p. 11) \$ 8,295,931

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

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<u>Expendable Trust Funds</u>					<u>Total Fiduciary Funds</u>
	<u>Local Transportation Fund</u>	<u>Legal Fee Settlement Fund</u>	<u>State Transit Assistance Fund</u>	<u>1/2 Cent Sales Tax Fund</u>	<u>Surface Transportation Program Fund</u>	
<b>ASSETS:</b>						
Cash and investments	\$ 454,901	\$ 77,420	\$ 5,848,744	\$ 36,178	\$ 6,924,709	\$ 13,341,952
Interest Receivable	369	153	11,644	455	16,289	28,910
Due from other governments	2,198,500			4,767,200	3,848,999	10,814,699
Total assets	<u>2,653,770</u>	<u>77,573</u>	<u>5,860,388</u>	<u>4,803,833</u>	<u>10,789,997</u>	<u>24,185,561</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities		75,938				75,938
Due to other governments	453,960		5,739,129	36,178	1,100,807	7,330,074
Total liabilities	<u>453,960</u>	<u>75,938</u>	<u>5,739,129</u>	<u>36,178</u>	<u>1,100,807</u>	<u>7,406,012</u>
<b>NET ASSETS:</b>						
Restricted for future projects					3,385,316	3,385,316
Unrestricted	2,199,810	1,635	121,259	4,767,655	6,303,874	13,394,233
Total Restricted/Unrestricted	<u>2,199,810</u>	<u>1,635</u>	<u>121,259</u>	<u>4,767,655</u>	<u>9,689,190</u>	<u>16,779,549</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,199,810</u>	<u>\$ 1,635</u>	<u>\$ 121,259</u>	<u>\$ 4,767,655</u>	<u>\$ 9,689,190</u>	<u>\$ 16,779,549</u>

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

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Expendable Trust Funds</u>					<u>Totals</u>
	<u>Local Transportation Fund</u>	<u>Legal Fee Settlement Fund</u>	<u>State Transit Assistance Fund</u>	<u>1/2 Cent Sales Tax Fund</u>	<u>Surface Transportation Program Fund</u>	
<u>Additions</u>						
Sales Tax						
TDA	\$ 13,698,062	\$ -	\$ -	\$ -	\$ -	\$ 13,698,062
Measure A				29,345,753		29,345,753
State Transit Assistance			132,309			132,309
Surface Transportation Program Exchange					3,848,999	3,848,999
Interest		339	28,802	37,662	50,637	117,440
Other	2,562					2,562
<b>Total Revenues</b>	<b>13,700,624</b>	<b>339</b>	<b>161,111</b>	<b>29,383,415</b>	<b>3,899,636</b>	<b>47,145,125</b>
<u>Deductions</u>						
Claims paid or payable to claimants:						
City of Buellton	7,739		5,734	280,956		294,429
City of Carpinteria	8,665			626,579		635,244
City of Goleta	18,327			1,153,213	245,021	1,416,561
City of Guadalupe	189,582		18,630	354,449		562,661
City of Lompoc	1,843,481		54,388	1,765,870	169,838	3,833,577
City of Santa Barbara	54,308			2,765,466	728,478	3,548,252
City of Santa Maria	3,705,069		26,068	3,673,466	2,710,090	10,114,693
City of Solvang	378,037			317,528		695,565
County of Santa Barbara	484,129			5,511,066	1,537,613	7,532,808
Easy Lift	313,433			160,032		473,465
SBMTD	5,955,232			1,544,620		7,499,852
SMOOTH	201,341		30,003	36,637		267,981
SBCAG Capital Projects Funds				10,397,817		10,397,817
SBCAG Planning Allocation	263,264			291,389		554,653
Department of Transportation					750,000	750,000
Other	1,800			3,250	125,000	130,050
<b>Total Expenses</b>	<b>13,424,407</b>	<b>0</b>	<b>134,823</b>	<b>28,882,338</b>	<b>6,266,040</b>	<b>48,707,608</b>
Change in net assets	276,217	339	26,288	501,077	(2,366,404)	(1,562,483)
Net Assets - beginning of fiscal year	1,923,593	1,296	94,971	4,266,578	12,055,594	18,342,032
Net Assets - end of fiscal year	<b>\$ 2,199,810</b>	<b>\$ 1,635</b>	<b>\$ 121,259</b>	<b>\$ 4,767,655</b>	<b>\$ 9,689,190</b>	<b>\$ 16,779,549</b>

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

# **Notes to the Financial Statements**



**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

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**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Santa Barbara County Association of Governments (SBCAG) is a voluntary council of governments formed in 1966 under a joint powers agreement executed by each of the general purpose local governments in Santa Barbara County. The SBCAG's thirteen member board consists of the five members of the County Board of Supervisors and one city council representative from each of the eight incorporated cities within the County. The purpose of the SBCAG is to engage in regional planning, programming, project delivery, and operational activities.

The accompanying financial statements present the activities of the SBCAG (the primary government) and its blended component unit, the Santa Barbara County Local Transportation Authority (SBCLTA). A blended component unit is a legally separate entity for which the primary government is considered to be financially accountable. Financial accountability is demonstrated by the SBCAG Board acting as the governing board for the SBCLTA. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations, so data from this unit is combined (blended) with the data of the primary government for reporting purposes.

**Blended Component Unit**

The SBCLTA is responsible for the administration of certain state and regional highway projects funded by the half percent sales and use tax approved by the electorate as Measure D in November 1989 and a voter approved extension named Measure A in November 2008. Additional detailed financial information for the SBCLTA can be obtained from the Santa Barbara County Association of Governments, 260 North San Antonio Road, Suite B, Santa Barbara, CA 93110.

**B. Government-Wide and Fund 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 unit. For the most part, the effect of interfund activity has been removed from these statements, and eliminations have been made to minimize the double counting of internal activities.

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 benefit more than one specific function or segment and are allocated accordingly. 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 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 financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

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I. Summary of Significant Accounting Policies (continued)

C. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SBCAG considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

For the governmental fund financial statements, the SBCAG considers most revenues susceptible to accrual, and recognizes revenue if the accrual criteria have been met. Specifically, intergovernmental revenues, interest, and charges for services are all susceptible to accrual when the underlying exchange transaction occurs, and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant and accounting requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by SBCAG.

The SBCAG's accounts 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 focus of governmental fund financial statements is on major funds rather than the reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. SBCAG's accounts are organized into major and fiduciary funds, as follows:

Major Governmental Funds

The **General Fund** is SBCAG's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Ordinance Number One Highway Development Fund** is used to account for the SBCLTA's thirty percent share of Measure D sales tax revenues, which is used to finance the development and construction of previously approved major projects. Since the Measure D ½ cent sales tax has sunset, this fund will slowly phase out as the available cash balance in the fund is used to complete the remaining projects originally identified.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

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I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The **Service Authority for Freeway Emergencies (SAFE) Fund** is used to account for an annual fee levied on all motor vehicles registered in Santa Barbara County for the administration, operation, and maintenance of the system of freeway call boxes installed on state highways in the County and for the operation of the freeway service patrol program.

The **Traffic Solutions Fund** receives a combination of federal, state, and local funding sources to create and administer a variety of transportation demand management programs, which promote alternative transportation methods

The **Ordinance Number Five Highway Development Fund** is used to account for the SBCLTA's share of Measure A ½ cent sales tax revenues which is used to finance the development and construction of previously approved projects as identified in the Measure A Investment Plan.

**Fiduciary Funds**

The **Local Transportation Fund** is used to account for Transportation Development Act revenues, which are claimed by local agencies for pedestrian and bike facilities, transit services, and streets and roads.

The **State Transit Assistance Fund** is used to account for Transportation Development Act revenues, which are claimed by local agencies for transit and transportation planning purposes.

The **½ Cent Sales Tax Fund** is used to account for revenues received from the Measure A half percent sales tax for state and regional highway projects, public transit, local street and road projects, and administrative expenses. Ordinance Number Five specifies that the proceeds from the half percent sales tax shall be divided among state and regional projects identified in the Expenditure Plan.

The **Surface Transportation Program Fund** is used to administer the receipt and disbursement of State Highway Account funds. Under ISTEA and TEA-21, SBCAG receives an annual apportionment of federal Surface Transportation Program funds that are to be used for transportation projects within Santa Barbara County. These federal funds are then exchanged with Caltrans for a like amount of State Highway Account funds.

The **Legal Fee Settlement Fund** is used to account for pending settlements and interest earnings on those amounts.

D. **Assets, Liabilities, and Net Assets**

1. **Cash and Investments**

The SBCAG's cash and cash equivalents include cash on hand, cash held by fiscal agent, and investments held by the Treasurer of the County of Santa Barbara in a cash management investment pool (the "pool").

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

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**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Assets (continued)**

The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, Corporate bonds and notes repurchase agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools", investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined annually 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 (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute.

Most SBCAG funds are required by legal provisions to participate in the County's cash management investment pool.

**2. 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".

The SBCAG only accrues revenues at fiscal year end and accrues only those revenues it deems collectible; therefore, there are no allowances for uncollectible accounts. All accounts receivable are expected to be collected within one year with the exception of \$1,814 that is attributed to reimbursements for call box damage.

At June 30, 2011, the SBCAG had \$724,889 of intergovernmental accounts receivable due from federal, state and local governments.

**3. Capital Assets**

Capital assets, which include general office equipment, furniture, software, highway call boxes, and commuter buses, are reported in the applicable governmental column in the government-wide financial statements. Such 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 on which they were contributed. 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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

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**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Assets(continued)**

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

Office equipment	3-5 years
Office furniture	10 years
Software	3 years
SAFE call boxes	10 years
Vehicles (commuter buses)	12 years

**4. Compensated Absences**

It is SBCAG's policy to permit employees to accumulate earned, but unused, vacation and sick leave benefits. Upon separation or retirement, employees are paid for accumulated, unused vacation benefits only. All vacation pay is accrued when incurred in the government-wide financial statements. In accordance with GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Government 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 SBCAG subsequent to year-end.

Employees, upon separation or retirement, do not receive any payment for accumulated, unused sick leave. However, employees eligible for retirement benefits may apply their unused sick leave toward determining their length of service for purposes of determining their retirement benefits. No liability is accrued for unpaid accumulated sick leave since it is the SBCAG's policy to record the cost of sick leave only when it is used.

**5. Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets

**6. Fund Balance**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which SBCAG is bound to honor constraints on how specific amounts can be spent.

*Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the SBCAG Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

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**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Assets(continued)**

*Assigned fund balance* – amounts that are constrained by the SBCAG’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County’s special revenue funds.

*Unassigned fund balance* – the residual classification for SBCAG’s funds that includes amounts not contained in the other classifications.

The SBCAG Board establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

**7. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use whether through the enabling legislation adopted by SBCAG or through external restrictions imposed by creditors, grantors or laws or regulation of other governments.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Budgets are adopted annually on a cash basis for the General Fund, and the special revenue funds. The cash basis differs from generally accepted accounting principles (GAAP); therefore, a reconciliation of the budgetary cash basis to GAAP is presented in the Note to Required supplementary Information on page 40.

Amendments to the adopted budget require SBCAG Board approval. Reported budget amounts are as originally adopted and subsequently amended. Annual appropriations lapse at fiscal year end. Budgetary control is generally exercised at the expenditure object level within each fund.

Supplemental appropriations for those funds which the SBCAG adopted an annual budget were completed to shift appropriations between funds.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

**III. Detailed Notes on All Funds**

**A. Cash and Investments**

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 13,879,358
Fiduciary funds:	
Cash and investments	<u>13,341,952</u>
Total Cash and Investments	<u><u>27,221,310</u></u>

Cash and investments as of June 30, 2011, consist of the following:

Cash on hand	450
Cash equivalents in County Investment Pool	27,220,860
Total cash and investments	<u><u>\$ 27,221,310</u></u>

**1. Investments Authorized by SBCAG's Investment Policy**

The SBCAG investment policy only authorizes investment in the local government investment pool administered by the Santa Barbara County Treasurer. The Santa Barbara County Treasurer's investment policy does not contain any specific provision intended to limit SBCAG's exposure to interest rate risk, credit risk, and concentration of credit risk. All investments are made in accordance with the California Government Code and in general the Treasurer's policy is more restrictive than State Law.

**2. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average days to maturity (WAM) of the investments contained in the Santa Barbara County Treasurer investment pool was approximately 529 days at June 30, 2011.

Information about the sensitivity of the fair values of the SBCAG's investment to market interest rate fluctuation is provided by the following table that shows the maturity date of each investment:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity 12 Months or Less</u>
Cash equivalents in County Investment Pool	\$ 27,220,860	\$ 27,220,860
	<u><u>\$ 27,220,860</u></u>	<u><u>\$ 27,220,860</u></u>

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

**III. Detailed Notes on All Funds(continued)**

**A. Cash and Investments(continued)**

**3. Disclosures Relating to Credit Risk and Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Santa Barbara County Treasurer mitigates these risks by holding a diversified portfolio as set forth in its investment policy dated May 2009. This investment policy stipulates specific parameters by type of investment for credit quality, maturity length and maximum percentage investments. In addition, the investment policy stipulates that 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.

**Disclosures Relating to Credit Risk:**

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating as of Year End Not Rated</u>
Cash equivalents in County Investment Pool	\$ 27,220,860		\$ -	\$ 27,220,860
	<u>\$ 27,220,860</u>		<u>\$ -</u>	<u>\$ 27,220,860</u>

**4. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Santa Barbara County Treasurer investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. At June 30, 2011, SBCAG had no deposits with financial institutions in excess of federal depository insurance limits.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. All securities held in the Santa Barbara County Treasurer investment pool are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

**5. Investment in Santa Barbara County Treasurer Investment Pool**

SBCAG is a voluntary participant in the Santa Barbara County Treasurer's investment pool that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of SBCAG's investment in this pool is reported in the accompanying financial statements at amounts based upon SBCAG's pro-rata share of the fair value provided by the Santa Barbara County Treasurer for the entire investment pool. The

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

**III. Detailed Notes on All Funds(continued)**

**A. Cash and Investments(continued)**

balance available for withdrawal is based on the accounting records maintained by the Santa Barbara County Treasurer.

**B. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned.

At June 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Service Authority for Freeway Emergencies fund			
Reimbursement for call box damage	\$ -	\$ 1,814	\$ 1,814
Total governmental funds	<u>\$ -</u>	<u>\$ 1,814</u>	<u>\$ 1,814</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Equipment/Furniture	\$ 218,684	\$ -	\$ -	\$ 218,684
Vehicles	3,333,856			3,333,856
Software	25,579			25,579
Call Boxes	1,215,068			1,215,068
Total capital assets	<u>4,793,187</u>			<u>4,793,187</u>
Less accumulated depreciation:				
Equipment/Furniture	(157,566)	(21,677)		(179,243)
Vehicles	(1,439,698)	(281,635)		(1,721,333)
Software	(25,579)	-		(25,579)
Call Boxes	(478,846)	(121,507)		(600,353)
Total accumulated depreciation	<u>(2,101,689)</u>	<u>(424,819)</u>		<u>(2,526,508)</u>
Total capital assets, net of depreciation	<u>\$ 2,691,498</u>	<u>\$ (424,819)</u>	<u>\$ -</u>	<u>\$ 2,266,679</u>

Depreciation expense of \$ 424,819 was charged to the general government function.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

**III. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances at June 30, 2011, was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ord. No. One Hwy Development Fund	\$ 50,328
	Ord No. Five Hwy Development Fund	35,371
	Service Authority for Fwy Emergencies Fund	9,125
	Traffic Solutions Fund	17,126
		<u>\$ 111,950</u>

Salaries and benefits are initially paid by the General Fund and then reimbursed by the other funds that have incurred the obligation. Amounts due to the General Fund for unreimbursed salaries and benefits will be repaid in the next fiscal year.

**E. Lease Obligations**

The SBCAG leases its office space under a noncancelable operating lease with the County of Santa Barbara. This lease went into effect in July 2003 and expires July 2033. The total cost to lease office space and on-site storage facilities for the year ended June 30, 2011, was \$107,285.

During the current period SBCAG also leased two Mita copy machines under lease agreements expiring July 2011 and May 2014. The total cost for these leases was \$8,677 for the year ended June 30, 2011.

Future minimum lease payments for these leases as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	115,064
2013	116,078
2014	115,319
2015	111,523
2016	111,523
2017-2033	1,747,467
Total	<u>\$ 2,316,974</u>

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

**III. Detailed Notes on All Funds (continued)**

**F. Long-Term Liabilities**

Long-term liabilities at June 30, 2011, consist of employee compensated absences and OPEB obligations. Payments for compensated absences and OPEB obligations are recorded in the funds incurring the obligations.

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/11</u>	<u>Due Within One Year</u>
Compensated absences	227,500	157,569	162,155	222,914	21,962
OPEB obligation	49,878	68,226	23,403	94,701	
<b>Total</b>	<u><u>\$ 277,378</u></u>	<u><u>\$ 225,795</u></u>	<u><u>\$ 185,558</u></u>	<u><u>\$ 317,615</u></u>	<u><u>\$ 21,962</u></u>

**IV. Other Information**

**A. Risk Financing**

The SBCAG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. These risks are covered by commercial insurance purchased from independent third parties. There have been no reductions in insurance coverage as compared to the previous year, and for the past three fiscal years, no settlement amounts have exceeded insurance coverage.

**B. Related Party Transactions**

The SBCAG utilizes the Financial Information Network of the County of Santa Barbara for the maintenance of its books and records. Financial transactions are initiated and approved by the SBCAG, but the County Auditor-Controller performs data entry, report generation, warrant issuance, and other related functions on behalf of the SBCAG. The County Treasurer deposits the SBCAG's cash into the County's cash management investment pool where it is commingled and invested with the funds of other pool participants.

The SBCAG is not a component unit of the County of Santa Barbara; however, SBCAG's investment pool deposits are included in the basic financial statements of the County of Santa Barbara in an investment trust fund.

The SBCAG typically reimburses the County of Santa Barbara each year for a share of County overhead costs. For the year ended June 30, 2011, \$44,972 was paid to the County for allocated overhead costs.

**C. Commitments and Contingencies**

The SBCAG receives Federal financial assistance from the U.S. Department of Transportation. This financial assistance is provided to the SBCAG as a reimbursement of expenditures incurred in the administration of certain Federal programs. Federal financial assistance is recognized as revenue at the time related expenditures are incurred, not when the funds are actually received. Although the SBCAG's financial assistance programs have been audited through June 30, 2011, in accordance with the provisions of OMB Circular A-133, these

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

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**IV. Other Information (continued)**

programs may be subject to further financial and compliance audits by the reimbursing agencies. The amount of any expenditure that may be disallowed by the reimbursing agencies cannot be determined at this time although the SBCAG expects such amounts, if any, to be immaterial.

In order to complete state and regional highway projects funded by Measure A and D sales tax revenues, the SBCLTA has entered into various agreements. At June 30, 2011, the aggregate outstanding commitments under these agreements were \$417,924 for design services, support on construction, consultant and project management support within our jurisdiction. Additional agreements totaling approximately \$794,359 are also outstanding as of June 30, 2011. These services deal primarily with consultant contracts for services on various programs for which SBCAG is responsible such as the Freeway Service Patrol program, ITS Improvement Project and the Travel Model Upgrade.

**D. Deferred Compensation Plan**

The SBCAG offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all employees at their option, allows participants to defer a portion of their salary until future years. This deferral acts as a savings plan which shelters funds from state and federal taxation until withdrawal. Deferred compensation cannot be withdrawn from the plan by participants until termination, retirement, death, or extreme financial hardship. Amounts deferred by employees and the related income are held in trust by the plan provider for the exclusive benefit of the participants and their beneficiaries. These amounts are not owned by the SBCAG nor are they available to the SBCAG's creditors.

Under the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the SBCAG is not required to report the value of the plan assets since the assets are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the values of the plan assets and any related liability to plan participants have been excluded from the SBCAG's financial statements.

**E. Retirement Plan**

Plan Description

The Santa Barbara County Public 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, 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 several retirement plans; five are currently available to new employees. SBCAG employees are enrolled in General Plan 5A. All plans provide benefits as defined by the County Employees Retirement law upon retirement, death or disability of members based on age, years of service, final average salary (generally 12 highest consecutive months), and the benefit options selected. Cost-of-living adjustments after retirement are provided in all plans except General Plan 2.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

**IV. Other Information (continued)**

**E. Retirement Plan(continued)**

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 from the Santa Barbara County Employees' Retirement System located at 3916 State Street, 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 SBCAG employees, a portion of the member's contribution is paid by the SBCAG. Employee contributions are based upon each individual member's age of entry into the system. Employee contributions cannot be withdrawn until separation from employment.

Employer Contribution

Employer contribution rates are as follows:

General Plan 5A	County: 20.54%	All SBCAG employees enrolled in plan (Effective October 1, 2008-June 30, 2010)
General Plan 5A	County: 17.26%	All SBCAG employees enrolled in plan (Effective July 1, 2008-September 30, 2008)

Three-Year Trend Information

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

Fiscal Year Ending	Contributions/ Annual Pension Cost	Percentage Contributed
6/30/2009	\$ 362,163	100%
6/30/2010	\$ 397,633	100%
6/30/2011	\$ 461,640	100%

**F. Other Post Employment Benefits**

Plan Description

The SBCAG's postemployment healthcare plan (OPEB) provides medical benefits to eligible retired SBCAG employees and their beneficiaries pursuant to California Government Code Section 31694 et. Seq. The SBCAG's OPEB Plan is administered in part by the Santa Barbara County Employees Retirement System (Retirement System) and California Public Employees

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

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**IV. Other Information (continued)**

**F. Other Post Employment Benefits (continued)**

Retirement System (CalPERS). Members of the OPEB Plan include retirees of the County and of other employer plan sponsors, as well as their eligible dependents. The SBCAG is considered a plan sponsor.

In September 2008, the SBCAG and the Retirement System adopted an Internal Revenue Code (IRC) Section 401(h) account that provide for these benefits. Under GASB Statement No. 43, *Reporting for Post Employment Benefit Plans Other Than Pensions*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the liability related to the plan is required to be determined for both retirement systems and employers. GASB Statement No. 45 is not limited to the reporting of vested benefits

Retiree health premiums for SBCERS are rated separately from the premiums for active employees. CalPERS retiree health premiums are community-rated as described in Paragraph 13a(2) of GASB Statement No. 45. The premium rates reflect the projected health claims experience for all participating employers and the same premiums are charged for both active employees and retirees. For this reason, there is no implicit rate subsidy and only direct subsidies are valued.

All SBCAG retirees depending upon employment status as of December 31, 2009, how soon they retire after termination of employment and elections made by the members, retirees will receive one of the following three options for health benefits.

1. Retiree health benefits through CalPERS, with a limited employer subsidy. The limit was \$475 in calendar year 2010, is \$517 in 2011 and will be \$527 in 2012 and beyond. If the monthly premium for the health plan selected is less than the limit, the subsidy is limited to the entire premium.

The health plans can include coverage for an eligible spouse and/or dependents. After a member's death, a surviving spouse is eligible to continue coverage. The maximum subsidy for a surviving spouse is the same as it is for a retiree.

2. Coverage in SBCERS health plans, with a monthly subsidy equal to \$15 per month per year of benefits service. If the monthly premium for the health plan selected is less than \$15 times years of service, the subsidy is limited to the entire premium.

The health plans can include coverage for an eligible spouse and/or dependents. After the member's death, a surviving spouse is eligible to continue health plan coverage. The monthly subsidy benefit will be equal to \$15 per year of service multiplied by the survivor continuation percentage applicable for pension benefits.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 per month or a \$15 per year of service, whichever is greater.

3. Some retirees who choose not to participate in an employer-sponsored health plan receive a cash benefit of \$4 per month per year of service. After the member's death, a surviving spouse is eligible to receive a monthly cash benefit equal to \$4 per year of service times the survivor continuation percentage applicable for pension benefits.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

---

**IV. Other Information (continued)**

**F. Other Post Employment Benefits (continued)**

Plan Benefits

Employees who were actively employed as of December 31, 2009 are eligible for CalPERS retiree health benefits, provided they meet the eligibility criteria. If they were vested in the SBCERS retirement plan, terminate employment with SBCAG and retire within 120 days of termination, they are eligible to receive health benefits through CalPERS,, with employer contribution limited as specified by resolution (\$517 in 2011). Both retirees and their qualified dependents are eligible for health coverage. Alternatively, retirees who were actively employed as of December 31, 2009 may choose a monthly cash benefit of \$4 per year of service.

If employees who were actively employed as of December 31, 2009 are vested in the SBCERS retirement plan, terminate employment with SBCAG, but do not retire within 120 days, they will be eligible to receive the monthly benefit of \$15 per year of service to be used toward SBCERS retiree health benefits. Once again, they are also eligible to elect a monthly cash benefit of \$4 per year of service when they begin receiving pension benefits. If these members do not commence receiving pension benefits within 120 days of termination, they will not be eligible for the health care coverage provide through CalPERS.

All employees hired on or after January 1 2010 will only be eligible for CalPERS Retiree Health benefits provided they terminate their employment from SBCAG and retire within 120 days. These employees will not be eligible for either the \$4 or \$15 benefit plans otherwise offered by SBCERS.

Retirees as of December 31, 2009 who had selected the monthly benefit of \$15 per year of service toward SBCARS benefits were moved to the CalPERS plan as of January 2010 if they retired within 120 days of termination. They were also eligible to switch to the \$4 cash benefit. For the following valuation, it was assumed that these retirees will continue with the benefits chosen as of the valuation date.

Retirees as of December 31, 2009 who had selected the monthly benefit of \$15 per year of service toward SBCARS benefits and had not retired within 120 days of termination remained with the SBCERS benefits. They are eligible to change to the \$4 cash benefit. For the following valuation, it was assumed that those who were covered by the \$15 SBCERS benefit as of the valuation date will continue to receive those benefits.

Members who terminated employment prior to January 1, 2010 with a vested deferred pension benefit from SBCERS are only eligible for the \$15 SBCERS benefit or the \$4 cash benefit. This is because they did not retire from SBCAG within 120 days of terminating employment.

At the time of the following valuation, only the \$15 SBCERS subsidy and \$4 cash benefits were available to SBCAG members.

Funding Policy

The SBCAG, as a plan sponsor, individually determines their separate contributions into the SBCERS and CalPERS to fund the OPEB Plan. The SBCAG has decided to adopt a pay as you go employer contribution plan. Each pay period SBCAG contributes an amount equal to the retiree's OPEB benefits paid to them by SBCERS and monthly contributes the established premium into the CalPERS system. During fiscal year 2010-11, expenditures of \$23,403 were recognized for post-retirement health insurance contributions on a pay as you go basis.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**

**Notes to Basic Financial Statements**

**June 30, 2011**

**IV. Other Information (continued)**

**F. Other Post Employment Benefits (continued)**

The SBCAG is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The ARC represents an accounting expense, but SBCAG is not required to contribute the ARC into a trust. If SBCAG does not set aside funds equal to the ARC each year, then a net OPEB obligation is disclosed. The current ARC rate is 2.21 percent of annual covered payroll.

Annual OPEB Cost

For fiscal years 2010-2011, SBCAG's annual OPEB cost of \$68,226. The SBCAG's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years beginning 2008-2009 through 2010-2011, were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 39,314	29.1%	\$ 27,871
June 30, 2010	39,314	44.0%	22,007
June 30, 2011	68,226	34.3%	<u>44,823</u>
			<u><u>\$ 94,701</u></u>

Funded Status and Funding Progress

The Funded status of the plan as of June 30, 2010 valuation, is as follows

Actuarial accrued liability (AAL)	\$ 759,896
Actuarial value of plan assets	<u>                    </u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 759,896</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,860,804
UAAL as a percentage of covered payroll	41.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2011

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**IV. Other Information (continued)**

**F. Other Post Employment Benefits (continued)**

Actuarial Methods and Assumptions

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of SBCERS and CalPERS. Any variations in future experience from that expected from these assumptions will affect the estimated costs of health benefits. In the June 30, 2010 actuarial valuation, an open/rolling amortization period of 30 years is used. This is the longest amortization period available and will result in the lowest level of ARC and Net OPEB obligations status for the employers' accounting statements. This is common practice if little or no prefunding is expected. When appropriate, assumptions for valuing the OPEB Plan match the assumptions used for the SBCERS pension plan. In December 2010, Milliman completed a review of SBCERS experience from July 2007 through June 2010. As a result of that study, changes were made to the termination, retirement, disability, mortality, and economic assumptions and were reflected in the 2010 SBCERS pension valuation. For this OPEB valuation, we assumed that 65% of future retirees will select a monthly subsidy for employer health plan benefits, while 35% will select the \$4 cash benefit option. This is the same assumption that was used for the June 30, 2010 OPEB valuation for SBCERS.

The SBCAG did not pre-fund retiree healthcare costs nor did the SBCAG establish an irrevocable trust for retiree healthcare costs

**G. New Accounting Pronouncements**

*Governmental Accounting Standards Board Statement No. 54*

For the fiscal year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of the Statement and the impact on SBCAG's financial statements are explained on pages 21 and 22, Fund Balances.

*Governmental Accounting Standards Board Statement No. 59*

For the fiscal year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 59, "Financial Instruments Omnibus." The Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of the GASB Statement No. 59, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2011.



## **Required Supplementary Information**



**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Cash Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Transportation Development Act tax	\$ 273,000	\$ 273,000	\$ 254,185	\$ (18,815)
Measure D sales tax	317,000	317,000	311,004	(5,996)
Use of money and property	10,000	10,000	3,443	(6,557)
Intergovernmental	1,994,000	1,994,000	1,866,012	(127,988)
Other	903,000	903,000	774,242	(128,758)
<b>Total revenues</b>	<u>3,497,000</u>	<u>3,497,000</u>	<u>3,208,886</u>	<u>(288,114)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Salaries and benefits	2,608,000	2,608,000	2,558,044	49,956
Services and supplies	1,204,400	1,204,400	1,004,446	199,954
Other	36,200	36,200	10,441	25,759
Capital outlay	14,300	14,300	3,302	10,998
<b>Total expenditures</b>	<u>3,862,900</u>	<u>3,862,900</u>	<u>3,576,233</u>	<u>286,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(365,900)</u>	<u>(365,900)</u>	<u>(367,347)</u>	<u>(1,447)</u>
Net change in fund balance	(365,900)	(365,900)	(367,347)	(1,447)
Fund balance, beginning of fiscal year	754,957	754,957	754,957	
<b>Fund balance, end of fiscal year</b>	<u>\$ 389,057</u>	<u>\$ 389,057</u>	<u>\$ 387,610</u>	<u>\$ (1,447)</u>

The note to the required supplementary information is an integral part of this statement.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Cash Basis)**  
**Ordinance Number One - Highway Development (Measure D)**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Measure D sales tax	\$ 547,000	\$ 547,000	\$ 404,760	\$ (142,240)
Use of money and property	522,000	522,000	510,466	(11,534)
Other		125,000	124,014	(986)
Total revenues	<u>1,069,000</u>	<u>1,194,000</u>	<u>1,039,240</u>	<u>(154,760)</u>
<b>EXPENDITURES:</b>				
Current:				
Services and supplies	1,168,200	1,194,600	672,005	522,595
Other		200,000	182,933	17,067
Capital Outlay		200,000	1,016	198,984
Total expenditures	<u>1,168,200</u>	<u>1,594,600</u>	<u>855,954</u>	<u>738,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(99,200)</u>	<u>(400,600)</u>	<u>183,286</u>	<u>583,886</u>
Net change in fund balance	(99,200)	(400,600)	183,286	583,886
Fund balance, beginning of fiscal year	2,671,243	2,671,243	2,671,243	
Fund balance, end of fiscal year	<u>\$ 2,572,043</u>	<u>\$ 2,270,643</u>	<u>\$ 2,854,529</u>	<u>\$ 583,886</u>

The note to the required supplementary information is an integral part of this statement.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Cash Basis)**  
**Service Authority for Freeway Emergencies**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$ 15,000	\$ 15,000	\$ 11,732	\$ (3,268)
Intergovernmental	619,000	619,000	354,749	(264,251)
Other			20	20
Total revenues	<u>634,000</u>	<u>634,000</u>	<u>366,501</u>	<u>(267,499)</u>
<b>EXPENDITURES:</b>				
Current:				
Services and supplies	504,000	504,000	489,300	14,700
Capital outlay	1,100	1,100	254	846
Total expenditures	<u>505,100</u>	<u>505,100</u>	<u>489,554</u>	<u>15,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,900</u>	<u>128,900</u>	<u>(123,053)</u>	<u>(251,953)</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(20,000)	(20,000)		20,000
Total other financing uses	<u>(20,000)</u>	<u>(20,000)</u>		<u>20,000</u>
Net change in fund balance	108,900	108,900	(123,053)	(231,953)
Fund balance, beginning of fiscal year	1,385,330	1,385,330	1,385,330	
Fund balance, end of fiscal year	<u>\$ 1,494,230</u>	<u>\$ 1,494,230</u>	<u>\$ 1,262,277</u>	<u>\$ (231,953)</u>

The note to the required supplementary information is an integral part of this statement.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Cash Basis)**  
**Traffic Solutions**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ 2,543	\$ (7,457)
Intergovernmental	220,300	540,300	491,133	(49,167)
Total revenues	<u>230,300</u>	<u>550,300</u>	<u>493,676</u>	<u>(56,624)</u>
<b>EXPENDITURES:</b>				
Current:				
Services and supplies	507,000	346,600	259,182	87,418
Capital outlay	2,200	2,200	508	1,692
Total expenditures	<u>509,200</u>	<u>348,800</u>	<u>259,690</u>	<u>89,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(278,900)</u>	<u>201,500</u>	<u>233,986</u>	<u>32,486</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	260,400			
Total other financing sources	<u>260,400</u>			
Net change in fund balance	(18,500)	201,500	233,986	32,486
Fund balance, beginning of year	103,293	103,293	103,293	
Fund balance, end of year	<u>\$ 84,793</u>	<u>\$ 304,793</u>	<u>\$ 337,279</u>	<u>\$ 32,486</u>

The note to the required supplementary information is an integral part of this statement.

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Cash Basis)**  
**Ordinance Number Five - Highway Development (Measure A)**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Measure A sales tax	\$ 10,989,000	\$ 10,989,000	\$ 9,818,000	\$ (1,171,000)
Use of money and property	61,500	61,500	21,078	(40,422)
Intergovernmental	158,400	158,400		(158,400)
Total revenues	<u>11,208,900</u>	<u>11,208,900</u>	<u>9,839,078</u>	<u>(1,369,822)</u>
<b>EXPENDITURES:</b>				
Current:				
Services and supplies	8,975,000	9,059,000	658,943	8,400,057
Other	200,000	150,000	135,094	14,906
Capital Outlay	4,400	4,400		4,400
Total expenditures	<u>9,179,400</u>	<u>9,213,400</u>	<u>794,037</u>	<u>8,419,363</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,029,500</u>	<u>1,995,500</u>	<u>9,045,041</u>	<u>7,049,541</u>
<b>OTHER FINANCING SOURCES/USES:</b>				
Transfers out	(260,400)			
Transfers in	20,000	20,000		(20,000)
Total other financing sources/uses	<u>(240,400)</u>	<u>20,000</u>		<u>(20,000)</u>
Net change in fund balance	1,789,100	2,015,500	9,045,041	7,029,541
Fund balance, beginning of fiscal year				
Fund balance, end of fiscal year	<u>\$ 1,789,100</u>	<u>\$ 2,015,500</u>	<u>\$ 9,045,041</u>	<u>\$ 7,029,541</u>

The note to the required supplementary information is an integral part of this statement.

## Note to Required Supplementary Information

### SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table provides required supplementary information regarding the Association's post employment healthcare benefits.

#### SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2009	\$ 0	\$ 545,254	\$ 545,254	0.0%	1,778,455	30.7%
6/30/2010	0	759,896	759,896	0.0%	1,830,804	41.5%

## Note to Required Supplementary Information

### Stewardship, Compliance, and Accountability

#### A. Budgetary Information

Budgets are adopted annually on a cash basis for the General Fund and each of our four special revenue funds. The cash basis differs from generally accepted accounting principles (GAAP); therefore, a reconciliation of the budgetary cash basis to GAAP is presented below.

Amendments to the adopted budget require SBCAG Board approval. Reported budget amounts are as originally adopted and subsequently amended. Annual appropriations lapse at fiscal year end. Budgetary control is generally exercised at the expenditure object level within each fund.

Supplemental appropriations for those funds which the SBCAG adopted an annual budget were used to shift costs from fund to fund rather than to implement to expenditures..

#### B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2011 total expenditures did not exceed total appropriations for any funds with adopted budgets.

#### C. Budgetary/GAAP Basis Differences

Accounting principles used by the SBCAG in developing data on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP). The following table reconciles the amounts on the Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (which are presented on a non-GAAP budgetary basis) to the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the following governmental funds.

	General Fund	Ord. No. One Highway Development	Service Authority for Freeway Emergencies	Trafic Solutions	Ord. no. Five Highway Development
Fund balances (budgetary basis)	\$ 387,610	\$ 2,854,529	\$ 1,262,277	\$ 337,279	\$ 9,045,041
Basis differences:					
Revenue accruals	452,380	4,902	307,446	91,716	(21,077)
Expenditure accruals	(200,687)	(64,943)	(92,985)	(19,648)	(51,586)
Fair value adjustments	803	5,920	2,618	699	18,759
Fund balance (GAAP basis)	<u>\$ 640,106</u>	<u>\$ 2,800,408</u>	<u>\$1,479,356</u>	<u>\$410,046</u>	<u>\$8,991,137</u>

#### D. Other Post Employment Benefits (OPEB) Plan

The information provided on page 28-32 is intended to help users assess the SBCAG's OPEB plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and to make comparisons with other public employers. The information presented relates solely to SBCAG and not Santa Barbara County Employees Retirement System or the California Public Employees Retirement System as a whole.