

Annual Financial Report

Fiscal Year Ended June 30, 2010

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SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

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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, 2010, 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, 2010, 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 IV. G in the notes to basic financial statements effective July 1, 2009, the Santa Barbara County Association of Governments adopted Governmental Accounting Standards Board (GASB) Statement No. No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the budgetary information on pages 32 through 35, and the schedule of funding progress for post employment benefits other than pensions on page 36, 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 November 1, 2010, 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Santa Barbara County Association of Governments' basic financial statements. The accompanying schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Cash Basis) – Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Santa Barbara County Association of Governments. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MOSS, LEVY & HARTZHEIM LLP

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

November 1, 2010

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, 2010. 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 \$7,974,186.
- The SBCAG's net assets increased by \$3,891,990 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 \$5,560,066, a decrease of \$3,992,947 in comparison with the prior fiscal year. Approximately 53% of this total amount or \$2,931,573 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,108,832 or 47% 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 8-9 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 Debt Service Fund.

The SBCAG adopts an annual appropriated budget for its General Fund, Debt Service Fund, and its three 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 10-12 of this report.

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 13-14 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 15-31 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, 2010 and June 30, 2009.

Net Assets:

	Governmental Activities	
	2010	2009
Current and other assets	\$ 5,864,134	\$ 10,530,385
Capital assets	2,691,498	3,086,462
Total assets	<u>8,555,632</u>	<u>13,616,847</u>
Long-term liabilities outstanding	227,500	8,509,377
OPEB liabilities	49,878	27,871
Other liabilities	304,068	997,403
Total liabilities	<u>581,446</u>	<u>9,534,651</u>
Net assets:		
Invested in capital assets	2,691,498	3,086,462
Restricted	2,628,493	6,143,770
Unrestricted	2,654,195	(5,148,036)
	<u>\$ 7,974,186</u>	<u>\$ 4,082,196</u>

The SBCAG's assets exceeded liabilities by \$7,974,186, at the close of the current fiscal year.

Overall Capital Assets experienced a decrease of \$394,964, from prior fiscal year due to depreciation and disposals.

During the current fiscal year, SBCAG's increase to net assets were \$3,891,990. This increase is due to several factors which both decrease and increase net assets of governmental activities such as net changes in capital assets and transactions relating to long term debt.

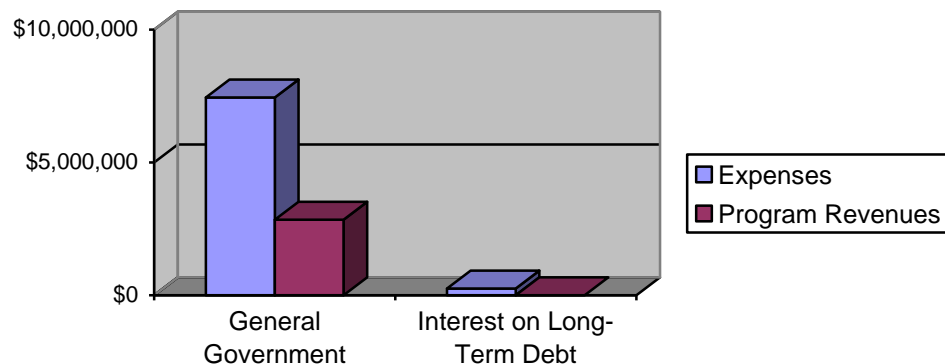
The following table demonstrates the changes in SBCAG's net assets for the years ended June 30, 2010 and June 30, 2009:

Changes in Net Assets:

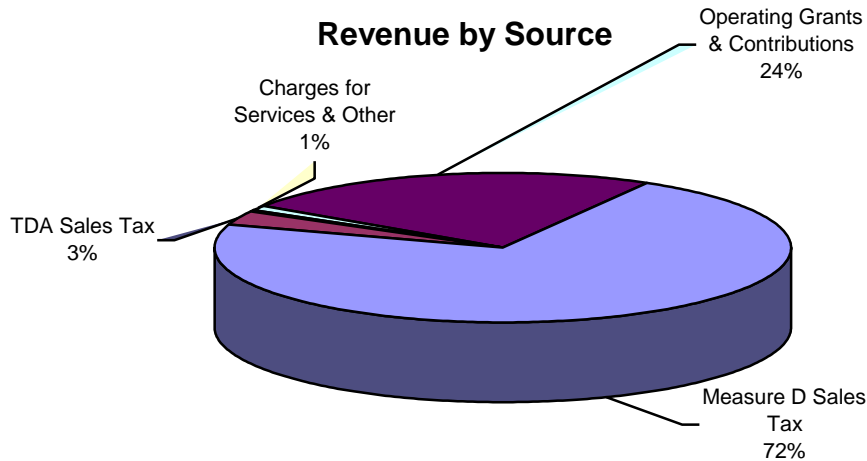
	Governmental Activities	
	2010	2009
Revenues:		
Program revenues		
Charges for services	\$ 68,419	\$ 959,003
Operating grants and contributions	2,776,429	2,602,952
General revenues:		
TDA sales tax	339,192	271,882
Measure D sales tax	8,320,528	9,002,046
Investment earnings	43,021	409,407
Other	42,185	22,337
Total revenues	<u>11,589,774</u>	<u>13,267,627</u>
Expenses:		
General government	7,445,565	12,605,397
Interest on long-term debt	252,219	552,626
Total expenses	<u>7,697,784</u>	<u>13,158,023</u>
Increase in net assets	3,891,990	109,604
Net assets - beginning	4,082,196	3,972,592
Net assets - ending	<u>\$ 7,974,186</u>	<u>\$ 4,082,196</u>

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

Expenses and Program Revenues



The following chart depicts SBCAG's various revenue sources. Measure D sales tax revenues represent the largest portion (72%) 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 \$5,560,066, a decrease of \$3,992,947 in comparison with the prior fiscal year. Approximately 53% of this total amount or \$2,931,573 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to future projects like those funded with Measure D (\$2,628,493).

The General Fund is the chief operating fund of the SBCAG. At the end of the current fiscal year, total fund balance reached \$1,108,832, all of which is unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 47% of total General Fund expenditures.

During the current fiscal year the SBCAG's General Fund balance decreased by \$109,842. 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 decreased by \$653,283. This amount is attributed to the final operating transfers of principal and interest deposits for the debt service obligations of both the 2003 and 2006 bond issues.

The fund balance in the Traffic Solutions Fund decreased by \$467,701. This decrease was due to the operations of Clean Air Express bus service being transferred to the City of Lompoc as opposed to handling fare revenues internally.

The fund balance of the Debt Service fund decreased by \$2,950,147 or by the balance of the fund. This decrease is a direct result of the completion of the debt service obligations and resulting maturity of both the series 2003 and 2006 bond issues.

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 \$109,842.

Capital Assets and Debt Administration

Capital Assets. The SBCAG's investment in capital assets as of June 30, 2010, amounts to \$2,691,498 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):

	Governmental Activities	
	2010	2009
Equipment and furniture	\$ 61,118	\$ 111,835
Vehicles (commuter buses)	1,894,158	2,115,952
Software	-	946
Callboxes	736,222	857,729
Total	<u>\$ 2,691,498</u>	<u>\$ 3,086,462</u>

Additional information on the SBCAG's capital assets can be found in Note III.C. on page 23 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 \$277,378 which is comprised of compensated absences of \$227,500 and OPEB obligations of \$49,878. The reason for the significant decrease as compared to prior year is primarily due to the maturity of both the Series 2003 and 2006 bonds and the completion of all debt service obligations.

Additional information on the SBCAG's long-term liabilities can be found in Note III.F. on page 25 of this report.

Economic Factors and Next Fiscal Year's Budgets and Rates

The revenue and expenditure projections incorporated into the FY 2010-11 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 2010-11 projects a combined increase in fund balance of \$1,440,000.

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.

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Basic Financial Statements

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SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS
Statement of Net Assets
Governmental Funds
June 30, 2010

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 4,943,188
Receivables	920,946
Capital assets, net of depreciation	2,691,498
Total assets	<u>8,555,632</u>
LIABILITIES:	
Accounts payable and accrued liabilities	301,104
Deferred revenue	2,964
Non-current liabilities:	
Due within one year	22,602
Due in more than one year	254,776
Total liabilities	<u>581,446</u>
NET ASSETS:	
Invested in capital assets	2,691,498
Restricted for:	
Future projects	2,628,493
Unrestricted	2,654,195
Total net assets	<u>\$ 7,974,186</u>

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

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS
Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2010

<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	\$ 7,445,565	\$ 68,419	\$ 2,776,429	\$ (4,600,717)
Interest on long-term debt	252,219			(252,219)
Total governmental activities	<u>\$ 7,697,784</u>	<u>\$ 68,419</u>	<u>\$ 2,776,429</u>	<u>(4,852,936)</u>
General revenues:				
TDA sales tax				339,192
Measure D sales tax				8,320,528
Investment earnings				43,021
Other				42,185
Total general revenues				<u>8,744,926</u>
Change in net assets				3,891,990
Net assets, beginning of fiscal year				4,082,196
Net assets, end of fiscal year				<u>\$ 7,974,186</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, 2010

	Special Revenue Funds					Total Governmental Funds
	General Fund	Ordinance Number One Highway Development Fund	Service Authority for Freeway Emergencies Fund	Traffic Solutions Fund	Debt Service Fund	
ASSETS:						
Cash and investments	\$ 759,313	\$ 2,686,661	\$ 1,393,326	\$ 103,888	\$ -	\$ 4,943,188
Receivables:						
Accounts	1,801		4,717			6,518
Interest	940	3,939	2,723	615		8,217
Due from other governments	528,416		61,719	316,076		906,211
Total assets	\$ 1,290,470	\$ 2,690,600	\$ 1,462,485	\$ 420,579	\$ -	\$ 5,864,134
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	181,638	62,107	46,020	11,339		301,104
Deferred revenue			2,964			2,964
Total liabilities	181,638	62,107	48,984	11,339		304,068
Fund balances:						
Reserved for future projects		2,628,493				2,628,493
Unreserved, undesignated	1,108,832		1,413,501	409,240		2,931,573
Total fund balances	1,108,832	2,628,493	1,413,501	409,240		5,560,066
Total liabilities and fund balances	\$ 1,290,470	\$ 2,690,600	\$ 1,462,485	\$ 420,579	\$ -	
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> <p>Long-term liabilities, which include compensated absences and OPEB liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.</p>						<p>2,691,498</p> <p>(277,378)</p>
Net assets of governmental activities						\$ 7,974,186

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, 2010

	<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>Debt Service Fund</u>	
REVENUES:						
Transportation Development Act tax	\$ 339,192	\$ -	\$ -	\$ -	\$ -	\$ 339,192
Measure D sales tax	270,470	8,050,058				8,320,528
Use of money and property	3,890	24,940	12,537	1,654		43,021
Intergovernmental	1,594,118		633,286	549,025		2,776,429
Other	42,175		10	68,419		110,604
Total revenues	<u>2,249,845</u>	<u>8,074,998</u>	<u>645,833</u>	<u>619,098</u>	<u>-</u>	<u>11,589,774</u>
EXPENDITURES:						
Current:						
Salaries and benefits	1,756,207	314,783	26,779	341,235		2,439,004
Services and supplies	587,935	2,370,855	431,028	716,052		4,105,870
Other	15,545	115,781		213,070		344,396
Capital outlay				56,214		56,214
Debt service:						
Principal					8,335,000	8,335,000
Interest					302,237	302,237
Total expenditures	<u>2,359,687</u>	<u>2,801,419</u>	<u>457,807</u>	<u>1,326,571</u>	<u>8,637,237</u>	<u>15,582,721</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,842)</u>	<u>5,273,579</u>	<u>188,026</u>	<u>(707,473)</u>	<u>(8,637,237)</u>	<u>(3,992,947)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in				239,772	5,687,090	5,926,862
Transfers out		(5,926,862)				(5,926,862)
Total other financing sources (uses)		<u>(5,926,862)</u>		<u>239,772</u>	<u>5,687,090</u>	
Net change in fund balances	<u>(109,842)</u>	<u>(653,283)</u>	<u>188,026</u>	<u>(467,701)</u>	<u>(2,950,147)</u>	<u>(3,992,947)</u>
Fund balances, beginning of fiscal year	1,218,674	3,281,776	1,225,475	876,941	2,950,147	9,553,013
Fund balances, end of fiscal year	<u>\$ 1,108,832</u>	<u>\$ 2,628,493</u>	<u>\$ 1,413,501</u>	<u>\$ 409,240</u>	<u>\$ -</u>	<u>\$ 5,560,066</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, 2010

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

Net change in fund balances - total governmental funds (p. 11): \$ (3,992,947)

- (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	56,214	
Depreciation	(415,450)	
Loss on disposal of capital assets	(35,728)	
	(394,964)	(394,964)

- (2) The decrease in interest payable does not use current financial resources but is recorded as an decrease in expense in the Statement of Activities. 88,153
- (3) Principal payments on long-term debt use current financial resources of governmental funds but have no effect on net assets. 8,335,000
- (4) Governmental funds report the effect of bond issuance costs, premiums, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (106,257)
- (5) The net increase in other long-term liabilities does not use current financial resources and, therefore, is not reported as an expenditure in governmental funds. (14,988)
- (6) The net accrued OPEB obligations do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds (22,007)

Change in net assets of governmental activities (p. 9) \$ 3,891,990

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, 2010

	<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>	
ASSETS:						
Cash and investments	\$ 43,309	\$ 119,784	\$ 6,274,553	\$ 88,107	\$ 9,203,549	\$ 15,729,302
Interest Receivable	406	281	7,723	229	25,171	33,810
Due from other governments	1,923,300		32,494	4,266,500	4,104,288	10,326,582
Total assets	<u>1,967,015</u>	<u>120,065</u>	<u>6,314,770</u>	<u>4,354,836</u>	<u>13,333,008</u>	<u>26,089,694</u>
LIABILITIES						
Accounts payable and accrued liabilities		118,769				118,769
Due to other governments	43,422		6,219,799	88,258	1,277,414	7,628,893
Total liabilities	<u>43,422</u>	<u>118,769</u>	<u>6,219,799</u>	<u>88,258</u>	<u>1,277,414</u>	<u>7,747,662</u>
NET ASSETS:						
Restricted for future projects					5,677,357	5,677,357
Unrestricted	1,923,593	1,296	94,971	4,266,578	6,378,237	12,664,675
Total Restricted/Unrestricted	<u>1,923,593</u>	<u>1,296</u>	<u>94,971</u>	<u>4,266,578</u>	<u>12,055,594</u>	<u>18,342,032</u>
TOTAL NET ASSETS	<u><u>\$ 1,923,593</u></u>	<u><u>\$ 1,296</u></u>	<u><u>\$ 94,971</u></u>	<u><u>\$ 4,266,578</u></u>	<u><u>\$ 12,055,594</u></u>	<u><u>\$ 18,342,032</u></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, 2010

	<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	\$ 12,562,859	\$ -	\$ -	\$ -	\$ -	\$ 12,562,859
Measure D				18,290,701		18,290,701
Measure A				4,266,500		4,266,500
State Transit Assistance			3,198,484			3,198,484
Surface Transportation Program Exchange					4,104,288	4,104,288
Interest		1,296	47,947		118,686	167,929
Other		118,769				118,769
 Total Revenues	<u>12,562,859</u>	<u>120,065</u>	<u>3,246,431</u>	<u>22,557,201</u>	<u>4,222,974</u>	<u>42,709,530</u>
<u>Deductions</u>						
Claims paid or payable to claimants:						
City of Buellton	2,767		25,159	292,282		320,208
City of Carpinteria	8,404			678,242		686,646
City of Goleta	17,901			1,337,812	81,485	1,437,198
City of Guadalupe	179,555		39,488	361,465		580,508
City of Lompoc	1,655,568		338,344	1,883,161		3,877,073
City of Santa Barbara	53,175			3,803,148	226,670	4,082,993
City of Santa Maria	3,469,293		744,582	3,885,645	5,023,089	13,122,609
City of Solvang	364,434		105,132	334,867	338,251	1,142,684
County of Santa Barbara	530,450		10,470	6,089,224	311,522	6,941,666
Easy Lift	295,173		102,064	60,660		457,897
SBMTD	5,608,291		1,675,230			7,283,521
SMOOTH	187,889		206,015			393,904
SBCAG Capital Projects Fund				3,731,437		3,731,437
SBCAG Planning Allocation	249,192			270,470		519,662
Other	98,436	118,769		9,883	125,000	352,088
 Total Expenses	<u>12,720,528</u>	<u>118,769</u>	<u>3,246,484</u>	<u>22,738,296</u>	<u>6,106,017</u>	<u>44,930,094</u>
 Change in net assets	<u>(157,669)</u>	<u>1,296</u>	<u>(53)</u>	<u>(181,095)</u>	<u>(1,883,043)</u>	<u>(2,220,564)</u>
Net Assets - beginning of fiscal year	2,083,281		95,024	4,447,673	13,938,637	20,564,615
Prior Year Adjustment to Net Assets	(2,019)					(2,019)
Net Assets - beginning of fiscal year-Restated	<u>2,081,262</u>		<u>95,024</u>	<u>4,447,673</u>	<u>13,938,637</u>	<u>20,562,596</u>
Net Assets - end of fiscal year	<u>\$ 1,923,593</u>	<u>\$ 1,296</u>	<u>\$ 94,971</u>	<u>\$ 4,266,578</u>	<u>\$ 12,055,594</u>	<u>\$ 18,342,032</u>

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

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Notes to the Financial Statements

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SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

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. 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, 2010

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 first used to cover the principal and interest payments on the outstanding bonds. The remainder is used to finance the development and construction of previously approved major projects.

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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

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, including a commuter bus service.

The **Debt Service Fund** accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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 D half percent sales tax for state and regional highway projects, public transit, local street and road projects, and administrative expenses. Ordinance Number One specifies that the proceeds from the half percent sales tax shall be divided with seventy percent allocated by formula to the cities and the County and the remaining thirty percent allocated to the SBCLTA to 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").

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,

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

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.

Some 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 \$2,964 that is attributed to reimbursements for call box damage.

At June 30, 2010, the SBCAG had \$906,211 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.

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

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line 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. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as expenditures in the period in which the related payment is made.

6. Fund Balance

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

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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted annually on a cash basis for the General Fund, certain special revenue funds, and the Debt Service Fund. 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 \$116,000. The change to the adopted budget is attributed to arbitrage payments made from the Ordinance Number One Highway Development Fund.

III. Detailed Notes on All Funds

A. Cash and Investments

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 4,943,188
Fiduciary funds:	
Cash and investments	<u>15,729,302</u>
Total Cash and Investments	<u>\$ 20,672,490</u>

Cash and investments as of June 30, 2010, consist of the following:

Cash on hand	\$ 450
Cash equivalents in County Investment Pool	<u>20,672,040</u>
Total cash and investments	<u>\$ 20,672,490</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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

III. Detailed Notes on All Funds (continued)

A. Cash and Investments (continued)

2. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provision of the California Government Code or Santa Barbara County Treasurer investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
US Treasury Obligations	None	None	None
Money Market Funds	N/A	N/A	N/A

3. 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 391 days at June 30, 2010.

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>Remaining Maturity 12 Months or Less</u>
Cash equivalents in County Investment Pool	\$ 20,672,040	\$ 20,672,040
	<u>\$ 20,672,040</u>	<u>\$ 20,672,040</u>

4. 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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

III. Detailed Notes on All Funds (continued)

A. Cash and Investments (continued)

Disclosures Relating to Credit Risk:

<u>Investment Type</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	\$ 20,672,040	\$ -	\$ 20,672,040
	<u>\$ 20,672,040</u>	<u>\$ -</u>	<u>\$ 20,672,040</u>

5. 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, 2010, 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.

6. 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 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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

III. Detailed Notes on All Funds (continued)

B. Deferred Revenue (continued)

At June 30, 2010, 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	\$ -	\$ 2,964	\$ 2,964
Total governmental funds	<u>\$ -</u>	<u>\$ 2,964</u>	<u>\$ 2,964</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Equipment/Furniture	\$ 319,983	\$ -	\$ 101,299	\$ 218,684
Vehicles	3,301,255	56,214	23,613	3,333,856
Software	46,515		20,936	25,579
Call Boxes	1,215,068			1,215,068
Total capital assets	<u>4,882,821</u>	<u>56,214</u>	<u>145,848</u>	<u>4,793,187</u>
Less accumulated depreciation:				
Equipment/Furniture	(208,148)	(21,677)	(72,259)	(157,566)
Vehicles	(1,185,303)	(272,266)	(17,871)	(1,439,698)
Software	(45,569)		(19,990)	(25,579)
Call Boxes	(357,339)	(121,507)		(478,846)
Total accumulated depreciation	<u>(1,796,359)</u>	<u>(415,450)</u>	<u>(110,120)</u>	<u>(2,101,689)</u>
Total capital assets, net of depreciation	<u>\$ 3,086,462</u>	<u>\$ (359,236)</u>	<u>\$ 35,728</u>	<u>\$ 2,691,498</u>

Depreciation expense of \$415,450 was charged to the general government function.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at June 30, 2010, was as follows:

Transfers to/from other funds:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Ord. No. One Hwy Development Fund	Debt Service Fund	\$ 5,687,090
	Traffic Solutions Fund	239,772
		<u>\$ 5,926,862</u>

Transfers are used to (1) move Measure D sales tax receipts identified for debt service from the Ordinance Number One Highway Development Fund to the Debt Service Fund to accumulate resources for payments of principal and interest on the bonds and to (2) move revenues from funds required by statute or budget to collect them in the Traffic Solutions fund for expenditures authorized by the budget.

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, 2010, was \$107,153.

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, 2010.

Future minimum lease payments for these leases as of June 30, 2010, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 115,929
2012	111,807
2013	111,807
2014	111,047
2015	107,252
2016-2033	1,851,345
Total	<u>\$ 2,409,187</u>

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

III. Detailed Notes on All Funds (continued)

F. Long-Term Liabilities

Long-term liabilities at June 30, 2010, consist of employee compensated absences and OPEB obligations. At June 30, 2010 all bond obligations have been met. No future premiums or amortization of deferred amounts are necessary.

Payments for compensated absences, OPEB obligations, and principal and interest payments on the bonds are recorded in the funds incurring the obligations.

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Balance 7/1/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/10</u>	<u>Due Within One Year</u>
Bonds payable:					
Refunding bonds	\$ 4,155,000	\$ -	\$ 4,155,000	\$ -	\$ -
2006 revenue bonds	4,180,000		4,180,000		
Deferred amounts:					
Unamortized premium	64,732		64,732		
On refunding	<u>(102,867)</u>	<u>102,867</u>			
Total bonds payable	8,296,865	102,867	8,399,732	-	-
Compensated absences	212,512	156,579	141,591	227,500	22,602
OPEB obligation	27,871	39,314	17,307	49,878	
Total	<u>\$ 8,537,248</u>	<u>\$ 298,760</u>	<u>\$ 8,558,630</u>	<u>\$ 277,378</u>	<u>\$ 22,602</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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

IV. Other Information (continued)

B. Related Party Transactions (continued)

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, 2010, \$60,253 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, 2010, in accordance with the provisions of OMB Circular A-133, these 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 D sales tax revenues, the SBCLTA has entered into various right-of-way, engineering, and construction agreements. At June 30, 2010, the aggregate outstanding commitments under these agreements are \$1,132,963. This balance is comprised of contracts totaling \$507,852 for design services and support on construction projects within our jurisdiction, consultant and project management support of \$577,122. Additional agreements totaling approximately \$47,989 are also outstanding as of June 30, 2010. These services deal primarily with minor consultant contracts for services on various programs for which SBCAG is responsible.

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.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

IV. Other Information (continued)

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.

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)

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

IV. Other Information (continued)

E. Retirement Plan (continued)

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:

<u>Fiscal Year Ending</u>	<u>Contributions/ Annual Pension Cost</u>	<u>Percentage Contributed</u>
6/30/2008	\$ 288,906	100%
6/30/2009	\$ 362,163	100%
6/30/2010	\$ 397,633	100%

F. Other Post Employment Benefits

Plan Description

The SBCAG's defined benefit 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 by the Santa Barbara County Employees Retirement System (Retirement System). 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 the Retirement System.

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.

Plan Benefits

The County negotiates health care contracts with providers for both its active employees and the participating retired members of the Retirement System. Retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such the County does not have a retiree premium implicit rate subsidy.

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

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

IV. Other Information (continued)

F. Other Post Employment Benefits (continued)

If a member is eligible for disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 (whole dollars) per month or a subsidy of \$15 (whole dollars) per month per year of services, whichever is greater. This subsidy is also treated as a nontaxable amount to the disabled recipient.

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

Funding Policy

The SBCAG, as a plan sponsor, individually determines their separate contributions into the Retirement System to fund the OPEB Plan. The SBCAG has decided to adopt a pay as you go employer contribution plan. Each pay period the SBCAG contributes an amount equal to the retiree's OPEB benefits paid to them by the Retirement System. During fiscal year 2009-10, expenditures of \$17,307 were recognized for post-retirement health insurance contributions on a pay as you go basis.

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 year 2009-2010, SBCAG's annual OPEB cost of \$39,314 was equal to the ARC. The SBCAG's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-2009 and 2009-2010, 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%	<u>22,007</u>
			<u>\$ 49,878</u>

Funded Status and Funding Progress

The Funded status of the plan as of June 30, 2009 valuation, is as follows

Actuarial accrued liability (AAL)	\$ 545,254
Actuarial value of plan assets	<u> </u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 545,254</u>
Funded ratio (actuarial value of plan assets/AAL)	0%

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

IV. Other Information (continued)

F. Other Post-Employment Benefits (continued)

Covered payroll (active plan members)	\$ 1,778,455
UAAL as a percentage of covered payroll	30.7%

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.

Actuarial Methods and Assumptions

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of SBCERS and of SBCERS itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will affect the estimated costs of SBCERS' benefits.

In the June 30, 2009 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. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and no anticipated health care benefit increases. The actuarial value of plan assets was not calculated in this, the first actuarial valuation, as there are no assets to value.

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. 51

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Implementation of GASB Statement No. 51, did not have an impact on SBCAG's financial statements for the fiscal year ended June 30, 2010.

SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2010

IV. Other Information (continued)

G. New Accounting Pronouncements (continued)

Governmental Accounting Standards Board Statement No. 53

In June 2008, the GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This Statement is intended to improve how state and local governments report information about derivative instruments financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. Implementation of GASB Statement No. 53, did not have an impact on SBCAG's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 57

For the fiscal year ended June 30, 2010, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Statement is effective December 2009. This Statement amends Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The requirements in the Statement allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting. As a result of this change, the cost of compliance with the requirements of Statement No. 45 for eligible agent employers may be reduced while achieving an appropriate balance between the goals of reliable measurement of reported information and reasonable cost. Implementation of the GASB Statement No. 57, did not have an impact on SBCAG's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 58

In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditor by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Implementation of GASB Statement No. 58, did not have an impact SBCAG's financial statements for the fiscal year ended June 30, 2010.

V. Prior Year Adjustments

A prior year adjustment of \$ 2,019 was made in the Local Transportation Fund to reduce revenues accrue but not received the in prior years.

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Required Supplementary Information

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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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Transportation Development Act tax	\$ 350,600	\$ 350,600	\$ 339,192	\$ (11,408)
Measure D sales tax	300,000	300,000	270,470	(29,530)
Use of money and property	20,000	20,000	7,885	(12,115)
Intergovernmental	2,064,100	2,064,100	1,617,295	(446,805)
Other	901,800	901,800	1,063,839	162,039
Total revenues	<u>3,636,500</u>	<u>3,636,500</u>	<u>3,298,681</u>	<u>(337,819)</u>
EXPENDITURES:				
Current:				
Salaries and benefits	2,479,200	2,479,200	2,426,472	(52,728)
Services and supplies	1,469,100	1,469,100	892,993	(576,107)
Other	35,600	35,600	15,578	(20,022)
Capital outlay	15,600	15,600	13,111	(2,489)
Total expenditures	<u>3,999,500</u>	<u>3,999,500</u>	<u>3,348,154</u>	<u>(651,346)</u>
Excess/(deficiency) of revenues over	<u>(363,000)</u>	<u>(363,000)</u>	<u>(49,473)</u>	<u>313,527</u>
OTHER FINANCING SOURCES:				
Transfers in	100,000	100,000		100,000
Total other financing sources	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Net change in fund balance	(263,000)	(263,000)	(49,473)	213,527
Fund balance, beginning of fiscal year	804,430	804,430	804,430	
Fund balance, end of fiscal year	<u>\$ 541,430</u>	<u>\$ 541,430</u>	<u>\$ 754,957</u>	<u>\$ 213,527</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
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Measure D sales tax	\$ 8,770,000	\$ 8,770,000	\$ 8,769,828	\$ (172)
Use of money and property	240,000	240,000	35,617	(204,383)
Other	515,000	515,000	18,480	(496,520)
Total revenues	<u>9,525,000</u>	<u>9,525,000</u>	<u>8,823,925</u>	<u>(701,075)</u>
EXPENDITURES:				
Current:				
Services and supplies	4,087,500	4,087,500	3,277,322	(810,178)
Other		116,000	115,781	(219)
Capital Outlay	2,400	2,400	1,248	(1,152)
Total expenditures	<u>4,089,900</u>	<u>4,205,900</u>	<u>3,394,351</u>	<u>(811,549)</u>
Excess of revenues over expenditures	<u>5,435,100</u>	<u>5,319,100</u>	<u>5,429,574</u>	<u>110,474</u>
OTHER FINANCING USES:				
Transfers out	(7,216,000)	(7,216,000)	(6,646,632)	(569,368)
Total other financing uses	<u>(7,216,000)</u>	<u>(7,216,000)</u>	<u>(6,646,632)</u>	<u>(569,368)</u>
Net change in fund balance	(1,780,900)	(1,896,900)	(1,217,058)	679,842
Fund balance, beginning of fiscal year	3,888,301	3,888,301	3,888,301	
Fund balance, end of fiscal year	<u>\$ 2,107,401</u>	<u>\$ 1,991,401</u>	<u>\$ 2,671,243</u>	<u>\$ 679,842</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ 24,000	\$ 24,000	\$ 15,606	\$ (8,394)
Intergovernmental	625,000	625,000	637,938	12,938
Other			10	10
Total revenues	<u>649,000</u>	<u>649,000</u>	<u>653,554</u>	<u>4,554</u>
EXPENDITURES:				
Current:				
Services and supplies	518,100	518,100	450,055	(68,045)
Capital outlay	1,200	1,200	624	(576)
Total expenditures	<u>519,300</u>	<u>519,300</u>	<u>450,679</u>	<u>(68,621)</u>
Excess of revenues over expenditures	<u>129,700</u>	<u>129,700</u>	<u>202,875</u>	<u>73,175</u>
OTHER FINANCING USES:				
Transfers out	(100,000)	(100,000)		(100,000)
Total other financing uses	<u>(100,000)</u>	<u>(100,000)</u>		<u>(100,000)</u>
Net change in fund balance	29,700	29,700	202,875	173,175
Fund balance, beginning of fiscal year	1,182,455	1,182,455	1,182,455	
Fund balance, end of fiscal year	<u>\$ 1,212,155</u>	<u>\$ 1,212,155</u>	<u>\$ 1,385,330</u>	<u>\$ 173,175</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 10,437	\$ (14,563)
Intergovernmental	480,200	480,200	387,019	(93,181)
Other			68,419	68,419
Total revenues	<u>505,200</u>	<u>505,200</u>	<u>465,875</u>	<u>(39,325)</u>
EXPENDITURES:				
Current:				
Services and supplies	1,018,500	1,018,500	1,084,851	66,351
Other	280,800	280,800	213,070	(67,730)
Capital outlay	364,800	364,800	77,147	(287,653)
Total expenditures	<u>1,664,100</u>	<u>1,664,100</u>	<u>1,375,068</u>	<u>(289,032)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,158,900)</u>	<u>(1,158,900)</u>	<u>(909,193)</u>	<u>249,707</u>
OTHER FINANCING SOURCES:				
Transfers in	738,000	738,000	239,772	(498,228)
Total other financing sources	<u>738,000</u>	<u>738,000</u>	<u>239,772</u>	<u>(498,228)</u>
Net change in fund balance	(420,900)	(420,900)	(669,421)	(248,521)
Fund balance, beginning of year	772,714	772,714	772,714	
Fund balance, end of year	<u>\$ 351,814</u>	<u>\$ 351,814</u>	<u>\$ 103,293</u>	<u>\$ (248,521)</u>

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

**SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	\$ -	\$ 545,254	\$ 545,254	0.0%	1,778,455	30.7%

Note to Required Supplementary Information

Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted annually on a cash basis for the General Fund, certain special revenue funds, and the Debt Service Fund. 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 \$116,000. The supplemental appropriation was necessary to cover unanticipated arbitrage obligations calculated after the maturity of the 2006 sales tax bond issue.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2010 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 Fund	Service Authority for Freeway Emergencies Fund	Traffic Solutions Fund
Fund balances (budgetary basis)	\$ 754,957	\$ 2,671,243	\$ 1,385,330	\$ 103,293
Basis differences:				
Revenue accruals	531,157	3,939	69,160	316,691
Expenditure accruals	(181,638)	(62,107)	(48,985)	(11,339)
Fair value adjustments	4,356	15,418	7,996	595
Fund balance (GAAP basis)	<u>\$ 1,108,832</u>	<u>\$ 2,628,493</u>	<u>\$1,413,501</u>	<u>\$409,240</u>

D. Other Post Employment Benefits (OPEB) Plan

The information provided on page 36 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 as a whole.

Supplementary Schedules

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