

SANTA BARBARA LOCAL AGENCY

FORMATION COMMISSION

JUNE 30, 2007 AND 2006

FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**SANTA BARBARA LOCAL AGENCY FORMATION
COMMISSION**

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August 22, 2008

INDEPENDENT AUDITORS' REPORT

**To the Members of the Commission
Santa Barbara Local Agency Formation Commission:**

We have audited the accompanying financial statements of the Santa Barbara Local Agency Formation Commission (the "Commission") as of June 30, 2007 and 2006 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented management's discussion and analysis that the Governmental Accounting Standards Board have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the Commission's basic financial statements. The supplementary information listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Commission. 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.

Bartlett, Pringle + Wolf, LLP

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
BALANCE SHEET
June 30, 2007 and 2006

	2007	2006
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 83,341	\$ 110,233
Interest receivable	1,385	1,323
Total current assets	84,726	111,556
Total assets	\$ 84,726	\$ 111,556
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 19,302	\$ 13,646
Net Assets:		
Unrestricted	65,424	97,910
Total liabilities and net assets	\$ 84,726	\$ 111,556

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Other governmental agencies	\$ 169,491	\$ 234,934
Planning study services	36,570	31,311
Miscellaneous revenue	68	1,160
	<u>206,129</u>	<u>267,405</u>
Operating Expenses:		
Audit fees	-	2,290
Communications	60	3
Contractual services	159,288	152,652
Copier expense	5,119	9,520
Cost allocations	9,172	3,496
Legal fees	28,384	14,306
Liability insurance	2,631	-
Memberships	4,106	1,399
Office expense	2,032	1,596
Payroll taxes	513	-
Postage	3,016	2,268
Professional and special services	8,185	7,600
Publications and notices	2,280	1,066
Transportation and travel	15,676	17,855
Telephone services	314	314
Salaries and wages	4,637	-
Special departmental expenses	3,800	7,700
	<u>249,213</u>	<u>222,065</u>
Net operating income (loss)	<u>(43,084)</u>	<u>45,340</u>
Non-Operating Revenue:		
Interest income	<u>10,598</u>	<u>2,960</u>
Total non-operating revenue	<u>10,598</u>	<u>2,960</u>
Change in net assets	(32,486)	48,300
Net assets, beginning of year	<u>97,910</u>	<u>49,610</u>
Net assets, end of year	<u>\$ 65,424</u>	<u>\$ 97,910</u>

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$ 206,129	\$ 267,405
Payments to vendors	<u>(243,557)</u>	<u>(228,503)</u>
Net cash provided (used) by operating activities	<u>(37,428)</u>	<u>38,902</u>
Cash flows from investing activities:		
Interest received	<u>10,536</u>	<u>2,289</u>
Net cash provided by investing activities	<u>10,536</u>	<u>2,289</u>
Net increase (decrease) in cash	(26,892)	41,191
Cash, beginning of year	<u>110,233</u>	<u>69,042</u>
Cash, end of year	<u>\$ 83,341</u>	<u>\$ 110,233</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ (43,084)	\$ 45,340
Changes in assets and liabilities:		
Accounts payable	<u>5,656</u>	<u>(6,438)</u>
Net cash provided (used) by operating activities	<u>\$ (37,428)</u>	<u>\$ 38,902</u>

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Organization

The Santa Barbara Local Agency Formation Commission (the Commission) is an independent agency created in 1963, by the legislature in Santa Barbara County. The Commission works closely with citizens, the county, cities and special districts on a variety of issues concerning the organization of local governments, jurisdiction changes, and public services. The Commission's statutory purpose includes discouraging urban sprawl, preserving agricultural land, and encouraging orderly boundaries based upon local circumstances and conditions, and promoting adequate public services. From its creation in 1963 to June 30, 2001, the County of Santa Barbara funded the Commission. Beginning July 1, 2001, the *Cortese/Knox/Hertzberg Local Reorganization Act* redefined the Commission's responsibilities and established a new funding method and process. The Commission, after accounting for charges and services is now funded in equal thirds by (1) the County of Santa Barbara, (2) the cities and (3) the independent special districts in Santa Barbara. The Commission adopts its annual budget by June 15 of each year and transmits it to each of the member organizations.

Note 2 - Summary of Significant Accounting Policies

A) Basis of Accounting

The Commission reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the Commission is that the costs of operating on a continuing basis be financed or recovered primarily through revenues generated by the Commission. Revenues and expenses are recognized on the accrual basis, as such revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Under the provisions of Governmental Accounting Standards Board (GASB) Pronouncement 20, the Commission has elected to follow all GASB pronouncements and Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except for those that conflict with GASB pronouncements.

B) Cash

For purposes of reporting in the statement of cash flows, the Commission considers all cash accounts with original maturity of three months or less to be cash equivalents.

C) Member Allocations

All member organizations are required to pay an allocation of costs of the annual Commission's budget.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

D) Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. Operating expenses from proprietary funds include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

F) Net Assets

GASB No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 3 - Cash

The Commission maintains all of its cash in the Santa Barbara County Treasury. The County Treasurer pools and invests the Commission's cash with other funds under its control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily balance.

A reconciliation and summary of cash as reported on the statement of net assets and statement of cash flows, respectively, at June 30, 2007 and 2006 is as follows:

	2007	2006
Cash with the County Treasurer	\$ 83,341	\$ 110,233
Total cash	\$ 83,341	\$ 110,233

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Cash (Continued)

Investment Authorized by the California Government Code and the Entity's Investment Policy

The Commission's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The Commission's investment policy does not contain any specific provisions intended to limit the Commission's exposure to interest rate risk, credit risk, and concentration of credit risk.

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.

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. Presented below is the minimum rating required by (where applicable) the California Government Code and the Commission's investment policy, and the actual rating as of the year end for each investment type.

<u>2007</u>		Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Year End</u>		
<u>Investment Type</u>	<u>Amount</u>			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$ 83,341	N/A	\$ -	\$ -	\$ -	\$ 83,341
Total	<u>\$ 83,341</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,341</u>
<u>2006</u>						
Santa Barbara County Investment Pool	\$ 110,233	N/A	\$ -	\$ -	\$ -	\$ 110,233
Total	<u>\$ 110,233</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,233</u>

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. All of the Commission's cash is held in the Santa Barbara County Investment Pool.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 3 - Cash (Continued)

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

Investment in Santa Barbara County Investment Pool

The Commission is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at the amounts based upon the Commission's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara Investment Pool, which are recorded on an amortized cost basis.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ACTUAL VS. BUDGET
For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 169,491	\$ 169,491	\$ -
Planning study services	24,000	36,570	12,570
Miscellaneous revenue	300	68	(232)
	<u>193,791</u>	<u>206,129</u>	<u>12,338</u>
Operating Expenses:			
Audit fees	2,300	-	2,300
Communications	100	60	40
Contractual services	159,288	159,288	-
Copier expense	3,600	5,119	(1,519)
Cost allocations	3,000	9,172	(6,172)
Legal fees	20,000	28,384	(8,384)
Liability insurance	2,000	2,631	(631)
Memberships	1,800	4,106	(2,306)
Office expense	4,000	2,032	1,968
Payroll taxes	-	513	(513)
Postage	4,000	3,016	984
Professional and special services	25,000	8,185	16,815
Publications and notices	500	2,280	(1,780)
Rents	3,600	-	3,600
Transportation and travel	21,000	15,676	5,324
Telephone services	250	314	(64)
Salaries and wages	-	4,637	(4,637)
Special departmental expenses	15,400	3,800	11,600
	<u>265,838</u>	<u>249,213</u>	<u>16,625</u>
Net operating income (loss)	<u>(72,047)</u>	<u>(43,084)</u>	<u>28,963</u>
Non-Operating Revenue:			
Interest income	2,500	10,598	8,098
	<u>2,500</u>	<u>10,598</u>	<u>8,098</u>
Change in net assets	<u>\$ (69,547)</u>	<u>\$ (32,486)</u>	<u>\$ 37,061</u>

SANTA BARABARA LOCAL AGENCY FORMATION COMMISSION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ACTUAL VS. BUDGET
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 227,651	\$ 234,934	\$ 7,283
Planning study services	23,375	31,311	7,936
Miscellaneous revenue	300	1,160	860
	<u>251,326</u>	<u>267,405</u>	<u>16,079</u>
Operating Expenses:			
Audit fees	2,300	2,290	10
Communications	1,000	3	997
Contractual services	152,646	152,652	(6)
Copier expense	3,600	9,520	(5,920)
Cost allocations	1,500	3,496	(1,996)
Legal fees	20,000	14,306	5,694
Liability insurance	2,000	-	2,000
Memberships	1,400	1,399	1
Office expense	6,500	1,596	4,904
Postage	4,000	2,268	1,732
Professional and special services	25,000	7,600	17,400
Publications and notices	-	1,066	(1,066)
Rents	3,600	-	3,600
Transportation and travel	21,000	17,855	3,145
Telephone services	250	314	(64)
Special departmental expenses	15,400	7,700	7,700
	<u>260,196</u>	<u>222,065</u>	<u>38,131</u>
Net operating income (loss)	<u>(8,870)</u>	<u>45,340</u>	<u>54,210</u>
Non-Operating Revenue:			
Interest income	<u>2,500</u>	<u>2,960</u>	<u>460</u>
	<u>2,500</u>	<u>2,960</u>	<u>460</u>
Change in net assets	<u>\$ (6,370)</u>	<u>\$ 48,300</u>	<u>\$ 54,670</u>