



Office of the Auditor-Controller
Financial Reporting Division

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SANTA BARBARA COUNTY
INDEPENDENT SPECIAL DISTRICTS

Compliance Report For:
Annual Financial Reports
Annual Budgets
And
Research Report On District's Current Fiscal Strengths
or Vulnerabilities

Author

Robert W. Geis, CPA
Auditor-Controller
(805) 568-2101

Compliance Research

Christa Coski, CPA
Accountant-Auditor
(805)568-2133

Fiscal Research

Lia Philips
Accountant-Auditor
(805) 568-2129

Publication

Kim Tesoro, CPA
Financial Systems Analyst
(805) 568-2179

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Contact	Phone	Contact	Phone
<u>Air Pollution Control District</u> Santa Barbara County	(805) 961-8854	<u>Municipal Improvement District</u> Embarcadero	(805) 968-5885
<u>Airport District</u> Santa Maria	(805) 922-1726	<u>Recreation & Park Districts</u> Cuyama Valley	(805) 766-2270
<u>Cemetery Districts</u> Carpinteria	(805) 684-2466	Isla Vista	(805) 968-2017
Goleta	(805) 967-3608	<u>Resource Conservation District</u> Cachuma	(805) 928-9269
Guadalupe	(805) 343-1415	<u>Sanitary Districts</u> Carpinteria	(805) 684-7214
Lompoc	(805) 735-1817	Goleta	(805) 967-4519
Los Alamos	(805) 344-4195	Goleta West	(805) 968-2617
Oak Hill	(805) 688-4035	Montecito	(805) 969-4200
Santa Maria	(805) 925-4595	Summerland	(805) 969-4344
<u>Fire Districts</u> Carpinteria-Summerland	(805) 566-2455	<u>Transit District</u> Santa Barbara Metropolitan	(805) 963-3364
Montecito	(805) 969-7762	<u>Vector Control District</u> Santa Barbara Coastal	(805) 969-5050
Orcutt	(805) 937-7515	<u>Water Districts</u> Carpinteria Valley	(805) 684-2816
<u>Community Services Districts</u> Casmalia	(805) 929-5132	Goleta	(805) 964-6761
Cuyama	(661) 766-2780	Montecito	(805) 969-2271
Los Alamos	(805) 344-4195	<u>Water Conservation Districts</u> Santa Maria Valley	(805) 925-5212
Mission Hills	(805) 733-4366	Santa Ynez River	(805) 693-1156
Santa Ynez	(805) 688-3008	Santa Ynez River ID #1	(805) 688-6015
Vandenberg Village	(805) 733-2475		
<u>Health Care District</u> Lompoc	(805) 737-3306		

Summary Opinion

Background

The Santa Barbara County Grand Jury in Fiscal Year (FY) 99-00 recommended that the Auditor-Controller improve the compliance effort concerning the completion and filing of annual budgets and annual financial reports by independent special districts that operate within the County. They recommended and we agreed to provide the Board of Supervisors with a formal compliance report on an annual basis. The Fiscal Year 00-01 Santa Barbara Grand Jury requested that as part of the compliance effort we analyze the districts' financial conditions to determine if districts were under or over funded. To objectively accomplish this task, they requested that we apply ratio analysis to the districts' financial statements.

Summary Opinion

Independent special districts provide many services to the local community that are taken for granted. Water flows through the taps, wastewater is flushed away, buses run, firefighters douse the flames, and loved ones are put to rest in local cemeteries. This report contains information on 36 of the County of Santa Barbara's independent special districts. The districts are governed by elected or appointed local boards. Many of these districts were created to extend public services to rural communities but are now servicing urban populations as the county has grown. In many instances larger municipal agencies like cities also provide these same services.

As you will see in this report, our local districts are successful. They remain close to the communities they service. For the most part, they have a distinct mission which makes it easier to focus on the service provided by the entity.

Compliance Effort — All of the Districts have filed their annual budgets. 85% were filed within 60 days of the beginning of the fiscal period. All of the districts will have filed their financial statements within 12 months of the fiscal year end. See the two compliance reports for timeliness and our recommendations for improvement.

Fiscal Strengths:

The financial picture of the entities range from strong or healthy to good or moderate, and in a few instances weak or poor.

The districts' finances are generally accounted for as governmental operations or enterprise operations. A number of the districts are supported by local property taxes, but many charge the local customer (especially the enterprise districts) for the service. Fire districts are a good example of a property tax supported district and wastewater sanitary districts are a good example of a service charge supported district.

Cash flow, operating position and near term budget picture — In the near term it would appear that all the districts have enough working capital to end the FY 00-01 fiscal cycle. Three small districts (Los Alamos Cemetery, Guadalupe Cemetery, Casmalia Water) and one moderate sized district (Carpinteria Fire) will have little room to spare as they close the year. The remaining 90% have moderate or strong working capital positions.

Asset replacement reserves — We also found that the majority of the enterprise districts are funding replacement reserves for their infrastructure assets. The small Casmalia Community Services District, Los Alamos Community Services District and Santa Ynez Community Services District are the current exceptions. However, it appears Los Alamos is adjusting its rate structures to fund the depreciation of its infrastructure.

Debt levels — The debt position of the entities appears to be moderate. While we could not find formal ratings for each entity's debt, where we found ratings they were strong. We also noted that the rate structures in place for entities that had debt appeared sufficient to pay off the obligations of the district.

Vulnerabilities:

Cemetery Districts — The fiscal position of the two smallest districts, Guadalupe and Los Alamos, are strained by the property tax shifts by the State in FY 92-93 and 93-94. These districts have small allocations of taxes. Small administrative staff support makes preparation of budgets and financial statements difficult.

Fire Districts — The Carpinteria-Summerland Fire District lost a significant amount of its funding base with the loss of ERAF and SDAF (property taxes) when the State shifted these taxes to schools. While the district is relying on revenue growth to balance their annual operating budget, they barely make it through the year. They have little in terms of capital reserves and will struggle as a going concern.

Recreation and Park Districts — Cuyama has a difficult time filling all of the board member positions. The Isla Vista District, in the past, has entered into some complex financings using Certificates of Participation.

Summary Opinion

Vulnerabilities (cont.):

Cachuma Resource Conservation District — District project expenditures rely on intergovernmental grants which may be one-time revenues that support the project work accomplished by the district.

Air Pollution Control District — Rapid growth in the 80's due to offshore oil projects was followed by a general decline in revenues during the 90's. The district has staffed down to accommodate the workload reductions.

Embarcadero Municipal Improvement District — At year-end, the district financials indicate it had no funds for working capital. However, the district uses the capital replacement fund for working capital as necessary. It is not clear if the district will have sufficient monies to cover the replacement cost of assets over the long term. The district maintains assets such as sewer lines that will eventually need replacement.

Santa Maria Valley Water Conservation District — The fiscal operating position of the district has improved, but could face significant long-term maintenance costs related to the dam and silting behind the dam. The dam was financed with bonds and is owned by the United States Government. Since the district does not have ownership, the capital assets have not been depreciated and there is no accumulation of capital replacement reserves. Major structural damage caused by earthquake, flooding or silting are vulnerabilities that the district could encounter.

Community Services District — Los Alamos has been improving its rate structure and operating position, and in recent years has integrated replacement reserves into its rate structure. The small Casmalia district has multiple problems. It had poor financial records, no financial statements or budgets for seven years and an inactive board of directors. Most troubling is that the oil company that provides the water supply has stated that it wants to stop providing service or deed the water production site and facilities to the district. The liabilities associated with such a transfer are unknown, the facilities are old and there are no reserves for replacement or upgrades to the infrastructure. The Santa Ynez district accounting makes it difficult to assess its financial position, but it appears to be weak in terms of both working capital and replacement reserves.

Sanitary Districts — Goleta West receives a significant property tax allocation from the Goleta area. The district has accumulated a large reserve. This creates an inequity for other tax driven services in the Goleta area.

Water Districts — Catastrophic disasters like a severe earthquake could damage major infrastructure of the Cachuma or State Water projects. However, the districts all have ground water supplies as part of their water portfolio.

Recommendations:

Annual Reports

- We recommend that all the districts strive to compile their financials within 90 days of fiscal year end.
- Districts with comments should also work toward achieving a "clean" opinion on their financial audits.

Annual Budgets

- The quality of some district budgets do not meet State Controller standards. The Auditor should organize triennial training on these standards to assist the districts in the process of adopting their budgets.

Independent Districts

- Guadalupe and Los Alamos Cemetery Districts should continue close work with the Auditor's Office to maintain fiscal balance. Actions include annual rate review, timely budgets, and accurate accounting.
- The Carpinteria-Summerland Fire District should consider raising special taxes, seeking legislative solutions to improve its revenue base or consolidating with another district for its long-term viability.
- Los Alamos, Casmalia, and Santa Ynez Community Services Districts should be diligent in setting a rate structure that includes replacement reserves.
- Casmalia Water District needs to negotiate a secure source of water.
- Goleta West Sanitary District policy makers should scrutinize the appropriateness of maintaining this high level of property tax allocation to this district.

Reference Sources:

1. District financial statements
2. LAFCO Directory of Local Special Districts
3. Little Hoover Commission Report May 2000 — Special Districts: Relics of the Past or Resources for the Future
4. County Clerk-Recorder-Assessor GIS maps

Annual Financial Reports

Background:

Government Code §26909 — Audit of special purpose districts; reports

(a) The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special purpose district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided. In each case, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

(b) Where an audit of a district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards, and a report thereof shall be filed with the Controller and with the county auditor of the county in which the district is located. The report shall be filed within 12 months of the end of the fiscal year or years under examination.

Compliance Report:

What is impressive is that 85% of the districts complete their financial reports within 90 days of the fiscal year end. We believe this is an indicator of fiscal stewardship and demonstrates good fiduciary management by district boards and their staff.

Special District	Audited By	Date of Report	Opinion	Comments
Goleta Cemetery District	John S. Hill	11/30/2000	Unqualified	
Summerland Sanitary District	MacFarlane, Faletti & Co. LLP	10/26/2000	Unqualified	
Santa Barbara Coastal Vector Control District	MacFarlane, Faletti & Co. LLP	10/10/2000	Unqualified	
Goleta Water District	Bartlett, Pringle & Wolfe	10/04/2000	Unqualified	
Montecito Fire Protection District	Santa Barbara County Auditor	09/29/2000	Unqualified	
Montecito Water District	MacFarlane, Faletti & Co. LLP	09/27/2000	Unqualified	
Cuyama Valley Recreation & Park District	Santa Barbara County Auditor	09/22/2000	Unqualified	
Lompoc Health Care District	KPMG	09/22/2000	Unqualified	
Santa Ynez River Water Conservation District ID#1	MacFarlane, Faletti & Co. LLP	09/21/2000	Unqualified	
Carpinteria Public Cemetery District	Santa Barbara County Auditor	09/20/2000	Unqualified	
Embarcadero Municipal Improvement District	Nelson & Poindexter	09/15/2000	Qualified	Fixed Asset historical cost
Santa Maria Public Airport District	Moss, Levy & Hartzheim	09/15/2000	Unqualified	
Los Alamos Community Services District	Pyne, Waltrip, Lippert & Olson, LLP	09/13/2000	Unqualified	
Oak Hill Cemetery District	Santa Barbara County Auditor	09/13/2000	Unqualified	
Orcutt Fire Protection District	Santa Barbara County Auditor	09/12/2000	Unqualified	
Cachuma Resource Conservation District	Santa Barbara County Auditor	09/09/2000	Unqualified	
Mission Hills Community Services District	Moss, Levy & Hartzheim	09/08/2000	Unqualified	
Carpinteria Valley Water District	Bartlett, Pringle & Wolfe, LLP	09/01/2000	Unqualified	
Santa Maria Cemetery District	Santa Barbara County Auditor	08/28/2000	Unqualified	
Santa Barbara Metropolitan Transit District	McGowan Guntermann	08/24/2000	Qualified	Value of inventory
Santa Ynez River Water Conservation District	Hayes & Hayes, CPAs	08/23/2000	Unqualified	
Carpinteria-Summerland Fire Protection District	Santa Barbara County Auditor	08/22/2000	Unqualified	Going Concern
Goleta West Sanitary District	McGowan Guntermann	08/22/2000	Unqualified	
Isla Vista Recreation & Park District	Santa Barbara County Auditor	08/22/2000	Unqualified	
Guadalupe Cemetery District	Santa Barbara County Auditor	08/20/2000	Unqualified	Going Concern
Montecito Sanitary District	Moss, Levy & Hartzheim	08/18/2000	Unqualified	
Santa Ynez Community Services District	Paul B. Moe	08/16/2000	Unqualified	
Vandenberg Village Community Services	Moss, Levy & Hartzheim	08/16/2000	Unqualified	
Lompoc Cemetery District	Santa Barbara County Auditor	08/11/2000	Unqualified	
Casmalia Community Services District	Santa Barbara County Auditor	08/10/2000	Disclaim	
Carpinteria Sanitary District	Moss, Levy & Hartzheim	08/10/2000	Unqualified	
Cuyama Community Service District	Moss, Levy & Hartzheim	08/04/2000	Unqualified	
Santa Barbara County APCD	Nasif, Hicks, Harris & Co	08/04/2000	Unqualified	
Goleta Sanitary District	Thomas, Bigbie & Smith	08/02/2000	Unqualified	
Santa Maria Valley Water Conservation	Santa Barbara County Auditor	08/01/2000	Unqualified	
Los Alamos Cemetery District	Santa Barbara County Auditor	07/14/2000	Unqualified	Going Concern

Recommendations:

- We recommend that all the districts strive to compile their financials within 90 days of fiscal year end.
- Districts with comments should also work toward achieving a "clean" opinion on their financial audits.

Annual Budgets

Background:

Government Code §53901 — Filing of budgets

Unless exempted by the county auditor, 60 days after the beginning of its fiscal year every local agency, including every special purpose assessing or taxing district with the county shall file with the county auditor ... a copy of its annual budget. ... If a local agency or special purpose assessing or taxing district does not have a formal budget, it shall file a listing of its anticipated revenues, together with expenditures and expenses for the fiscal year in progress. The county auditor shall hold on file such statement for public inspection at all reasonable hours.

Compliance Report:

The districts had an 85% compliance rate with this Government Code provision. (Those in red missed the filing date.) The Montecito Fire District adopts its budget by October 1 each year in order to include its final property tax allocations received in September. Based on the quality of its effort, our office would exempt the district from the 60-day threshold and use the 90-day threshold provided for in the Health and Safety Code for that district. While Embarcadero Improvement and Cuyama Recreation transmitted their budgets late to the Auditor-Controller, they provided Director's minutes that documented budget adoption in June and July respectively.

Special District	Budget Received Date
Goleta Cemetery District	03/21/2001
Casmalia Community Services District	12/18/2000
Embarcadero Municipal Improvement District	11/02/2000
Montecito Fire Protection District	09/26/2000
Cuyama Valley Recreation & Park District	09/20/2000
Santa Barbara Metropolitan Transit District	08/30/2000
Los Alamos Cemetery District	08/29/2000
Los Alamos Community Services District	08/29/2000
Oak Hill Cemetery District	08/29/2000
Orcutt Fire Protection District	08/28/2000
Carpinteria-Summerland Fire Protection District	08/25/2000
Isla Vista Recreation & Park District	08/24/2000
Montecito Sanitary District	08/18/2000
Santa Ynez Community Services District	08/17/2000
Carpinteria Public Cemetery District	08/10/2000
Lompoc Cemetery District	08/08/2000
Santa Maria Valley Water Conservation	08/03/2000
Carpinteria Sanitary District	08/02/2000
Guadalupe Cemetery District	08/01/2000
Goleta Sanitary District	07/24/2000
Goleta Water District	07/24/2000
Santa Maria Public Airport District	07/17/2000
Mission Hills Community Services District	07/13/2000
Cuyama Community Service District	07/11/2000
Lompoc Health Care District	07/10/2000
Montecito Water District	07/10/2000
Santa Maria Cemetery District	07/10/2000
Goleta West Sanitary District	07/06/2000
Santa Barbara Coastal Vector Control District	06/29/2000
Santa Ynez River Water Conservation District	06/21/2000
Carpinteria Valley Water District	06/19/2000
Santa Ynez River Water Conservation District ID#1	06/16/2000
Summerland Sanitary District	05/25/2000
Cachuma Resource Conservation District	05/24/2000
Vandenberg Village Community Services	05/17/2000
Santa Barbara County APCD	05/01/2000

Recommendations:

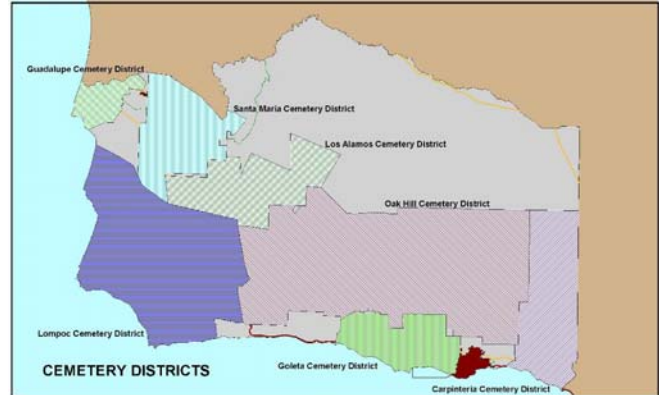
- The quality of some district budgets do not meet State Controller standards. The Auditor should organize triennial training on these standards to assist the districts in the process of adopting their budgets.

Cemetery Districts

Description

The seven districts own and maintain public cemeteries and provide burial services. The districts operate pursuant to Health and Safety Code §8890 et seq. Three and five member board of directors are appointed by the Board of Supervisors. The districts are among the oldest in the County formed between 1909 and 1920. They are administered by small district staffs.

Map



Fiscal Strengths:

The two largest urban districts, Goleta and Santa Maria, have healthy reserves and strong operating results. The large reserves can be used for more land purchases to expand. The three medium-size urban districts, Carpinteria, Lompoc, and Oak Hill, have adequate operating reserves and are in good operating position.

Vulnerabilities:

The fiscal position of the two smallest districts, Guadalupe and Los Alamos, are strained by the property tax shifts by the State in FY 92-93 and 93-94. These districts also have small allocations of taxes and low volumes of burials. Small administrative staff support makes preparation of budgets and financial statements difficult.

Recommendations:

- Guadalupe and Los Alamos should continue close work with the Auditor's Office to maintain fiscal balance. Actions include annual rate review, timely budgets, and accurate accounting.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Number of Days of Working Capital
Carpinteria Public Cemetery District	\$143,304	\$393	\$132,788	338
Goleta Cemetery District	\$304,987	\$836	\$1,400,643	1,676
Guadalupe Public Cemetery District	\$68,873	\$189	\$5,804	31
Lompoc Cemetery District	\$423,519	\$1,160	\$133,354	115
Los Alamos Cemetery District	\$12,925	\$35	\$1,989	56
Oak Hill Cemetery District	\$190,377	\$522	\$78,083	150
Santa Maria Cemetery District	\$689,146	\$1,888	\$2,086,979	1,105

Measure: Cashflow

High number of days are favorable. A high ratio suggests the presence of resources that can be used to overcome a temporary revenue shortfall.

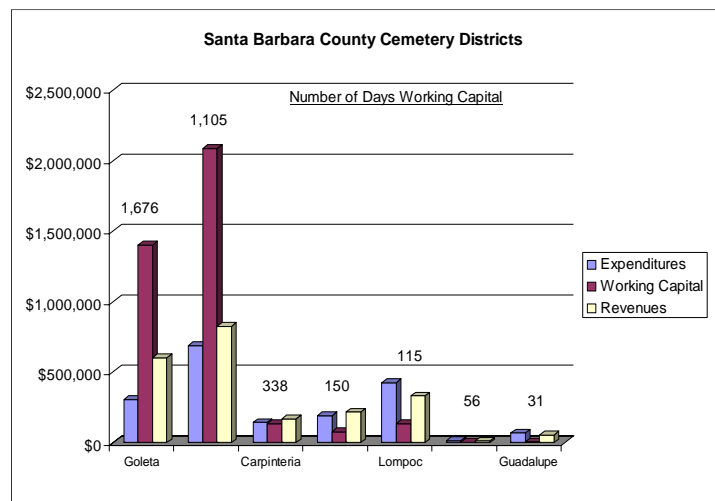


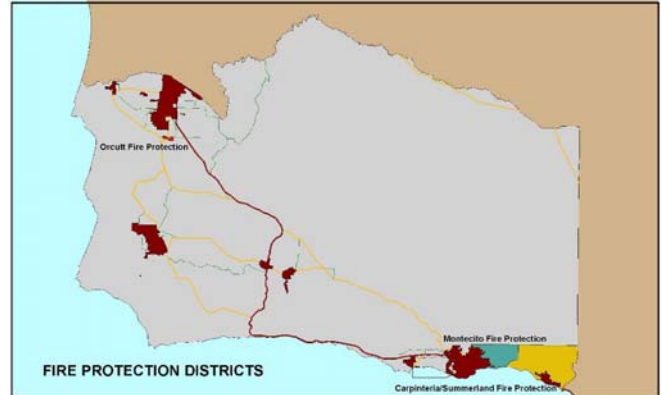
Table 3

Fire Districts

Description

The three districts provide fire prevention, suppression, paramedic and emergency medical services. The districts operate five fire stations and protect 45,000 acres. The districts operate pursuant to Health and Safety Code §13800 et seq. Three and five member boards are elected at-large and the districts are administered by district staff.

Map



Fiscal Strengths:

The Montecito Fire District has a strong growth rate of property tax even with the State ERAF tax shifts. They are able to support the high-per capita fire protection service within the County. Orcutt is a small volunteer fire department with a moderate operating budget.

Vulnerabilities:

The Carpinteria-Summerland Fire District lost a significant amount of its funding base with the loss of ERAF and SDAF (property taxes) when the State shifted these taxes to schools. While the district is relying on revenue growth to balance their annual operating budget, they barely make it through the year. They have little in terms of capital reserves and will struggle as a going concern.

Recommendations:

- The Carpinteria-Summerland Fire District should consider raising special taxes, seeking legislative solutions to improve its revenue base or consolidating with another district for its long-term viability.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Number of Days of Working Capital
Carpinteria-Summerland Fire Protection District	\$3,231,237	\$8,853	\$(354,206)	-40 *
Montecito Fire Protection District	\$4,867,455	\$13,335	\$783,268	59
Orcutt Fire Protection District	\$103,079	\$282	\$51,752	183

* Budget for Carpinteria-Summerland FPD adopted on a cash basis, cash balance would finance 4 days.

Measure: Cashflow

High number of days are favorable. A high ratio suggests the presence of resources that can be used to overcome a temporary revenue shortfall.

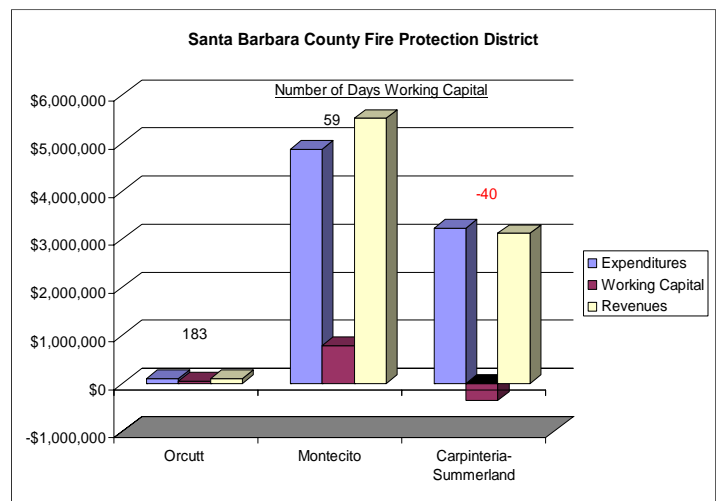


Table 4

Recreation and Park Districts

Description

The two districts provide local recreation and park services. The districts operate pursuant to the Public Resource Code §5780 et seq. Five member board of directors are elected at large and the districts are administered by small staffs. The Isla Vista District serves a dense urban college town and the Cuyama District serves a remote community in the northern part of the County.

Map



Fiscal Strengths:

The fiscal positions of the districts appear good.

Vulnerabilities:

Cuyama has a difficult time filling all of the board member positions. The Isla Vista District, in the past, has entered into some complex financings using Certificates of Participation.

Recommendations:

- Maintaining experienced staff can be an issue for these districts.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Number of Days of Working Capital
Cuyama Valley Recreation & Park District	\$76,266	\$209	\$46,617	223
Isla Vista Recreation & Park District	\$938,329	\$2,571	\$364,293	142

Measure: Cashflow

High number of days are favorable. A high ratio suggests the presence of resources that can be used to overcome a temporary revenue shortfall.

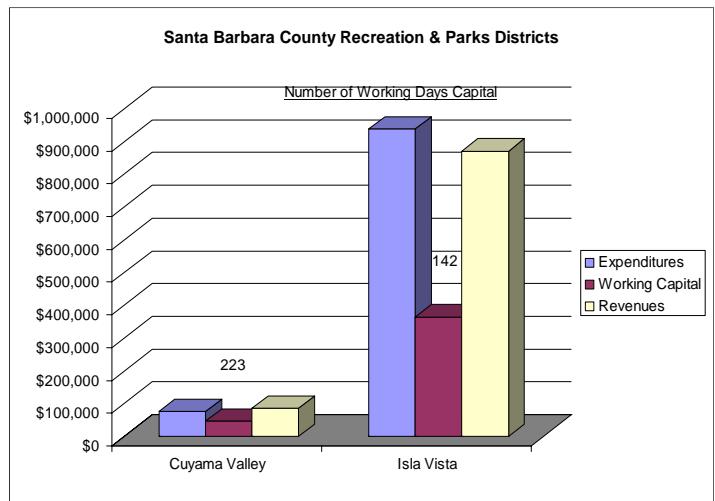


Table 5

Other Governmental Fund Type Districts

Air Pollution Control District

Description:

Provides air quality regulation, clean air plan, emission reduction plan and permit/inspection programs. Operates pursuant to Health and Safety Code §40000 et seq. The Board of Directors includes the five Board of Supervisors and one representative from each of seven cities and is administered by District staff. The District encompasses the entire County.

Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal position of the District remains good. Rapid growth in the 80's due to offshore oil projects was followed by a general decline in revenues during the 90's. The district has downsized to accommodate the workload reductions.

Special District	General Fund	Average Daily Expenditures	Unreserved	Number of Days of Working Capital
	Annual Expenditures		Fund Balance (Working Capital)	
Santa Barbara County APCD	\$7,145,962	\$19,578	\$2,570,287	131

Cachuma Resource Conservation District

Description:

Provides technical assistance to landowners related to improvement of land capabilities, conservation of resources, the improvement of farm irrigation and land drainage, erosion control and flood prevention. Operates pursuant to Public Resource Code §9151 et seq. Nine-member board elected by divisions and administered by district staff. The District encompasses the entire County and adjacent lands in Kern and San Luis Obispo Counties.

Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal condition of the district is good. District project expenditures rely on intergovernmental grants which may be one-time revenues that support the project work accomplished by the district.

Special District	General Fund	Average Daily Expenditures	Unreserved	Number of Days of Working Capital
	Annual Expenditures		Fund Balance (Working Capital)	
Cachuma Resource Conservation District	\$332,840	\$912	\$292,249	320

Embarcadero Municipal Improvement District

Description:

Provides wastewater collection; recreation; development standards and road needs. Operates pursuant to Improvement District Act Chapter 81. Five member board elected at large. District serves 1,200 acres in the western Goleta Valley.

Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal operating position of the district is good. At year-end, the district financials indicate it had no funds for working capital. However, the district uses the capital replacement fund for working capital as necessary. It is not clear if the district will have sufficient monies to cover the replacement cost of assets over the long term. The district maintains assets such as sewer lines that will eventually need replacement.



Special District	General Fund	Average Daily Expenditures	Unreserved	Number of Days of Working Capital
	Annual Expenditures		Fund Balance (Working Capital)	
Embarcadero Municipal Improvement District	\$267,835	\$734	\$255,434	348

Other Governmental Fund Type Districts

Santa Barbara Coastal Vector Control District

Description:

Provides abatement of mosquitoes, flies, rats, and other disease vectors. The district operates pursuant to Health and Safety Code §2200 et seq. Seven-member board of trustees appointed by Board of Supervisors/City Council and administered by small district staff. District covers 32,000 acres in Carpinteria and Goleta with a county-wide sphere of influence.

Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal operating position appears good.



Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Number of Days of Working Capital
Santa Barbara Coastal Vector Control District	\$246,953	\$677	\$275,052	406

Santa Maria Valley Water Conservation District

Description:

Provides for operation of Twitchell Dam and Reservoir, which conserves water and controls recharging of the groundwater basin. District operates pursuant to Water Code §74000 et seq. Seven-member board elected by district and administered by small district staff. Serves 76,000 acres in northern Santa Barbara County and southern San Luis Obispo County.

Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal operating position of the district has improved but could face significant long-term maintenance costs related to the dam and silting behind the dam. The dam was financed with bonds and the district has used a governmental fund structure. The capital assets have not been depreciated and there is no accumulation of capital reserves. Major structural damage caused by earthquake, flooding or silting are vulnerabilities that the district could encounter.



Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Number of Days of Working Capital
Santa Maria Valley Water Conservation District	\$353,027	\$967	\$164,402	170

Santa Ynez River Water Conservation District

Description:

The district oversees water conservation and management of water resources within the Santa Ynez River watershed. The district operates pursuant to the Water Conservation District Law of 1931 and the Water Code pursuant to State of California, Division 2. Five member board of directors are elected by division and district staff provides administration.

Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal operating position is strong.



Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Number of Days of Working Capital
Santa Ynez River Water Conservation District	\$371,850	\$1,019	\$721,508	708

Community Services Districts

Description

The six districts provide a variety of services. Most are in the water delivery or wastewater disposal business. Four of the districts provide both these services. Two districts provide transportation services and one provides streetlighting. The districts operate pursuant to Government Code §61000 et seq. Three and five-member boards are elected at large and district staff provides administration.

Map



Fiscal Strengths:

The fiscal condition of three of the districts Cuyama, Mission Hills, and Vandenberg ranges from strong to good. All have good working capital positions. All are funding replacement reserves and they have moderate debt levels.

Vulnerabilities:

Los Alamos has been improving its rate structure and operating position, and in recent years has integrated replacement reserves into its rate structure. The small Casmalia district has multiple problems. It had poor financial records, no financial statements or budgets for seven years and an inactive board of directors. Most troubling is that the oil company that provides the water supply has stated that it wants to stop providing service or deed the water production site and facilities to the district. The liabilities associated with such a transfer are unknown, the facilities are old and there are no reserves for replacement or upgrades to the infrastructure. The Santa Ynez district accounting makes it difficult to assess its financial position, but it appears to be weak in terms of both working capital and replacement reserves.

Recommendations:

- Los Alamos, Casmalia, and Santa Ynez should be diligent in setting a rate structure that includes replacement reserves.
- Casmalia needs to negotiate a secure source of water.

Special District	Annual Expenses	Average Daily Expenses	Working Capital	Number of Days of Working Capital
Casmalia Community Services District	\$15,809	\$43	\$(8,835)	-204
Cuyama Community Service District	\$198,652	\$544	\$1,062,975	1,953
Los Alamos Community Services District	\$483,374	\$1,324	\$168,453	127
Mission Hills Community Services District	\$770,558	\$2,111	\$603,928	286
Santa Ynez Community Services District	\$682,148	\$1,869	\$148,076	79
Vandenberg Village Community Services	\$1,304,726	\$3,575	\$2,372,564	664

Note: Working Capital = Current Assets - Current Liabilities and in most instances, also provides fund equity available for asset replacement coverage

Measure: Cashflow

High number of days are favorable. A high ratio suggests the presence of resources that can be used to overcome a temporary revenue shortfall or used in conjunction with the other ratios can be an indicator of funding for capital replacement.

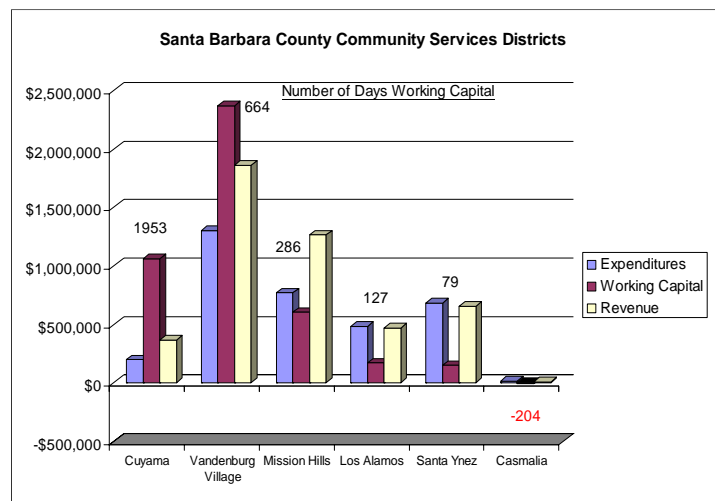


Table 7

Community Services Districts

Depreciation Ratio

Special District	Accumulated Depreciation	Capital Assets	Accum. Depreciation/ Capital Assets	Measure: Asset Life
Casmalia Community Services District	\$79,328	\$187,749	0.42	A high ratio may indicate aging assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
Cuyama Community Service District	\$266,004	\$1,588,242	0.17	
Los Alamos Community Services District	\$1,982,722	\$5,504,393	0.36	
Mission Hills Community Services District	\$2,283,142	\$7,168,958	0.32	
Santa Ynez Community Services District	\$1,763,544	\$6,052,639	0.29	
Vandenberg Village Community Services	\$1,317,924	\$6,086,111	0.22	

Asset Replacement Coverage

Special District	Fund Equity Avail. Repl.	Accumulated Depreciation	Fund Equity/ Accum. Depreciation	Measure: Replacement Resources
Casmalia Community Services District	—	\$79,328	0.00	1.0 ratio is favorable. A ratio of 1.0 suggests the presence of resources to provide for replacement of assets at the end of their useful lives.
Cuyama Community Service District	\$1,062,975	\$266,004	4.00	
Los Alamos Community Services District	\$146,068	\$1,982,722	0.07	
Mission Hills Community Services District	\$4,088,044	\$2,283,142	1.79	
Santa Ynez Community Services District	\$140,515	\$1,763,544	0.08	
Vandenberg Village Community Services	\$2,548,910	\$1,317,924	1.93	

Debt Service Coverage

Special District	Debt Service	Total Revenues	Current Debt/ Total Revenues	Measure: Repayment Ability
Casmalia Community Services District	—	\$9,431	0.00	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
Cuyama Community Service District	\$1,968	\$364,722	0.01	
Los Alamos Community Services District	\$146,000	\$470,119	0.31	
Mission Hills Community Services District	\$141,837	\$1,265,271	0.11	
Santa Ynez Community Services District	\$63,639	\$655,341	0.10	
Vandenberg Village Community Services	\$387,438	\$1,859,489	0.21	

Note: Debt Service = Bond Payments + Interest Payments taken from the Cash Flow Statement

Long-Term Liabilities

Special District	Capital Assets	L-T Liabilities	L-T Liabilities/ Capital Assets	Measure: Financial Position
Casmalia Community Services District	\$187,749	—	0.00	Low ratios are favorable. A low ratio indicates the capital assets used in the entity's operations are not highly leveraged by debt and the entity has a strong equity position in its capital assets.
Cuyama Community Service District	\$1,588,242	\$246,605	0.16	
Los Alamos Community Services District	\$5,504,393	\$181,000	0.03	
Mission Hills Community Services District	\$7,168,958	\$1,530,149	0.21	
Santa Ynez Community Services District	\$6,052,639	\$731,467	0.12	
Vandenberg Village Community Services	\$6,086,111	\$2,555,000	0.42	

Rating Agencies

Special District	Type	Rating	Measure: Credit Quality
Casmalia Community Services District	N/A	N/A	Aaa — Best quality, low credit risk to the investor
Cuyama Community Service District			
Los Alamos Community Services District	Information requested from the Districts.		
Mission Hills Community Services District			
Santa Ynez Community Services District			
Vandenberg Village Community Services	Revenue Bonds	Aaa, Insured	

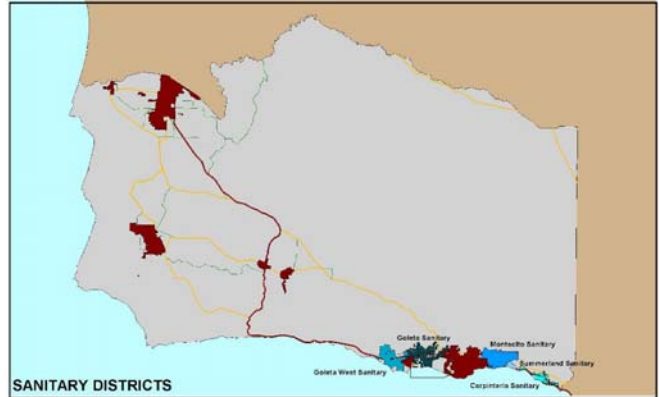
Table 7, cont.

Sanitary Districts

Description

The five districts provide wastewater collection, treatment and disposal for 22,500 properties that have wastewater connections. The districts operate pursuant to the Health and Safety Code §6400 et seq. Five-member boards of directors are elected at large and district staff provides administration.

Map



Fiscal Strengths:

The fiscal conditions of these districts are strong. All have healthy working capital positions. All are funding replacement reserves. Carpinteria has a high debt load but has sufficient rates set to provide for debt service payment.

Vulnerabilities:

Goleta West receives a significant property tax allocation from the Goleta area. The district has accumulated a large reserve. This creates an inequity for other tax driven services in the Goleta area.

Recommendations:

- Goleta West policy makers should scrutinize the appropriateness of maintaining this high level of property tax allocation to this district.

Special District	Annual Operating Expenses	Average Daily Expenses	Working Capital	Number of Days of Working Capital
Carpinteria Sanitary District	\$2,331,317	\$6,387	\$3,369,912	528
Goleta Sanitary District	\$5,052,668	\$13,843	\$14,391,060	1,040
Goleta West Sanitary District	\$2,838,622	\$7,777	\$19,004,021	2,444
Montecito Sanitary District	\$1,578,621	\$4,325	\$4,285,703	991
Summerland Sanitary District	\$432,029	\$1,184	\$1,236,764	1,045

Note: Working Capital = Current Assets - Current Liabilities and also provides fund equity available for asset replacement coverage

Measure: Cashflow

High number of days are favorable. A high ratio suggests the presence of resources that can be used to overcome a temporary revenue shortfall or used in conjunction with the other ratios can be an indicator of funding for capital replacement.

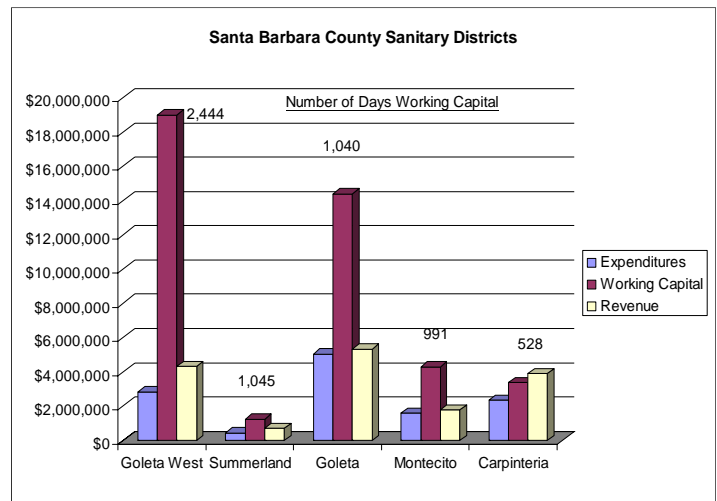


Table 8

Sanitary Districts

Depreciation Ratio

Special District	Accumulated Depreciation	Capital Assets	Accum. Depreciation/ Capital Assets	Measure: Asset Life
Carpinteria Sanitary District	\$7,066,322	\$25,489,922	0.28	A high ratio may indicate aging assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
Goleta Sanitary District	\$14,432,485	\$49,937,756	0.29	
Goleta West Sanitary District	\$5,884,851	\$14,652,356	0.40	
Montecito Sanitary District	\$8,718,246	\$14,695,245	0.59	
Summerland Sanitary District	\$964,520	\$2,406,687	0.40	

Asset Replacement Coverage

Special District	Fund Equity Avail. Repl.	Accumulated Depreciation	Fund Equity/ Accum. Depreciation	Measure: Replacement Resources
Carpinteria Sanitary District	\$3,369,912	\$7,066,322	0.48	1.0 ratio is favorable. A ratio of 1.0 suggests the presence of resources to provide for replacement of assets at the end of their useful lives.
Goleta Sanitary District	\$14,391,060	\$14,432,485	1.00	
Goleta West Sanitary District	\$19,004,021	\$5,884,851	3.23	
Montecito Sanitary District	\$4,285,703	\$8,718,246	0.49	
Summerland Sanitary District	\$1,236,764	\$964,520	1.28	

Debt Service Coverage

Special District	Debt Service	Total Revenues	Current Debt/ Total Revenues	Measure: Repayment Ability
Carpinteria Sanitary District	\$1,371,306	\$3,888,322	0.35	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
Goleta Sanitary District	\$157,876	\$5,333,978	0.03	
Goleta West Sanitary District	\$24,914	\$4,316,567	0.01	
Montecito Sanitary District	\$343,337	\$1,780,788	0.19	
Summerland Sanitary District	\$31,062	\$694,188	0.04	

Note: Debt Service = Bond Payments + Interest Payments taken from the Cash Flow Statement

Long-Term Liabilities

Special District	Capital Assets	L-T Liabilities	L-T Liabilities/ Capital Assets	Measure: Financial Position
Carpinteria Sanitary District	\$25,489,922	\$17,555,000	0.69	Low ratios are favorable. A low ratio indicates the capital assets used in the entity's operations are not highly leveraged by debt and the entity has a strong equity position in its capital assets.
Goleta Sanitary District	\$49,937,756	\$1,756,507	0.04	
Goleta West Sanitary District	\$14,652,356	—	0.00	
Montecito Sanitary District	\$14,695,245	\$645,000	0.04	
Summerland Sanitary District	\$2,406,687	—	0.00	

Rating Agencies

Special District	Type	Rating	Measure: Credit Quality
Carpinteria Sanitary District	Lease Rental	Aaa, Insured	Aaa — Best quality, low credit risk to the investor
Goleta Sanitary District	Information requested from the District.		
Goleta West Sanitary District	N/A	N/A	
Montecito Sanitary District	Revenue Bonds	Aaa, Insured	
Summerland Sanitary District	N/A	N/A	

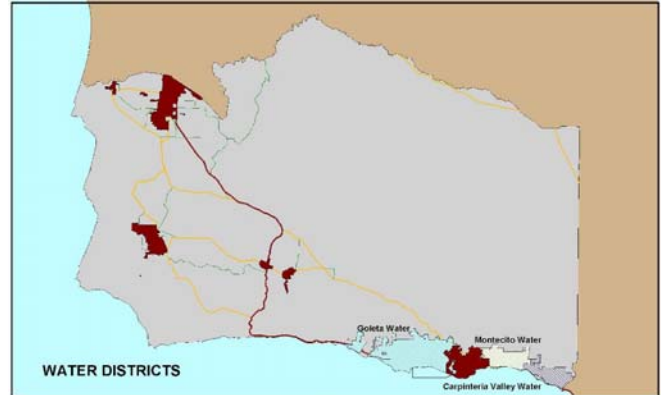
Table 8, cont.

Water Districts

Description

Provide domestic and agricultural water services. The districts operate pursuant to the California Water Code §33000. Five member board of directors are elected at-large and the districts are administered by district staff. The districts combined serve 23,200 customers. They participate in the Cachuma Project, State Water Project, and use local ground water resources.

Map



Fiscal Strengths:

The districts' operating, asset replacement and long-term financial positions are strong. While each district has debt, each maintains an Aaa rating by Moody's rating agency. This signifies a strong position of long-term payment expectations and low risk to the investor.

Vulnerabilities:

Catastrophic disasters like a severe earthquake could damage major infrastructure of the Cachuma or State Water Projects. However, the districts all have ground water supplies as part of their water portfolio.

Recommendations:

- Districts should maintain disaster recovery action plans.

Special District	Annual Expenses	Average Daily Expenses	Working Capital	Number of Days of Working Capital
Carpinteria Valley Water District	\$5,254,509	\$14,396	\$9,232,225	641
Goleta Water District	\$15,794,020	\$43,271	\$22,381,876	517
Montecito Water District	\$7,048,238	\$19,310	\$5,630,686	292

Note: Working Capital = Current Assets - Current Liabilities and also provides fund equity available for asset replacement coverage.

Measure: Cashflow

High number of days are favorable. A high ratio suggests the presence of resources that can be used to overcome a temporary revenue shortfall or used in conjunction with the other ratios can be an indicator of funding for capital replacement.

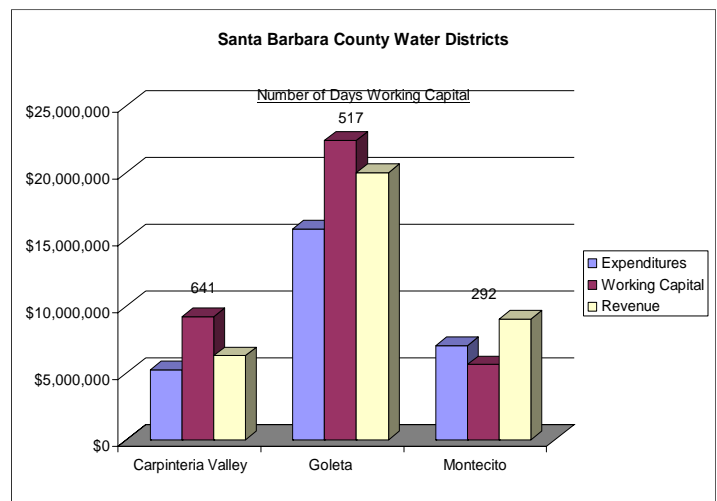


Table 9

Water Districts

Depreciation Ratio

Special District	Accumulated Depreciation	Capital Assets	Accum. Depreciation/ Capital Assets	Measure: Asset Life
Carpinteria Valley Water District	\$8,262,993	\$14,953,127	0.55	A high ratio may indicate aging assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
Goleta Water District	\$28,370,921	\$76,172,894	0.37	
Montecito Water District	\$9,513,128	\$30,999,199	0.31	

Asset Replacement Coverage

Special District	Fund Equity Avail. Repl.	Accumulated Depreciation	Fund Equity/ Accum. Depreciation	Measure: Replacement Resources
Carpinteria Valley Water District	\$9,232,225	\$8,262,993	1.12	1.0 ratio is favorable. A ratio of 1.0 suggests the presence of resources to provide for replacement of assets at the end of their useful lives.
Goleta Water District	\$22,381,876	\$28,370,921	0.79	
Montecito Water District	\$5,630,686	\$9,513,128	0.59	

Debt Service Coverage

Special District	Debt Service	Total Revenues	Current Debt/ Total Revenues	Measure: Repayment Ability
Carpinteria Valley Water District	\$231,832	\$6,312,859	0.04	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
Goleta Water District	\$1,924,191	\$19,997,420	0.10	
Montecito Water District	\$1,316,253	\$9,052,863	0.15	

Note: Debt Service = Bond Payments + Interest Payments taken from the Cash Flow Statement

Long-Term Liabilities

Special District	Capital Assets	L-T Liabilities	L-T Liabilities/ Capital Assets	Measure: Financial Position
Carpinteria Valley Water District	\$14,953,127	\$9,870,000	0.66	Low ratios are favorable. A low ratio indicates the capital assets used in the entity's operations are not highly leveraged by debt and the entity has a strong equity position in its capital assets.
Goleta Water District	\$76,172,894	\$31,830,387	0.42	
Montecito Water District	\$30,999,199	\$18,059,715	0.58	

Rating Agencies

Special District	Type	Moody's Rating	Measure: Credit Quality
Carpinteria Valley Water District	Certificates of Participation	Aaa, Insured	Aaa — Best quality, low credit risk to the investor
Goleta Water District	Certificates of Participation	Aaa, Insured	
Montecito Water District	Certificates of Participation	Aaa, Insured	

Other Proprietary Fund Type Districts

Lompoc Health Care District

Description:

The district operates in the Lompoc Valley and provides short-term and extended-term health care services to the surrounding community. The district operates pursuant to Health and Safety Code §32000 et seq. A five member board of directors are elected at large and district staff provides administration.



Fiscal Strengths, Vulnerabilities, and Recommendations:

The district fiscal condition is good. The working capital position is moderate, equity position a little weak and debt level moderate.

Special District	General Fund		Unreserved	
	Annual Expenditures	Average Daily Expenditures	Fund Balance (Working Capital)	Number of Days of Working Capital
Lompoc Health Care District	\$31,305,263	\$85,768	\$4,343,070	50

Santa Barbara Metropolitan Transit District

Description:

The district provides public transit services to the southern urban area of the County. The district operates pursuant to the Public Utilities Code §95000 et seq. A five member board of directors is appointed – two by the Board of Supervisors, two by Santa Barbara City Council and the fifth appointed by the four other members. District staff provides administration.



Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal condition is strong. Good working capital position, debt free and the district is funding replacement reserves.

Special District	General Fund		Unreserved	
	Annual Expenditures	Average Daily Expenditures	Fund Balance (Working Capital)	Number of Days of Working Capital
Santa Barbara Metropolitan Transit District	\$12,430,240	\$34,055	\$4,415,403	129

Santa Maria Airport District

Description:

The district owns and operates the Santa Maria airport, which is a commercial and general aviation airport located within the City of Santa Maria. The district operates pursuant to Public Utilities Code §22001 et seq. A five member board of directors is elected at large and district staff provides administration.



Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal condition of this district is good. It has good working capital, is funding replacement reserves and has no debt.

Special District	General Fund		Unreserved	
	Annual Expenditures	Average Daily Expenditures	Fund Balance (Working Capital)	Number of Days of Working Capital
Santa Maria Airport District	\$2,654,236	\$7,272	\$9,187,189	1,263

Santa Ynez River Water Conservation District ID #1

Description:

The improvement district oversees the construction, operation and maintenance of a domestic and agricultural water system in the Santa Ynez Valley. The district operates pursuant to the Water Conservation District Law of 1931 and the Water Code of the State of California. Five member board of trustees and district staff provides administration.



Fiscal Strengths, Vulnerabilities, and Recommendations:

The fiscal condition is good. Working capital position is good, the district is funding replacement reserves and debt position is moderate.

Special District	General Fund		Unreserved	
	Annual Expenditures	Average Daily Expenditures	Fund Balance (Working Capital)	Number of Days of Working Capital
Santa Ynez River Water Conservation District ID #1	\$4,532,337	\$12,417	\$7,351,215	592

Note: Working Capital = Current Assets - Current Liabilities and also provides fund equity available for asset replacement coverage.

Other Proprietary Fund Type Districts

Depreciation Ratio

Special District	Accumulated Depreciation	Capital Assets	Accum. Depreciation/ Capital Assets	Measure: Asset Life
Lompoc Health Care District	\$18,192,430	\$29,365,792	0.62	A high ratio may indicate aging assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
SB Metropolitan Transit District	\$13,872,367	\$35,142,777	0.39	
Santa Maria Public Airport District	\$19,216,966	\$35,190,326	0.55	
Santa Ynez Water Conservation District ID #1	\$5,564,368	\$15,874,366	0.35	

Asset Replacement Coverage

Special District	Fund Equity Avail. Repl.	Accumulated Depreciation	Fund Equity/ Accum. Depreciation	Measure: Replacement Resources
Lompoc Health Care District	\$4,343,070	\$18,192,430	0.24	1.0 ratio is favorable. A ratio of 1.0 suggests the presence of resources to provide for replacement of assets at the end of their useful lives.
SB Metropolitan Transit District	\$4,415,403	\$13,872,367	0.32	
Santa Maria Public Airport District	\$9,187,189	\$19,216,966	0.48	
Santa Ynez Water Conservation District ID #1	\$7,351,215	\$5,564,368	1.32	

Debt Service Coverage

Special District	Debt Service	Total Revenues	Current Debt/ Total Revenues	Measure: Repayment Ability
Lompoc Health Care District	\$890,015	\$31,102,413	0.03	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
SB Metropolitan Transit District	—	\$11,068,265	0.00	
Santa Maria Public Airport District	—	\$4,519,483	0.00	
Santa Ynez Water Conservation District ID #1	\$461,585	\$6,464,377	0.07	

Note: Debt Service = Bond Payments + Interest Payments taken from the Cash Flow Statement

Long-Term Liabilities

Special District	Capital Assets	L-T Liabilities	L-T Liabilities/ Capital Assets	Measure: Financial Position
Lompoc Health Care District	\$29,365,792	\$7,939,196	0.27	Low ratios are favorable. A low ratio indicates the capital assets used in the entity's operations are not highly leveraged by debt and the entity has a strong equity position in its capital assets.
SB Metropolitan Transit District	\$35,142,777	\$4,415,403	0.13	
Santa Maria Public Airport District	\$35,190,326	—	0.00	
Santa Ynez Water Conservation District ID #1	\$15,874,366	\$5,106,814	0.32	

Rating Agencies

Special District	Type	Rating	Measure: Credit Quality
Lompoc Health Care District	Information requested from the Districts.		
SB Metropolitan Transit District			
Santa Maria Public Airport District	N/A	N/A	
Santa Ynez Water Conservation District ID #1	General Obligation	Baa1	Baa1 — Medium grade

SANTA BARBARA COUNTY INDEPENDENT SPECIAL DISTRICTS



Montecito Fire Protection District — Rescue 2



Goleta Sanitary District — Biofiltration Unit



Embarcadero Municipal Improvement District Office –
Community Center Building



Isla Vista Recreation & Park District — El Nino Vernal Pool

Robert W. Geis, CPA
Auditor-Controller
105 East Anapamu Room 303
Santa Barbara, CA 93101