



Office of the Auditor-Controller  
Financial Reporting Division

SANTA BARBARA COUNTY  
INDEPENDENT SPECIAL DISTRICTS

Compliance Report covering:  
2003/04 Annual Financial Reports  
2004/05 Annual Budgets  
And  
Research Report On Districts'  
Current Fiscal Strengths and Vulnerabilities

Report Date - 6/27/06

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Cuyama	(661) 766-2780	Montecito	(805) 969-2271
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Vandenberg Village	(805) 733-2475		
<u>Health Care District</u> Lompoc	(805) 737-3306		

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# Summary

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## **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**

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 laid to rest in local cemeteries. This report contains information on 36 independent special districts in the County of Santa Barbara. 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 serve; most have a distinct mission which enables them to focus on service delivery.

**Compliance Effort** — All but two of the Districts have filed their annual budgets. 85% were filed within 60 days of the beginning of the fiscal period. All but one of the districts 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 (especially the enterprise districts) charge the local customer 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 04-05 fiscal cycle. Four small districts, Los Alamos Cemetery, Guadalupe Cemetery, Oak Hill Cemetery and Casmalia Community Services District's 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 is the current exception. Based on the recommendations in our last report the Los Alamos Community Services District adjusted its rate structures to fund the depreciation of its infrastructure and as a result improved their ability to replace infrastructure over the last four years. Their Fund Equity Available for Replacement went from \$146,068 to \$548,169 in the last four years.

*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 three of the smaller districts, Guadalupe, Los Alamos and Oak Hill are strained due to low property tax revenues and low volumes of burials. Oak Hill is the most recent to experience financial difficulties because of low volume of burials and a small inventory of plots that can be sold. In FY 04-05 the District depleted their fund balance and in FY 05-06 they will most likely draw significantly on accumulated interest earnings from their endowment.

**Fire Districts** — The Carpinteria-Summerland Fire District has steadily improved its fund balance from negative amounts over the past four years to a surplus in FY 03-04. Despite this, Carpinteria-Summerland Fire District continues to operate on a month to month basis and is vulnerable to unexpected contingencies and lacks long-term funding for capital replacement. In FY 05-06 the District secured fees from an ambulance services contract to fund capital equipment replacement.

# Summary

## **Vulnerabilities (cont.):**

Recreation and Park Districts — Cuyama has a difficult time filling all of the board member positions. The Isla Vista District, needs to increase budgetary oversight, for 03-04 expenditures in the general fund exceeded appropriations in three of the four object levels by modest amounts.

Air Pollution Control District — For the last two fiscal years (2002-03 and 2003-04) the District has recorded significant operating deficits of approximately \$500,000.

Santa Maria Valley Water Conservation District — The fiscal operating position of the District is stable despite four years of significant litigation expenditures. Yet, the District 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 Districts — The small Casmalia District continues with its problems. The 03-04 audit report opinion noted that the District had a “going concern”. It also has a hard time filling all of its board member positions. 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.

Sanitary Districts — Goleta West receives a significant property tax allocation from the Goleta area that is set aside for capital replacement. The District has accumulated a large capital replacement reserve. Districts like Goleta West also can fund capital through customer service charges, since property taxes are viewed by the State as general revenues, they could be subject to property tax shifts to other entities.

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*

- Goleta Cemetery District, as a result of some questionable financial transactions involving the prior management, had difficulty issuing their FY 04-05 audited financial statements. However, three new trustees were appointed by the Board of Supervisors (February 2006) and the Auditor-Controllers office is working closely with new management. Guadalupe and Los Alamos Cemetery District should continue to be diligent regarding their finances. These districts should annually review their rates. Oak Hill Cemetery District is running out of space and does not have funds for expansion. The District needs to look for some long-term solutions to its space shortage problem and continued operations deficit.
- The Carpinteria-Summerland Fire District should continue to improve its financial position through budgetary control and the enactment and maintenance of sound fiscal policies.
- Isla Vista Recreation and Park District should monitor its actual expenditures against budget throughout the year.
- Air Pollution Control District's management should and intends to balance operating revenues and expenditures and maintain working capital at 15% of revenues.
- Casmalia Community Services District should be diligent in setting a rate structure that includes replacement reserves for infrastructure. Santa Ynez Community Services District completed a major rate study that implemented a ten year plan to fund replacement reserves.
- Casmalia Water District needs to negotiate a secure source of water.
- Goleta West policy makers should be aware that discussions take place at the State level concerning allocation of property tax to proprietary type districts and should maintain a strong capital replacement policy dedicating these resources.

### 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 - 2003/04

## Background:

Government Code §26909 requires the county auditor to either perform or contract with a certified public accountant or public accountant to perform an annual audit of every special purpose district within the county for which an audit is not otherwise provided. These audits must meet State Controller minimum requirements in addition to generally accepted auditing standards. The audit report must be submitted to both the State Controller and county auditor within 12 months of the end of the State fiscal year or years under examination.

## Compliance Report:

For fiscal year 2003-04, 78% of the districts completed their financial reports within 120 days of the fiscal year end. In the 2000/01 fiscal year, 85% completed their financial report within 90 days. Only Mission Hills Community Service District did not comply with §26909 and issue an audit report within one year. A factor that mitigates against the slightly delayed issuance was that fiscal year 2003/04 was the deadline to implement Government Accounting Standards Board Statement No. 34. This statement establishes new financial reporting requirements, creates new information and restructures much of the information that governments have presented in the past. These new requirements make annual reports more comprehensive and easier to understand and use. While these completion dates are not optimum, we still believe this is a positive indicator of fiscal stewardship and demonstrates good fiduciary management by district boards and their staff.

An unqualified opinion means the financial statements are fairly presented while a qualified opinion means there are one or more specific exceptions to the auditor's assertion that the financial statements are fairly presented. A going concern comment refers to uncertainty about an entity's ability to continue its operations and meet its obligations. Casmalia Community Service District and Los Alamos Cemetery were noted as going concerns, in part, because they have low working capital cash balances.

Special District	Audited By	Date of Report	Opinion	Comments
Mission Hills Community Services District	Hayes & Hayes	09/29/05	Unqualified	
Embarcadero Municipal Improvement District	MacFarlane, Faletti & Co.	01/10/05	Unqualified	
Cachuma Resource Conservation District	COSB Internal Audit	12/18/04	Unqualified	
Goleta Cemetery District	John S. Hill, CPA	12/12/04	Unqualified	
Santa Maria Valley Water Conservation	Moss, Levy & Hartzheim	12/10/04	Unqualified	
Santa Maria Cemetery District	Moss, Levy & Hartzheim	11/21/04	Unqualified	
Santa Barbara Coastal Vector Control District	MacFarlane Faletti & Co.	11/16/04	Unqualified	
Montecito Fire Protection District	COSB Internal Audit	11/12/04	Unqualified	
Carpinteria Public Cemetery District	COSB Internal Audit	10/27/04	Unqualified	
Santa Ynez River Water Conservation Dist, ID No 1	MacFarlane, Faletti & Co.	10/27/04	Unqualified	
Oak Hill Cemetery District	COSB Internal Audit	10/26/04	Unqualified	
Santa Barbara Metropolitan Transit District	McGowan Guntermann	10/22/04	Qualified	Bus Parts Inventory
Cuyama Valley Recreation & Park District	COSB Internal Audit	10/18/04	Unqualified	
Los Alamos Community Services District	Pyne, Waltrip, Lippert & Decker, LLP	10/18/04	Unqualified	
Summerland Sanitary District	Charles Z. Fedak & Co.	10/15/04	Unqualified	
Cuyama Community Service District	Moss, Levy & Hartzheim	10/01/04	Unqualified	
Montecito Water District	MacFarlane, Faletti & Co.	09/30/04	Unqualified	
Santa Maria Public Airport District	Charles Z. Fedak & Co.	09/30/04	Unqualified	
Carpinteria Valley Water District	Bartlett, Pringle & Wolf, LLP	09/24/04	Unqualified	
Guadalupe Cemetery District	COSB Internal Audit	09/17/04	Unqualified	
Lompoc Health Care District	TCA Partners	09/16/04	Unqualified	
Los Alamos Cemetery District	COSB Internal Audit	09/13/04	Unqualified	Going Concern
Orcutt Fire Protection District	Moss, Levy & Hartzheim	09/09/04	Unqualified	
Isla Vista Recreation & Park District	Moss, Levy & Hartzheim	09/03/04	Unqualified	
Vandenberg Village Community Services	Moss, Levy & Hartzheim	09/03/04	Unqualified	
Casmalia Community Services District	COSB Internal Audit	09/01/04	Unqualified	Going Concern
Goleta Sanitary District	Teaman, Ramirez & Smith, Inc.	09/01/04	Unqualified	
Santa Ynez River Water Conservation District	Moss, Levy & Hartzheim	09/01/04	Unqualified	
Goleta Water District	Charles Z. Fedak & Co.	08/31/04	Unqualified	
Santa Barbara County APCD	Nasif, Hicks, Harris & CO.	08/27/04	Unqualified	
Carpinteria-Summerland Fire Protection District	COSB Internal Audit	08/26/04	Unqualified	
Lompoc Cemetery District	COSB Internal Audit	08/24/04	Unqualified	
Goleta West Sanitary District	Bartlett, Pringle & Wolf, LLP	08/20/04	Unqualified	
Santa Ynez Community Services District	Hayes & Hayes	08/11/04	Unqualified	
Montecito Sanitary District	Moss, Levy & Hartzheim	08/04/04	Unqualified	
Carpinteria Sanitary District	Moss, Levy & Hartzheim	07/30/04	Unqualified	

## 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" and timely opinion on their financial audits.

# Annual Budgets - 2004/05

**Background:**

The filing of local agency, with the exception of fire districts, budgets and related exemptions is governed by Government Code §53901 which states "Unless exempted by the county auditor 60 days after the beginning of its fiscal year [July 1<sup>st</sup>], 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."

The adoption of final budget for fire protection districts is governed by Health and Safety Code §13895 which states "On or before October 1 of each year... the board shall adopt a final budget. A copy of the final budget shall be forwarded to the auditor of each county in which the district is located."

**Compliance Report:**

Santa Barbara County Independent Special Districts complied with the above quoted California code sections to provide their fiscal year 2004/05 budget timely with only three exceptions (in red): Casmalia Community Services District, Los Alamos Cemetery District, and the Santa Barbara Metropolitan Transit District.

Special District	Budget Received Date
Casmalia Community Services District	<i>Not received</i>
Los Alamos Cemetery District	<i>Not received</i>
Santa Barbara Metropolitan Transit District	10/19/04
Montecito Fire Protection District	09/30/04
Carpinteria-Summerland Fire Protection District	09/24/04
Lompoc Health Care District	08/27/04
Mission Hills Community Services District	08/27/04
Montecito Sanitary District	08/26/04
Santa Maria Public Airport District	08/26/04
Santa Ynez Community Services District	08/26/04
Los Alamos Community Services District	08/25/04
Santa Barbara County APCD	08/25/04
Santa Ynez River Water Conservation District	08/25/04
Cuyama Community Service District	08/23/04
Cuyama Valley Recreation & Park District	08/17/04
Isla Vista Recreation & Park District	08/17/04
Oak Hill Cemetery District	08/13/04
Carpinteria Public Cemetery District	08/12/04
Goleta Cemetery District	08/10/04
Santa Maria Valley Water Conservation	08/10/04
Lompoc Cemetery District	08/06/04
Summerland Sanitary District	08/02/04
Santa Maria Cemetery District	07/28/04
Carpinteria Valley Water District	07/27/04
Goleta West Sanitary District	07/26/04
Embarcadero Municipal Improvement District	07/20/04
Carpinteria Sanitary District	07/15/04
Vandenberg Village Community Services	07/09/04
Goleta Water District	07/01/04
Cachuma Resource Conservation District	06/30/04
Guadalupe Cemetery District	06/30/04
Santa Barbara Coastal Vector Control District	06/25/04
Santa Ynez River Water Conservation Dist, ID No 1	06/25/04
Goleta Sanitary District	06/23/04
Montecito Water District	06/18/04
Orcutt Fire Protection District	05/06/04

**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 maintain public cemeteries and provide burial services. The districts operate pursuant to Health and Safety Code section 9000 et seq. Three and five member boards of trustees 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 and maintain their funds in the County Treasury. Six of the seven districts keep their financial records on the County Auditor-Controller general ledger financial system (FIN). Only Carpinteria Cemetery District keeps their own financial records.

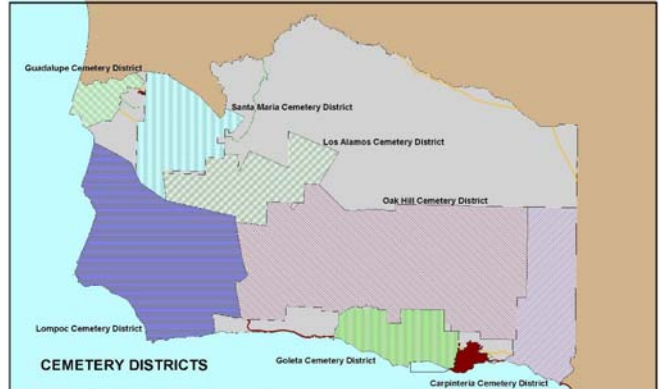
**Fiscal Strengths:** The larger urban districts, Santa Maria, Goleta, Lompoc and Carpinteria, have stable general fund reserves in addition to ample endowment funds to be used for perpetual care. Goleta has a very large reserve set aside for land purchases while Santa Maria has just completed a major expansion.

**Vulnerabilities:** The three smaller districts, Guadalupe, Los Alamos and Oak Hill all have a low fund balance and small endowment funds. Each district has periodic financial problems due to low property tax revenues and low volumes of burials. The Oak Hill District is the most recent to experience financial difficulties because of low volumes of burials and only a small inventory of plots that can be sold. In FY 04-05 the district depleted their fund balance and in FY 05-06 they will most likely draw significantly on accumulated interest earnings from their endowment. This out of balance condition could jeopardize the continued operations of the District.

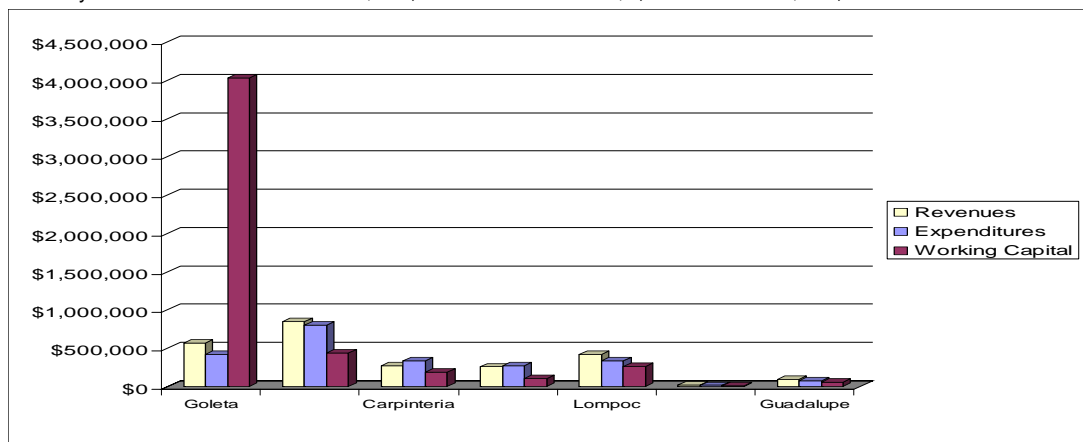
## Recommendations:

- Goleta had a significant change in management and some questionable financial transactions involving the prior management. Three new trustees were recently appointed by the Board of Supervisors (February 2006) and the Auditor-Controller is working closely with new management. As a result of the questionable transactions and other issues, the District had difficulty issuing their FY 2004-05 audited financial statements. However, the new management did a good job on revising their FY 05-06 final budget document.
- Guadalupe and Los Alamos (“going concern”) should continue to be diligent regarding their finances. With some expansion in these communities, growth in property taxes can hopefully keep them healthy. These districts should annually review their rates.
- Oak Hill Cemetery is running out of space and does not have funds for expansion. The District needs to look for some long-term solutions to its space shortage problem and continued operations deficit.

## Map



Special District	General Fund Annual Expenditures Fiscal Year 2003-04	Average Daily Expenditures Fiscal Year 2003-04	Unreserved Fund Balance (Working Capital) June 30, 2004	Days of Working Capital <sup>1</sup>	Endowment Fund Balance June 30, 2004
Carpinteria Public Cemetery District	\$334,369	\$916	\$188,494	206	\$310,026
Goleta Cemetery District	\$421,580	\$1,155	\$3,105,728	2,689	\$715,864
Guadalupe Public Cemetery District	\$74,016	\$203	\$59,483	293	\$82,688
Lompoc Cemetery District	\$335,459	\$919	\$260,725	284	\$408,613
Los Alamos Cemetery District	\$15,634	\$43	\$11,849	277	\$16,813
Oak Hill Cemetery District	\$268,266	\$735	\$101,159	138	\$240,029
Santa Maria Cemetery District	\$800,112	\$2,192	\$435,465	199	\$1,044,412



<sup>1</sup> - High number of days favorable. High ratio suggests presence of resources that can be used to overcome a temporary revenue shortfall.

# 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.

### Fiscal Strengths:

The Carpinteria-Summerland Fire District has steadily improved its fund balance from negative amounts over the past four years going from a \$374,000 deficit in FY 2001/02 to a \$389,000 surplus in FY 2003/04. This is the result of property tax revenues increasing faster than expenditures. Montecito Fire District's fund balances for both the general fund and capital projects have gradually increased over the past five years. These increases are partially the result of

steadily increasing property tax revenues. Local voters have also passed an appropriation limits override to spend the strong increase in taxes. This positive financial situation has enabled Montecito Fire to complete, without debt financing, a second fire station to serve the District. Orcutt Fire is a small volunteer fire department with a moderate operating budget.

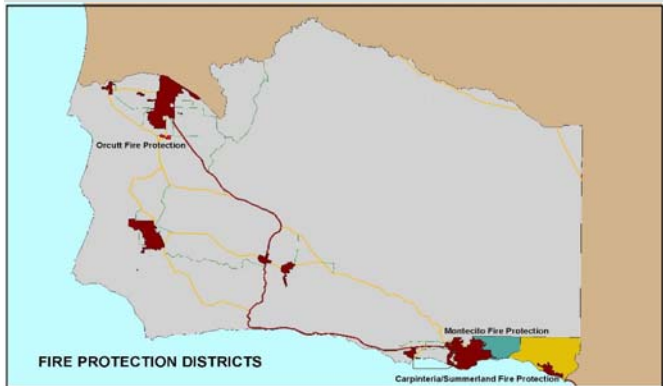
### Vulnerabilities:

Despite the fiscal strengths noted above, Carpinteria-Summerland Fire District continues to operate on a month to month basis and is vulnerable to unexpected contingencies and a lack of long-term funding for capital replacement. In FY 05-06 the District secured fees from an ambulance services contract to fund capital equipment replacement.

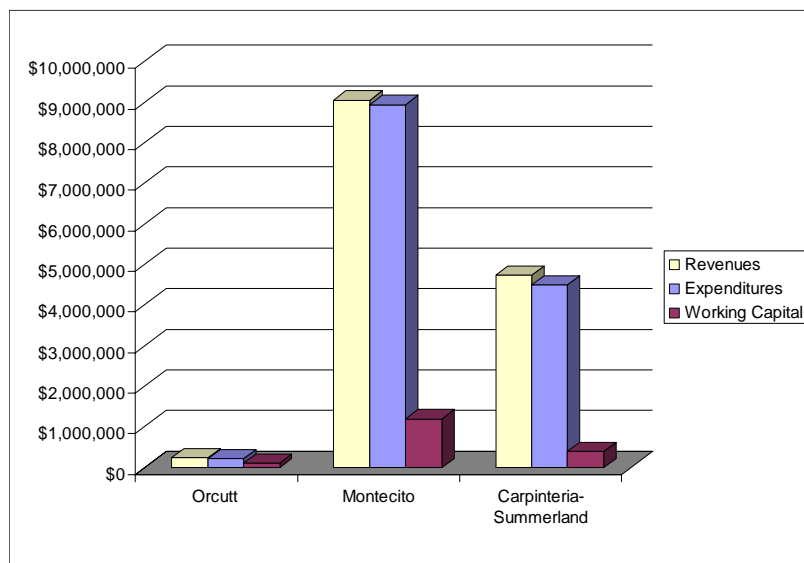
### Recommendations:

Carpinteria-Summerland should continue to improve its financial position through budgetary control and the enactment and maintenance of sound fiscal policies. The District might consider asking the community for a benefit assessment to fund capital replacement (e.g. fire trucks and stations).

## Map



Special District	General Fund Annual Expenditures <sup>1</sup> FY 2003-04	Average Daily Expenditures FY 2003-04	Unreserved Fund Balance (Working Capital) June 30, 2004	Days of Working Capital <sup>2</sup>
Carpinteria-Summerland Fire Protection District	\$4,490,513	\$12,303	\$388,795	32
Montecito Fire Protection District	\$8,939,790	\$24,493	\$1,191,383	49
Orcutt Fire Protection District	\$212,701	\$583	\$99,246	170



<sup>1</sup> Includes other financing uses for capital project expenditures.

<sup>2</sup> High number of days favorable. High ratio suggests presence of resources that can be used to overcome a temporary revenue shortfall.

# 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.



## Fiscal Strengths:

The fiscal positions of the districts appear to be good and stable over time.

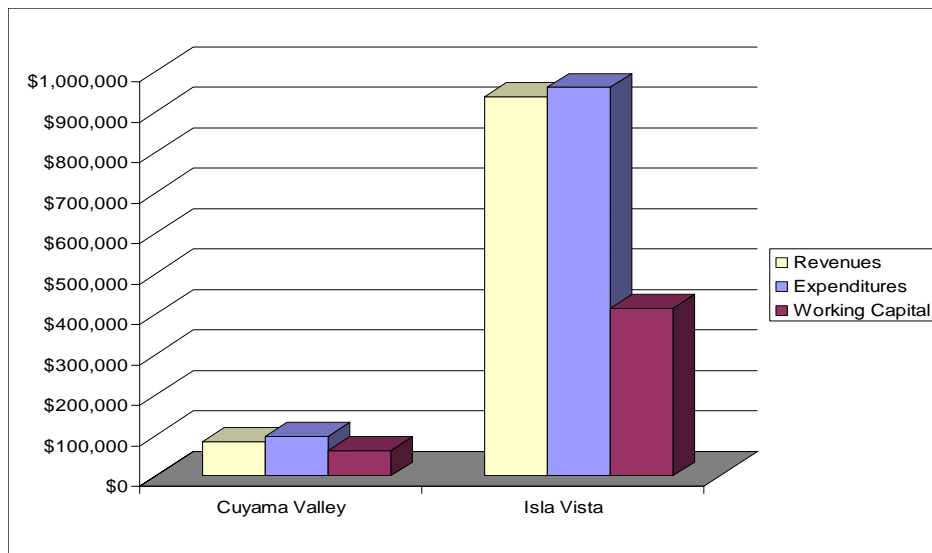
## Vulnerabilities:

Cuyama continues to have a difficult time filling all of the board member positions. The Isla Vista District needs to increase budgetary oversight. The District's legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is maintained at the object level. For fiscal year 03/04 expenditures in the general fund exceeded appropriations in three of the four object levels by modest amounts. These over expenditures were funded by available fund balance.

## Recommendations:

Isla Vista should monitor its actual expenditures against budget throughout the year.

Special District	General Fund Annual Expenditures FY 2003-04	Average Daily Expenditures FY 2003-04	Unreserved Fund Balance (Working Capital) June 30, 2004	Days of Working Capital <sup>1</sup>
Cuyama Valley Recreation District	\$97,620	\$267	\$61,877	231
Isla Vista Recreation & Park District	\$960,675	\$2,632	\$413,823	157



<sup>1</sup> High number of days favorable. High ratio suggests presence of resources that can be used to overcome a temporary revenue shortfall.

# Other Governmental Fund Type Districts

## Air Pollution Control District

<http://www.sbapcd.org/>

**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 eight incorporated cities within the County. The District, which encompasses the entire County, is administered by a staff.

**Fiscal Strengths, Vulnerabilities, and Recommendations:**

In FY 03/04 APCD restated its beginning year fund balance. The approximately \$3,500,000 increase resulted from new fiscal management reevaluating its trust funds and related holdings.

The District recorded significant operating deficits of approximately \$500,000 over each of the last two fiscal years (2002/03 and 2003/04). Continuation of deficit spending will gradually erode the Districts working capital and lower the number of days of working capital available to fund expenditures. To rectify this situation, management should and intends to balance operating revenues and expenditures and maintain working capital at 15% of revenues.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Days of Working Capital
Santa Barbara County APCD	\$7,534,590	\$20,643	\$5,550,531	269

## 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. The district is governed by a nine-member board appointed by the Board of Supervisors and administered by a small staff. The District encompasses the entire County and adjacent lands in both Kern and San Luis Obispo Counties.

**Fiscal Strengths, Vulnerabilities, and Recommendations:**

The fiscal condition of the District is good. The District's project expenditures are supported in large part by intergovernmental revenues. Fund balance has remained very consistent over the past five years.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Days of Working Capital
Cachuma Resource Conservation District	\$541,318	\$1,483	\$227,014	153

## Embarcadero Municipal Improvement District

<http://www.emidsb.org/>

**Description:**

Provides its residents a wide range of services including wastewater collection, recreation (e.g. parks and playground facilities), development standards (e.g. review and approval of construction within district boundaries) and road needs. The District operates pursuant to the Improvement District Act Chapter 81. A five member board is elected at large. The District serves approximately 1,200 acres in the western Goleta Valley.



**Fiscal Strengths, Vulnerabilities, and Recommendations:**

The fiscal operating position of the District is good.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Days of Working Capital
Embarcadero Municipal Improvement District	\$159,919	\$438	\$297,819	680

# Other Governmental Fund Type Districts

## Santa Barbara Coastal Vector Control District

<http://www.sbcvcd.org/>

**Description:**

Provides abatement of mosquitoes, flies, rats, and other disease vectors. The District operates pursuant to Health and Safety Code §2000 et seq. The District is governed by a seven-member board of trustees (jointly appointed by the Board of Supervisors and Santa Barbara City Counsel) and is administered by a small district staff. The District serves the area throughout unincorporated southern Santa Barbara County in addition to the cities of Carpinteria, Goleta, and Santa Barbara.



**Fiscal Strengths, Vulnerabilities, and Recommendations:**

The fiscal operating position of the District is good. The District has recently by ballot measure expanded its coverage area into the City of Santa Barbara and unincorporated Montecito. As a result, 2003/04 expenditures for annexation and ballot measure costs have significantly increased which has temporarily decreased the number of days of working capital available.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Days of Working Capital
Santa Barbara Coastal Vector Control District	\$578,083	\$1,584	\$315,741	199

## Santa Maria Valley Water Conservation District

**Description:**

Provides for operation of the federally owned Twitchell Dam and Reservoir, which conserves water and controls recharging of the groundwater basin. District operates pursuant to Water Code §74000 et seq. The District is governed by a seven-member board of directors that is elected by division and is administered by a small staff. The District serves northern Santa Barbara County and southern San Luis Obispo.



**Fiscal Strengths, Vulnerabilities, and Recommendations:**

The fiscal operating position of the District has remained relatively stable. This is despite four years of significant litigation expenditures to fund a ground water rights suit filed by the District against the City of Santa Maria, Southern California Water Company, and the City of Guadalupe. These expenditures were funded mainly by the use of Special Improvement District ID-1 funds. As a subsequent event, the District signed a Stipulation in July 2005 with the projection that if held by the Court could serve as a basis for a settlement in the pending legal action.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Days of Working Capital
Santa Maria Valley Water Conservation District	\$622,434	\$1,705	\$141,925	83

## Santa Ynez River Water Conservation District

**Description:**

The District was formed in 1939 in response to dam-building on the Santa Ynez River. It functions under Water Code § 74000 et. seq. to represent the water rights and to protect the water supplies of its constituents within the watershed from diversion and export. The District, among other functions, monitors the water accumulated in the reservoirs for downstream intents and calls for its release to recharge basins downstream. The District is governed by a five-member board of directors, elected by Division. District staff is responsible for administration and the coordination of the technical, regulatory and legal efforts of the district.



**Fiscal Strengths, Vulnerabilities, and Recommendations:**

The fiscal operating position of this District is strong. Unreserved fund balance has increased significantly since FY 2000/01 while expenditures have remained relatively constant.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Unreserved Fund Balance (Working Capital)	Days of Working Capital
Santa Ynez River Water Conservation District	\$372,716	\$1,021	\$1,261,923	1,236

# 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 street lighting. The districts operate pursuant to Government Code §61000 et seq. Five-member boards are elected at large and district staff provides administration.

## Map



## Fiscal Strengths:

The fiscal conditions of Cuyama, Los Alamos, Mission Hills, Santa Ynez and Vandenberg range from good to strong. These districts have good working capital positions. Mission Hills and Santa Ynez are funding substantial infrastructure replacement reserves. In addition, all six of these districts have low (Los Alamos, Santa Ynez and Mission Hills) to moderate (Vandenberg) debt levels.

## Vulnerabilities:

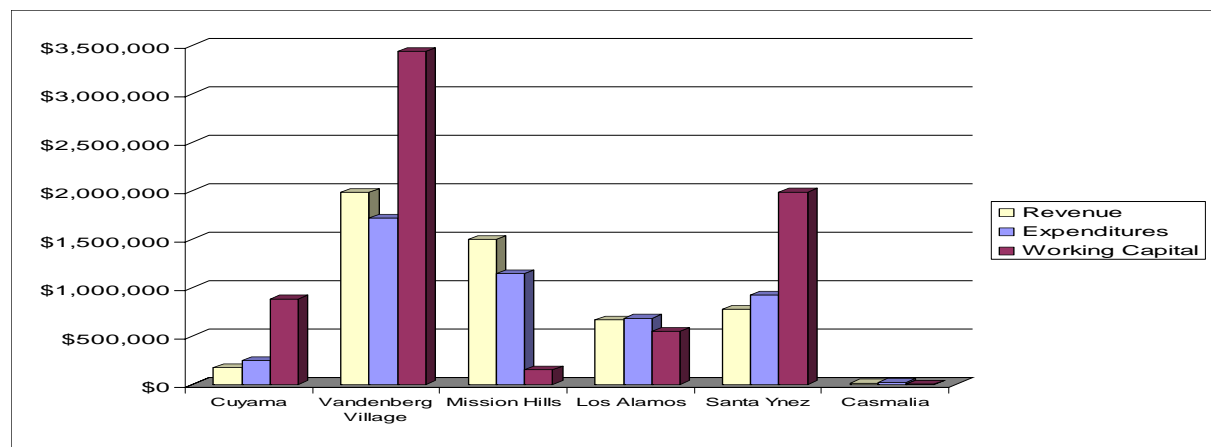
The small Casmalia District continues with its problems. While the District did rectify the past lack of financial statement issuance, the fiscal year 2003/04 audit report opinion noted that the District was a "going concern" (i.e. substantial doubt about the entity's ability to continue for a reasonable period of time). The substantial doubt was in part due to recurring annual operating losses since 1990, uncertainty as to the Districts water source, and the lack of a reserve for infrastructure replacement. In addition, the District has had issues with filling all of its board member positions.

## Recommendations:

- Districts should be diligent in setting rate structures that include replacement reserves for infrastructure.
- Casmalia needs to negotiate a secure source of water.

Special District	Annual Expenses	Average Daily Expenses	Working Capital	Days of Working Capital <sup>1</sup>
Casmalia Community Services District	\$22,559	\$62	\$5,773	93
Cuyama Community Service District	\$247,548	\$678	\$883,553	1,303
Los Alamos Community Services District	\$684,740	\$1,876	\$548,169	292
Mission Hills Community Services District	\$1,144,178	\$3,135	239,704	76
Santa Ynez Community Services District	\$922,560	\$2,528	\$1,983,322	785
Vandenberg Village Community Services	\$1,718,080	\$4,707	\$3,437,234	730

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



<sup>1</sup> High number of days favorable. High ratio suggests presence of resources that can be used to overcome a temporary revenue shortfall.

# Community Services Districts

## Depreciation Ratio

	Accumulated Depreciation	Capital Assets	Accum. Depreciation/ Capital Assets	Measure: Asset Life
Casmalia Community Services District	\$98,178	\$189,149	0.52	Low ratios are favorable. A high ratio may indicate aging capital assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
Cuyama Community Service District	\$352,034	\$1,701,148	0.21	
Los Alamos Community Services District	\$2,510,586	\$6,767,370	0.37	
Mission Hills Community Services District	\$3,069,308	\$7,481,096	0.41	
Santa Ynez Community Services District	\$2,283,933	\$6,160,565	0.37	
Vandenberg Village Community Services	\$1,960,127	\$6,423,245	0.31	

## Asset Replacement Coverage

	Fund Equity Avail. Repl.	Accumulated Depreciation	Fund Equity/ Accum. Depreciation	Measure: Replacement Resources
Casmalia Community Services District	\$5,773	\$98,178	0.06	High ratios are 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	\$883,553	\$352,034	2.51	
Los Alamos Community Services District	\$548,169	\$2,510,586	0.22	
Mission Hills Community Services District	\$5,653,311	\$3,069,308	1.84	
Santa Ynez Community Services District	\$1,983,322	\$2,283,933	0.87	
Vandenberg Village Community Services	\$3,437,234	\$1,960,127	1.75	

## Debt Service Coverage

	Debt Service	Total Revenues	Current Debt/ Total Revenues	Measure: Repayment Ability
Casmalia Community Services District	—	\$16,225	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	\$11,088	\$174,101	0.06	
Los Alamos Community Services District	\$16,150	\$664,585	0.02	
Mission Hills Community Services District	\$138,116	\$1,495,953	0.09	
Santa Ynez Community Services District	\$47,023	\$777,967	0.06	
Vandenberg Village Community Services	\$389,416	\$1,980,727	0.20	

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

## Debt Ratio

	L-T Liabilities	Capital Assets	L-T Liabilities/ Capital Assets	Measure: Financial Position
Casmalia Community Services District	—	\$189,149	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	\$231,452	\$1,701,148	0.14	
Los Alamos Community Services District	\$151,000	\$6,767,370	0.02	
Mission Hills Community Services District	\$1,382,763	\$7,481,096	0.18	
Santa Ynez Community Services District	\$502,527	\$6,160,565	0.08	
Vandenberg Village Community Services	\$1,410,000	\$6,423,245	0.22	

## Rating Agencies

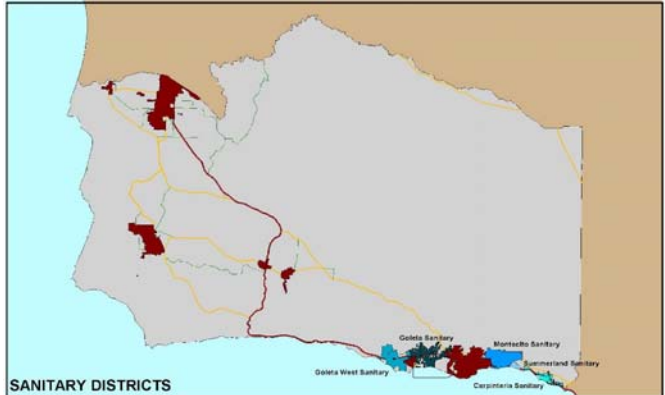
	Type	Rating	Measure: Credit Quality
Casmalia Community Services District	N/A	N/A	Aaa — Best quality, low credit risk to the investor
Cuyama Community Service District	N/A	N/A	
Los Alamos Community Services District	N/A	N/A	
Mission Hills Community Services District	N/A	N/A	
Santa Ynez Community Services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

# 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 remain 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 debt service payments.

## Vulnerabilities:

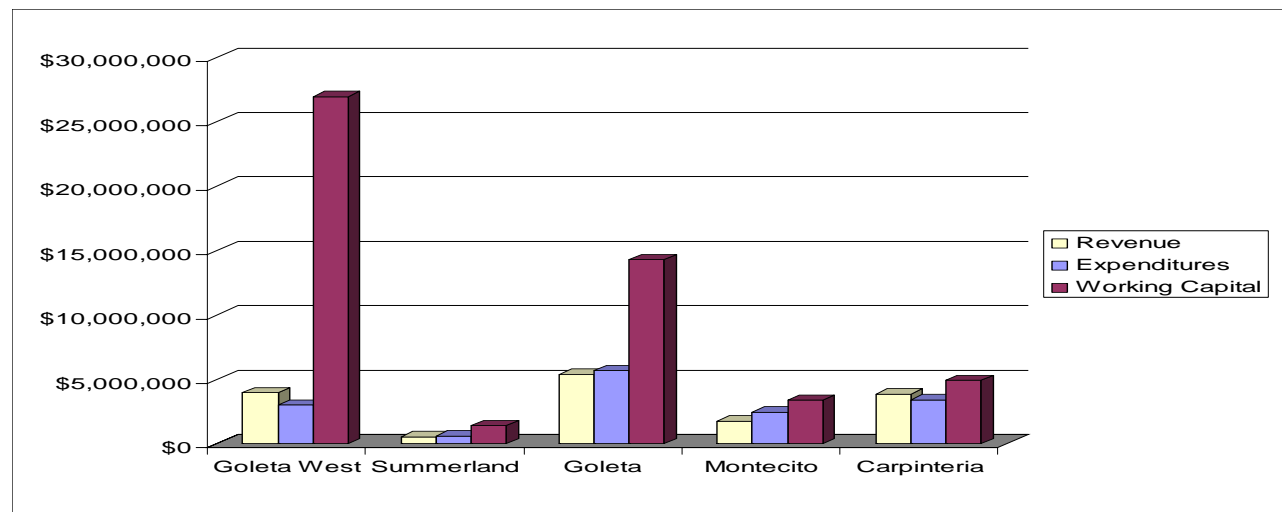
Goleta West receives a significant property tax allocation from the Goleta area that is earmarked for future capital needs and the District has accumulated a large reserve. Districts like Goleta West also fund capital through customer service charges, since property taxes are viewed by the State as general revenues, they could be subject to property tax shifts to other entities.

## Recommendations:

- Goleta West policy makers should be aware that discussions take place at the State level concerning allocation of property tax to proprietary type districts.

Special District	Annual Operating Expenses	Average Daily Expenses	Working Capital	Days of Working Capital <sup>1</sup>
Carpinteria Sanitary District	\$3,403,662	\$9,325	\$4,927,603	528
Goleta Sanitary District	\$5,671,603	\$15,539	\$14,294,344	920
Goleta West Sanitary District	\$3,003,628	\$8,229	\$26,969,304	3,277
Montecito Sanitary District	\$2,472,276	\$6,773	\$3,382,848	499
Summerland Sanitary District	\$604,573	\$1,656	\$1,419,552	857

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



<sup>1</sup> High number of days favorable. High ratio suggests presence of resources that can be used to overcome a temporary revenue shortfall.

# Sanitary Districts

## Depreciation Ratio

	Accumulated Depreciation	Capital Assets	Accum. Depreciation/ Capital Assets	Measure: Asset Life
Carpinteria Sanitary District	\$9,904,465	\$25,983,312	0.38	Low ratios are favorable. A high ratio may indicate aging capital assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
Goleta Sanitary District	\$20,135,985	\$55,893,976	0.36	
Goleta West Sanitary District	\$7,740,829	\$17,271,961	0.45	
Montecito Sanitary District	\$9,728,543	\$23,863,877	0.41	
Summerland Sanitary District	\$1,136,936	\$2,425,725	0.47	

## Asset Replacement Coverage

	Fund Equity Avail. Repl.	Accumulated Depreciation	Fund Equity/ Accum. Depreciation	Measure: Replacement Resources
Carpinteria Sanitary District	\$4,927,603	\$9,904,465	0.50	High ratios are 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	\$14,294,344	\$20,135,985	0.71	
Goleta West Sanitary District	\$26,969,304	\$7,740,829	3.48	
Montecito Sanitary District	\$3,382,848	\$9,728,543	0.35	
Summerland Sanitary District	\$1,419,552	\$1,136,936	1.25	

## Debt Service Coverage

	Debt Service	Total Revenues	Current Debt/ Total Revenues	Measure: Repayment Ability
Carpinteria Sanitary District	\$929,816	\$3,869,289	0.24	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
Goleta Sanitary District	\$156,925	\$5,382,232	0.03	
Goleta West Sanitary District	—	\$3,958,846	0.00	
Montecito Sanitary District	—	\$1,755,734	0.00	
Summerland Sanitary District	\$9,742	\$559,259	0.02	

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

## Debt Ratio

	L-T Liabilities	Capital Assets	L-T Liabilities/ Capital Assets	Measure: Financial Position
Carpinteria Sanitary District	\$13,629,323	\$25,983,312	0.52	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	\$1,466,116	\$55,893,976	0.03	
Goleta West Sanitary District	\$500,000	\$17,271,961	0.03	
Montecito Sanitary District	\$164,491	\$23,863,877	0.01	
Summerland Sanitary District	\$18,353	\$1,561,098	0.01	

## Rating Agencies

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

# Water Districts

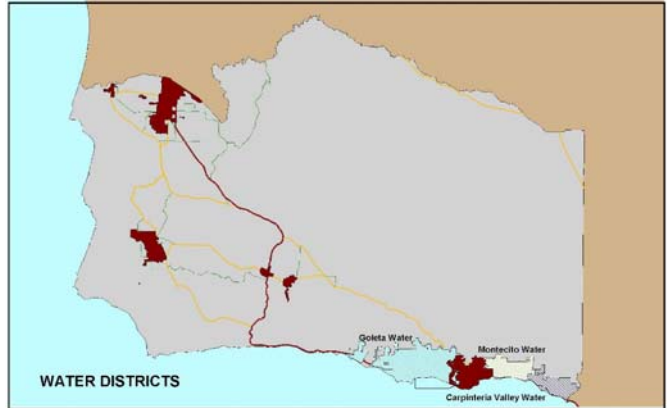
## Description

Provide domestic and agricultural water services. The districts operate pursuant to the California Water Code §34000. Five member board of directors are elected at-large and the districts are administered by district staff. The districts combined serve 23,200 customers. The districts receive their water supply from the Cachuma Project, State Water Project, and use local ground water resources.

Additional information regarding the districts can be found at:

- <http://www.goletawater.com/>
- <http://www.montecitowater.com/>
- <http://www.cvwd.net/>

## Map



## Fiscal Strengths:

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

## Vulnerabilities:

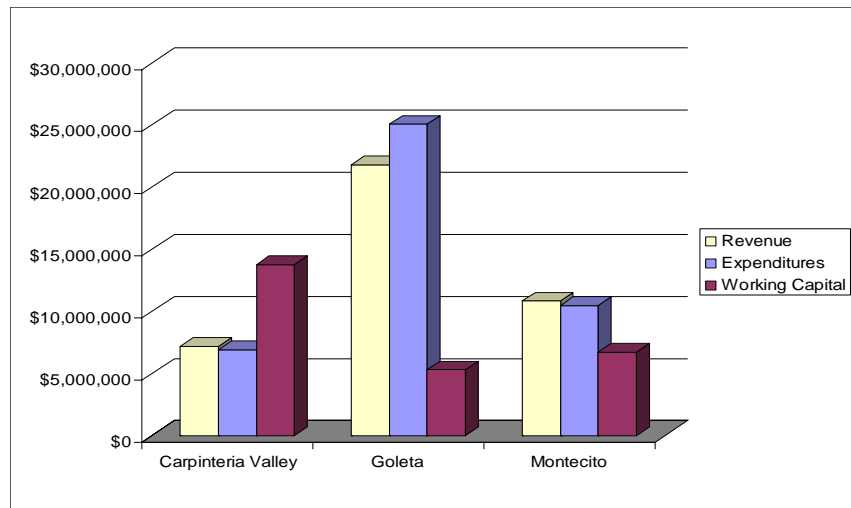
Catastrophic disasters like a severe earthquake could damage major infrastructure of the Cachuma or State Water projects. However, the districts all have ground water supplies as part of their water portfolio.

## Recommendations:

- Districts should maintain disaster recovery action plans.

Special District	Annual Expenses	Average Daily Expenses	Working Capital	Days of Working Capital <sup>1</sup>
Carpinteria Valley Water District	\$6,907,513	\$18,925	\$6,588,116	348
Goleta Water District	\$25,088,267	\$68,735	\$5,305,387	77
Montecito Water District	\$10,469,205	\$28,683	\$6,732,235	235

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



<sup>1</sup> High number of days favorable. High ratio suggests presence of resources that can be used to overcome a temporary revenue shortfall.

# Water Districts

## Depreciation Ratio

	<b>Accumulated Depreciation</b>	<b>Capital Assets</b>	<b>Accum. Depreciation/ Capital Assets</b>	<b>Measure: Asset Life</b>
Carpinteria Valley Water District	\$8,098,545	\$26,251,575	0.31	Low ratios are favorable. A high ratio may indicate aging capital assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
Goleta Water District	\$37,243,778	\$101,727,818	0.37	
Montecito Water District	\$12,969,697	\$43,011,137	0.30	

## Asset Replacement Coverage

	<b>Fund Equity Avail. Repl.</b>	<b>Accumulated Depreciation</b>	<b>Fund Equity/ Accum. Depreciation</b>	<b>Measure: Replacement Resources</b>
Carpinteria Valley Water District	\$6,588,116	\$8,098,545	0.81	High ratios are 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	\$5,305,387	\$37,243,778	0.14	
Montecito Water District	\$6,732,235	\$12,969,697	0.52	

## Debt Service Coverage

	<b>Debt Service</b>	<b>Total Revenues</b>	<b>Current Debt/ Total Revenues</b>	<b>Measure: Repayment Ability</b>
Carpinteria Valley Water District	\$545,487	\$7,197,855	0.08	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
Goleta Water District	\$4,003,576	\$21,839,590	0.18	
Montecito Water District	\$1,442,818	\$10,842,129	0.13	

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

## Debt Ratio

	<b>L-T Liabilities</b>	<b>Capital Assets</b>	<b>L-T Liabilities/ Capital Assets</b>	<b>Measure: Financial Position</b>
Carpinteria Valley Water District	\$16,670,128	\$26,251,575	0.64	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	\$53,023,077	\$101,727,818	0.52	
Montecito Water District	\$19,611,652	\$43,011,137	0.46	

## Rating Agencies

	<b>Type</b>	<b>Moody's Rating</b>	<b>Measure: Credit Quality</b>
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

<http://www.lompochospital.org/>

**Description:**

The District operates in the Lompoc Valley and provides short 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 is elected at large and District staff provides administration.



**Fiscal Strengths, Vulnerabilities, and Recommendations:**

The District's fiscal condition is good. The working capital position and debt level are moderate. In September 2005 the voters approved issuance of \$74.5 million in general obligation bonds to build a new hospital.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Working Capital	Days of Working Capital
Lompoc Health Care District	\$33,599,732	\$92,054	\$5,262,368	57

## Santa Barbara Metropolitan Transit District

<http://www.sbmtd.gov/>

**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 District's fiscal condition is good. The District has a moderate working capital position, low debt, and is funding replacement reserves.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Working Capital	Days of Working Capital
Santa Barbara Metropolitan Transit District	\$17,955,212	\$49,192	\$3,549,046	72

## Santa Maria Airport District

<http://www.santamariaairport.com/>

**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:**

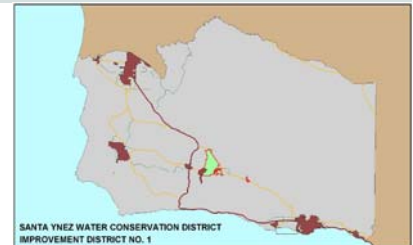
The fiscal condition of this District is good. It has good working capital, is funding replacement reserves and has no debt.

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Working Capital	Days of Working Capital
Santa Maria Airport District	\$3,756,175	\$10,291	\$8,994,505	874

## 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 Water Code §74000 et seq. The District is governed by a five member board of trustees and District staff provides administration.



**Fiscal Strengths, Vulnerabilities, and Recommendations:**

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

Special District	General Fund Annual Expenditures	Average Daily Expenditures	Working Capital	Days of Working Capital
Santa Ynez River Water Conservation District ID #1	\$6,954,636	\$19,504	\$8,680,072	456

# Other Proprietary Fund Type Districts

## Depreciation Ratio

	<u>Accumulated Depreciation</u>	<u>Capital Assets</u>	<u>Accum. Depreciation/ Capital Assets</u>	<u>Measure: Asset Life</u>
Lompoc Health Care District	\$24,734,539	\$33,599,934	0.74	Low ratios are favorable. A high ratio may indicate aging capital assets. This ratio should be used in combination with Asset Replacement Coverage and Debt Service Coverage.
SB Metropolitan Transit District	\$19,654,009	\$51,547,776	0.38	
Santa Maria Public Airport District	\$24,690,921	\$43,036,884	0.57	
Santa Ynez Water Conservation District ID #1	\$7,519,576	\$18,515,533	0.41	

## Asset Replacement Coverage

	<u>Fund Equity Avail. Repl.</u>	<u>Accumulated Depreciation</u>	<u>Fund Equity/ Accum. Depreciation</u>	<u>Measure: Replacement Resources</u>
Lompoc Health Care District	\$5,262,368	\$24,734,539	0.21	High ratios are 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	\$3,549,046	\$19,654,009	0.18	
Santa Maria Public Airport District	\$8,994,505	\$24,690,921	0.36	
Santa Ynez Water Conservation District ID #1	\$8,680,072	\$7,519,576	1.15	

## Debt Service Coverage

	<u>Debt Service</u>	<u>Total Revenues</u>	<u>Current Debt/ Total Revenues</u>	<u>Measure: Repayment Ability</u>
Lompoc Health Care District	\$836,529	\$34,392,445	0.02	Low ratios are favorable. A low ratio suggests the entity has the ability to repay its general long-term debt.
SB Metropolitan Transit District	\$141,405	\$15,617,144	0.01	
Santa Maria Public Airport District	—	\$3,847,113	0.00	
Santa Ynez Water Conservation District ID #1	\$438,832	\$7,004,003	0.06	

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

## Debt Ratio

	<u>Capital Assets</u>	<u>L-T Liabilities</u>	<u>L-T Liabilities/ Capital Assets</u>	<u>Measure: Financial Position</u>
Lompoc Health Care District	\$33,599,934	\$7,038,422	0.21	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	\$51,547,776	\$6,006,059	0.12	
Santa Maria Public Airport District	\$43,036,884	—	0.00	
Santa Ynez Water Conservation District ID #1	\$18,515,533	\$4,199,030	0.23	

## Rating Agencies

	<u>Type</u>	<u>Rating</u>	<u>Measure: Credit Quality</u>
Lompoc Health Care District	N/A	N/A	Baa1 — Medium grade
SB Metropolitan Transit District	N/A	N/A	
Santa Maria Public Airport District	N/A	N/A	
Santa Ynez Water Conservation District ID #1	General Obligation	Baa1	

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

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Auditor-Controller  
105 East Anapamu Room 303  
Santa Barbara, CA 93101