



Santa Barbara County  
**Air Pollution Control District**  
Located in the State of California

Our Vision  Clean Air

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED JUNE 30, 2004**



**TERRY DRESSLER**  
**AIR POLLUTION CONTROL OFFICER**



#### **MISSION STATEMENT**

**Our mission is to protect the people and the environment of Santa Barbara County from the effects of air pollution.**

*Santa Barbara County  
Air Pollution Control District  
Located in the State of California*



**Comprehensive Annual Financial Report**  
Year Ended June 30, 2004

Prepared by:  
Fiscal Section  
Donald C. Kendig, CPA  
Business Manager





**Santa Barbara County  
Air Pollution Control District**

Comprehensive Annual Financial Report  
Year Ended June 30, 2004

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**Santa Barbara County  
Air Pollution Control District**

Comprehensive Annual Financial Report  
Year Ended June 30, 2004

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## **INTRODUCTORY SECTION**

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*Santa Barbara County Air Pollution Control District  
Governing Board*

*Organization Chart*

*Letter of Transmittal*

## ***Santa Barbara County Air Pollution Control District Governing Board***

**Supervisor Naomi Schwartz**  
First District, Santa Barbara County

**Mayor Bill Traylor**  
City of Buellton

**Supervisor Susan Rose**  
Second District, Santa Barbara County

**Mayor Richard Weinberg**  
City of Carpinteria

**Supervisor Gail Marshall**  
Third District, Santa Barbara County

**Councilmember Carlos Aguilera**  
City of Guadalupe

**Supervisor Joni Gray**  
Fourth District, Santa Barbara County

**Councilmember DeWayne Holmdahl**  
City of Lompoc

**Supervisor Joe Centeno**  
Fifth District, Santa Barbara County

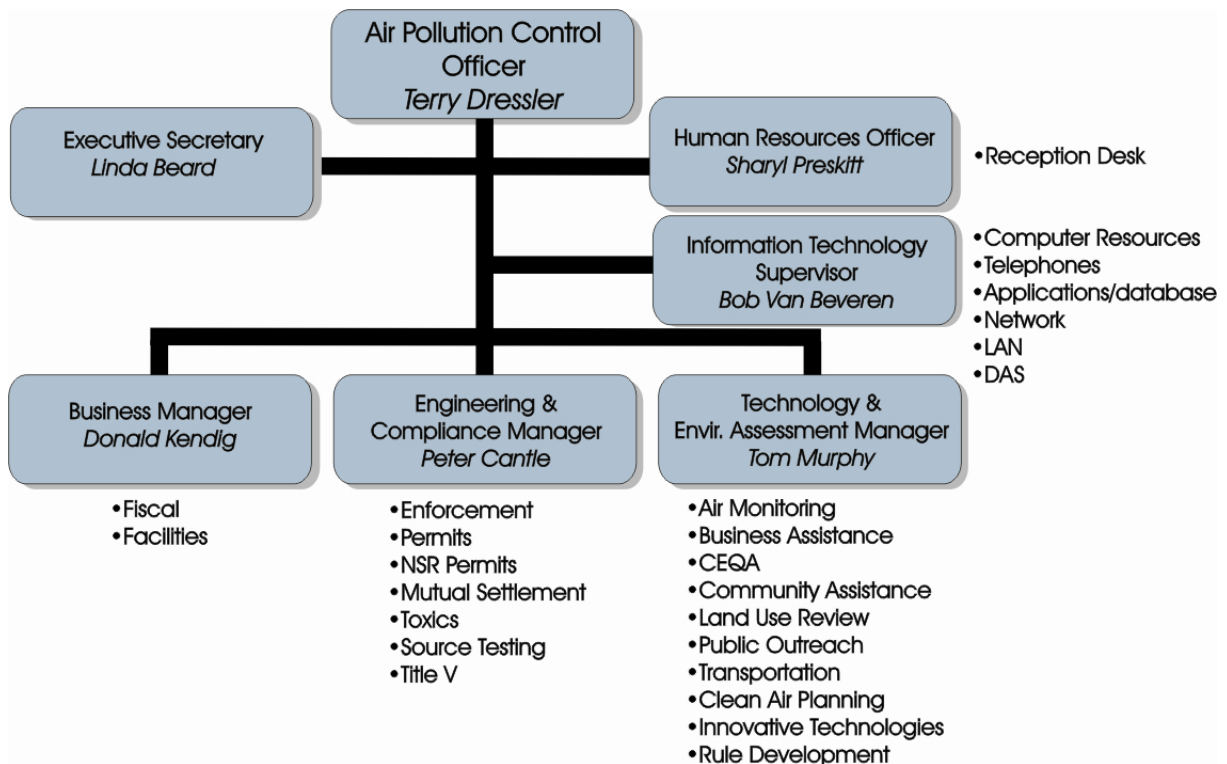
**Councilmember Dan Secord**  
City of Santa Barbara

**Councilmember Marty Mariscal**  
City of Santa Maria

**Mayor David Smyser, Vice-Chair**  
City of Solvang

**Mayor Cynthia Brock, Chair**  
City of Goleta

## ***Organization Chart***





August 27, 2004

To the Citizens of Santa Barbara County, and  
the Governing Board of the Santa Barbara County Air Pollution Control District

## ***Letter of Transmittal***

### **Overview**

This is the first Comprehensive Annual Financial Report (CAFR) of the Santa Barbara County Air Pollution Control District (APCD) using the new reporting requirements as prescribed by the Governmental Accounting Standards Board (GASB) Statement 34. This report is for the fiscal year that ended June 30, 2004 and was prepared by the APCD Fiscal Section. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the APCD management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, reported in a manner designed to present fairly the financial position and results of operations of the various funds and all disclosures necessary to enable the reader to gain an understanding of the APCD's financial activities.

This report is divided into three major sections: the Introductory Section, Financial Section and Statistical Section. The Introductory Section includes the APCD's organizational structure and list of principal officials as well as this Letter of Transmittal which provides general comments on activities of interest to the reader. The Financial Section is comprised of the Audit Opinion, Management's Discussion and Analysis, the Basic Financial Statements which include the notes to the basic financial statements and budgetary comparison schedule for the General Fund. The Statistical Section provides important historical and trend information about the APCD.

The APCD's basic financial statements have been audited by Nasif Hicks, Harris & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the APCD for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the APCD's basic financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section.

The independent audit of the basic financial statements of the APCD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantee agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the APCD's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The APCD's MD&A can be found immediately following the report of independent auditors.

### **Major Changes in Reporting**

#### *GASB 34*

The APCD financial statements represent a substantial change from the prior year's format and accounting methodology. In June 1999, the GASB which sets financial reporting rules, based on GAAP for all state and local governments, established a new framework for financial reporting. This new framework represents the single most significant change in the history of governmental accounting. These changes are issued under *GASB Statement No. 34: Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These changes are required to be implemented during a three year period based on the size of the entity. The APCD was required to implement these changes by June 30, 2004.

GASB 34 established two bases for reporting financial information: government-wide financial statements and fund financial statements. The government-wide financial statements reflect the economic resources measurement focus and accrual basis of accounting (essentially the commercial accounting financial reporting model) for both governmental and business-type activities. The basis for preparing fund financial statements is similar to conventional governmental financial statements except the focus for presentation is on major funds rather than fund types. In the financial section of this report, the reader is provided with reconciliation statements that will take the reader from the Fund Financial Statement to the Statement of Net Assets and Activities. Capital assets, depreciation, compensated absences, and a note payable are reported on the government-wide financial statements. The MD&A preceding the basic financial statements is required supplementary information. As an option, APCD reports the budgetary comparison as required supplementary information rather than as basic governmental fund financial statements.

#### *Prior Period Restatement of Fund Balance*

In March of 2004, the APCD began discussions with the Santa Barbara County Auditor-Controller regarding the management of customer deposits and other holdings in its trust funds. At that time, the Auditor-Controller's Office advised the APCD that, along with first year implementation of the new GASB Statement No. 34, some of the holdings in the APCD trust funds would be required to be managed as designations in the APCD operating fund. In turn, APCD staff requested the assistance of the Auditor-Controller in determining which of the trust funds, and related holdings, might need to be combined within the operating fund in order to comply with the new governmental accounting standard

As a part of its review, the Auditor-Controller determined that certain monies that APCD had collected in prior years, and set aside in trust funds, should have been recorded as revenue in the respective years they were collected. Both the Auditor-Controller and the APCD outside auditors, Nasif, Hicks, Harris, & Co., agreed that these monies should be combined within the APCD operating fund and set up in specific designations in order to segregate and restrict the use of money for the purposes for which they were collected.

As a result, prior period adjustments are reported on the combined Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities in the Financial Section.

### **About the Santa Barbara County Air Pollution Control District**

The Santa Barbara County Air Pollution Control District (APCD) is an independent special district charged with improving the quality of the air, and protecting the people of Santa Barbara County from the effects of air pollution. In 1970, the California Legislature gave local governments the primary responsibility for controlling air pollution from all sources except motor vehicles. In response, the APCD was established to adopt measures to control local sources of pollution, issue permits, monitor air quality, maintain an inventory of pollution sources, and other related activities. APCD staff members have expertise in meteorology, engineering, chemistry, planning, environmental sciences, industrial field inspection, air monitoring, public outreach, data processing, accounting, human resources, and administration.

The governing board of the APCD consists of the five members of the County Board of Supervisors and one representative (a mayor or city councilperson) from each of the eight cities in the county, totaling thirteen (13).

#### *What We Do*

Our activities are guided by broad priorities, upon which narrower goals are developed, along with specific objectives (activities) to achieve those goals. The APCD priorities, goals, and objectives are as follows:

#### **Priority 1: Protection Of Public Health Through Air Quality Improvement**

**Goal: Continue to implement programs which directly reduce emissions.**

##### *Objectives:*

- Adopt new rules and regulations which cost-effectively reduce emissions.
- Emphasize alternatives to “command-and-control” regulations such as pollution prevention and incentives.
- Develop partnership initiatives to introduce innovative or other low polluting technology in areas not currently regulated or where technology recipients agree to go beyond regulatory requirements.
- Involve the community in pollution reduction efforts through grant programs, public education, and recognition of outstanding pollution reduction efforts.
- Maintain a fair and rigorous enforcement program.
- Ensure that all emission sources contribute to reducing emissions.
- Ensure that penalties act as a deterrent.

**Goal: Maintain a strong, science-based program.**

##### *Objectives:*

- Place a high priority on staff training.
- Base decisions on data which has been documented and subjected to critical and open review.
- Maintain a sound emission inventory and air quality monitoring system.
- Maintain and update the Clean Air Plan using the latest data and control techniques.
- Use the best available data in developing programs, rules and permit analyses.
- Recognize differences between North and South County air quality.

*Priority 1: Protection Of Public Health Through Air Quality Improvement – (Continued)*

Goal: Ensure that the APCD's mission and actions are aligned and routinely reviewed.

*Objectives:*

- Maintain and periodically update a strategic plan.
- Develop and adopt annual goals and track progress.

Goal: Ensure adequacy of resources.

*Objectives:*

- Continue to streamline and improve efficiency by taking advantage of technological advances and continuously reviewing systems and tasks.
- Broaden the APCD funding base by actively pursuing additional sources of revenue.

*Priority 2: Community Involvement*

Goal: Involve the community in air quality protection.

*Objectives:*

- Support a broad-based Community Advisory Council to provide input on rules and clean air plans and to foster open communication and a collaborative approach to air pollution control planning.
- Conduct workshops on new rules, plans, and the budget to obtain community input.
- Inform the public on air quality issues through a periodic newsletter, a Web Site, explanatory pamphlets and other educational matter.
- Keep the media informed.
- Participate in community events.

*Priority 3: Continuously improve service*

Goal: Maintain and improve relationships with all constituents.

*Objectives:*

- Keep the Board well informed.
- Provide opportunities for public input to decisions which affect them.
- Train staff in customer service and reward good service.
- Survey constituents regarding the quality of service received.
- Tap employee expertise, reward high performance, and push decisions down to the lowest level at which they can be competently made.

Engineering and Compliance Division staff: issues and enforces permits, and works with businesses to help them comply with permits; inspects businesses; responds to complaints from the public; implements the federal Title V program for large sources of air pollution; and implements the state's air toxics "Hot Spots" program for sources of toxic air pollution.

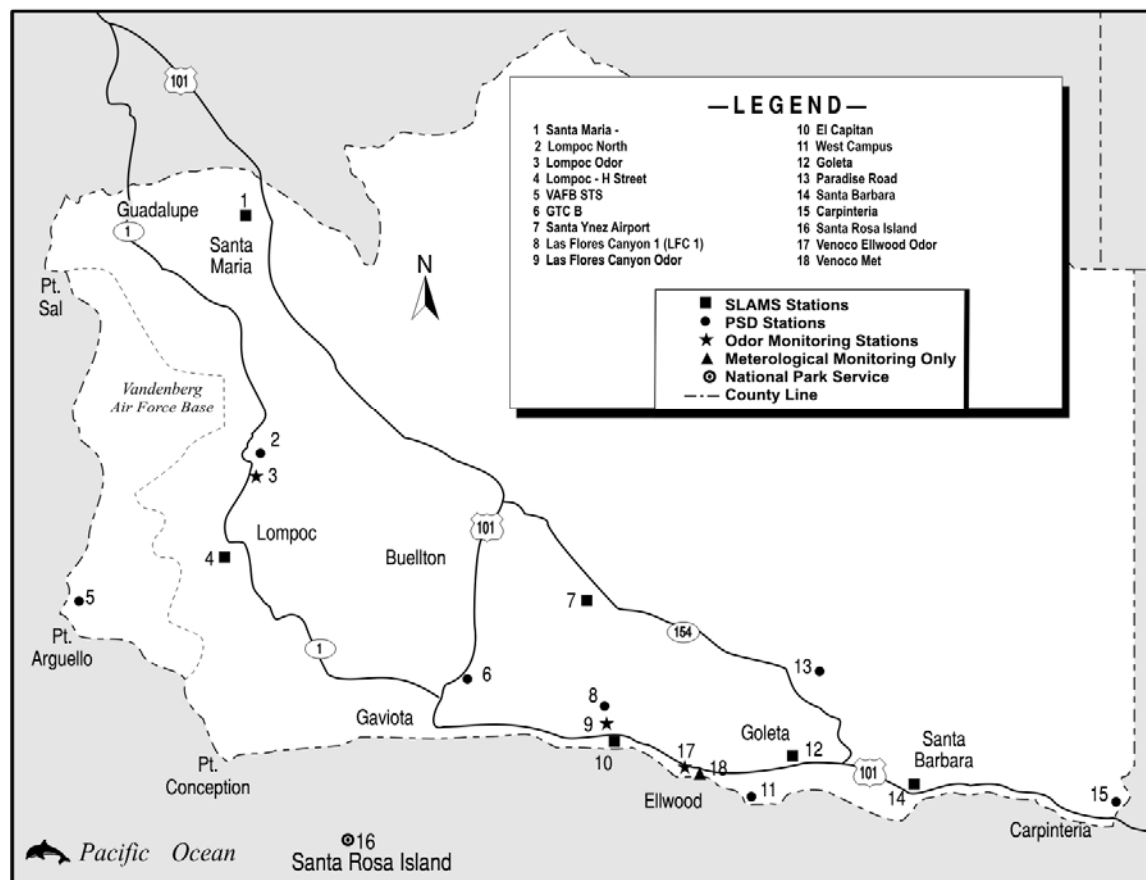
Technology and Environmental Assessment Division staff: monitors the air in our county; prepares clean air plans to show how we will meet clean-air standards; develops rules; implements clean air technologies; reviews environmental documents for compliance with the California Environmental Quality Act; and educates and assists businesses and the public about our air and how we can keep it clean.

The state and federal governments have established ambient air quality standards for several air pollutants. The standards tell us how much of each pollutant can be in the air without causing harm to human health. The APCD is required to monitor air pollution levels to ensure these standards are met, and if they are not, to develop a strategy to reduce air pollution so they can be met. Figure 1, on the following page, shows the locations of air monitoring stations in Santa Barbara County.

## Our Air Quality

Santa Barbara County's air quality has historically violated both the state and federal ozone standards. Ozone concentrations above these standards adversely affect public health, diminish the production and quality of many agricultural crops, reduce visibility, and damage native and ornamental vegetation. In 1970, when the APCD was formed, the air in Santa Barbara did not meet the federal 1-hour ozone standard. For over 30 years our efforts focused on meeting that standard. Since 1999, local air quality data show that every monitoring location in Santa Barbara County complies with the federal 1-hour ambient air quality standard for ozone. On August 8, 2003, Santa Barbara County was officially designated an attainment area for the federal 1-hour ozone standard. We continue to work on staying within the federal 1-hour standard, and to meeting the California 1-hour standard for ozone. Lastly, we do not meet the state standard for particulate matter less than ten microns in diameter (PM10).

**Figure 1**  
**Santa Barbara County Air Quality Monitoring Stations**



## Factors Affecting the Financial Condition

### *Revenue Summary*

The APCD is financed primarily through fees paid by regulated businesses, motor vehicle registration fees, and federal and state grants.

The Strategic Plan adopted by the APCD Board in October 1997 forecasts that overall fee revenue would continue to decrease substantially for several years. Fee revenue has dropped by over \$3 million since FY 1993/1994. As a consequence, 52 staff positions have been cut. The revenue picture has stabilized over the last three years with no additional staff cuts.

The APCD has 60.75 full-time equivalent employees. This is a 46% reduction from the FY 1992/93 staffing level of 113 employees. The remaining staff face the challenge of continuing to comply with existing new state and federal mandates while maintaining a high level of service in major program areas such as rule development, planning, permitting, inspection, air monitoring, air toxics, and interagency review.

As noted above, the fee reductions over the last ten years have been substantial. Some of these downturns were associated with workload reductions and some were not. As committed to in the Strategic Plan, we continue to pursue alternatives to traditional funding sources. The pursuit of alternatives has borne fruit over the last several years in the form of the award of tobacco settlement funds and an increase in both state and federal grants.

The APCD has not proposed an increase in fees on regulated sources since 1991 other than the annual adjustment for Consumer Price Index change allowed within its rules, which, for FY 2003/2004 was 2.7%.

Detailed charts of fee and expenditure trends along with other demographic information can be found in the Statistical Section.

#### *Internal Accounting Control Policy*

APCD management is responsible for establishing, maintaining and evaluating the APCD's accounting system with an emphasis on the adequacy of an internal control structure. The internal accounting controls are designed: to ensure that the assets of the government are protected against loss, theft or misuse; to ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with GAAP and; to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits require estimates and judgment be made by management.

The APCD's internal control evaluations occur within the above framework which ensures adequate safeguard of the APCD's assets and reasonable assurance of proper recording of financial transactions.

#### *Budgetary Policy*

The APCD maintains budgetary controls through both signature authority and automated budget checking. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board.

The accounting principles applied in developing budgetary expenditures match GAAP and the amounts reported on the financial statement.

As reflected in the statements and schedules included in the financial section of this report, the APCD continues to meet its responsibility for sound financial management.

### **Other Information**

#### *Cash Management*

The County of Santa Barbara provides treasury management services to the APCD. Cash resources of the APCD are invested as part of Santa Barbara County's Pooled Investment Portfolio. The County investment policy authorizes investments in United States treasury bills, bonds and notes, obligations issued by agencies of the United States Government, bankers acceptances, commercial paper, medium term notes, certificates of deposit, and the State's Local

Agency Investment Fund. The fair market value of APCD's portfolio at June 30, 2004 is \$5,920,885.

#### *Risk Management*

APCD manages its risks of property and liability losses through commercial insurance. Commercial insurance coverages are obtained with assistance from a large brokerage firm, Driver Alliant Insurance Services. APCD maintains all risk property coverage with replacement cost valuation for insurable values of approximately \$750,000,000 with a deductible of \$10,000. A detailed listing of insurance coverages may be found under Note XII of the basic financial statements.

Loss control activities are managed by APCD's staff assigned to risk management activities. Staff performs loss prevention inspections and employee safety training to minimize potential human and property losses, and establish compliance with Cal/OSHA regulations.

#### *Acknowledgments*

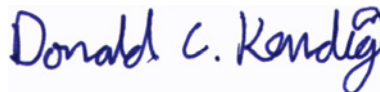
The preparation of our first comprehensive annual financial report is the result of a concentrated, dedicated, and coordinated effort by the entire APCD staff. We would like to acknowledge the special efforts of the Fiscal Section, the Santa Barbara County Auditor-Controller's Office, and our independent auditors, Nasif, Hicks, Harris & Co., for their assistance in the report preparation. These members have our sincere appreciation for the contribution made in the preparation of this report.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the APCD who continue to embrace technology and improve operations to accomplish APCD's mission of protecting public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Terry Dressler". The signature is stylized with a large, sweeping "D" and a long horizontal line extending to the left.

Terry Dressler  
Air Pollution Control Officer

A handwritten signature in blue ink that reads "Donald C. Kendig". The signature is written in a cursive style with a large "K" and a long horizontal line extending to the right.

Donald Kendig, CPA  
Business Manager







**Santa Barbara County  
Air Pollution Control District**

Comprehensive Annual Financial Report  
Year Ended June 30, 2004

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## **FINANCIAL SECTION**

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*Independent Auditors' Report*

*Management's Discussion and Analysis*

*Basic Financial Statements*

*Required Supplementary Information*

# NASIF, HICKS, HARRIS & CO.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM J. NASIF  
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August 27, 2004

## Independent Auditors' Report

To the Board of Directors of the Santa Barbara County  
Air Pollution Control District:

We have audited the accompanying financial statements of the governmental activities and major fund of the Santa Barbara County Air Pollution Control District (APCD) as of and for the year ended June 30, 2004, which collectively comprise APCD's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of APCD's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of APCD, as of June 30, 2004, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I to the basic financial statements, the APCD adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004, which has altered the format and content of the basic financial statements.

The *management's discussion and analysis* and *budgetary comparison schedule* information as listed in the accompanying table of contents are not a required part of APCD's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The introductory section and the statistical tables, where applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements of APCD. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2004, on our consideration of APCD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Nasif, Hicks, Harris & Co.

## ***Santa Barbara County Air Pollution Control District Management's Discussion and Analysis (Unaudited)***

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The information in this section is not covered by the Independent Auditor's report, but is presented as required supplementary information for the benefit of the readers of the comprehensive annual financial report. As management of the Air Pollution Control District of the County of Santa Barbara, California (the APCD), we offer readers of the APCD's financial statements this narrative overview and analysis of the financial activities of the APCD for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the APCD's basic financial statements, which immediately follow this section.

### **Financial Highlights**

- The assets of the APCD exceeded its liabilities at the close of the most recent fiscal year by \$5,698,290 (*net assets*). Of this amount, \$5,225,653 (*unrestricted net assets*) may be used to finance the APCD's day-to-day operations without constraints established by legal requirements.
- As of the close of the fiscal year, the APCD's governmental funds reported combined fund balances of \$5,563,803. This amount is entirely the amount of the General Fund.
- Out of the total General Fund balance of \$5,563,803 at the end of the fiscal year, \$550 and \$12,722 is reserved for imprest cash and employee loans, respectively, with the remainder of \$5,550,531 designated for future uses. A schedule can be found in Note II of the notes of the basic financial statements.
- The APCD adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, effective July 1, 2003. This is the first year that the APCD is implementing the standards. The GASB requires that the governmental agencies provide two years of financial information so that the reader will be able to draw comparisons on the results of operations and the financial position from year to year. Recognizing the additional efforts required under these new reporting requirements, GASB has allowed governmental agencies the option of reporting only a single year of information in the first year of implementation. The APCD has exercised this one-year option. Accordingly, this year's Management's Discussion & Analysis (MD&A) will not reflect prior year's data; condensed comparative information is not reported at this time. A comparative analysis of financial information will be provided in future years.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the APCD's basic financial statements. The APCD's basic financial statements have two components: 1) Combined Government-wide and Fund Financial Statements, with GASB 34 adjustments, and 2) Notes to the Basic Financial Statements. The APCD's report also includes required supplementary information to the basic financial statements.

In general, the purpose of financial reporting is to provide the external parties that read financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the APCD, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

### *Government-wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the APCD. These financial statements are constructed around the concept of a primary government and its component units, excluding fiduciary funds. The financial statements of the APCD's fiduciary funds (holdings) are not included in the government-wide financial statements because the resources of these funds cannot be used to finance the APCD's activities. Further, the APCD is a single purpose entity and does not have any component units.

The government-wide financial statements are designed to provide readers with a broad overview of the APCD's finances, in a manner similar to commercial enterprises or a private-sector business. These financial statements include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets reports all assets held and liabilities owed by the APCD on a full accrual basis. The difference between the two is reported as net assets. This difference is comparable to the total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the APCD is improving or deteriorating.

The Statement of Activities reports the net cost of the APCD's activities by category and is prepared on the full accrual basis. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash.

The focus of the Statement of Activities is on the cost of various work program activities performed by the APCD. As a single purpose entity the statement begins, and only contains, a single column that identifies the activities of the APCD and can be called general revenues and expenditures. Revenues are provided before the costs that are then netted against them. The difference between the expenses and the revenues represents the draw from, or contribution to net assets.

The APCD's government-wide financial statements are presented on pages 23 to 26, and combined with the fund financial statements.

### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the APCD rather than the APCD as a whole. As a single purpose single fund entity, the APCD only utilizes governmental funds to account for its activities.

#### *Governmental Funds*

The fund financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These are prepared on the modified accrual basis of accounting. The government-wide statements are prepared on the full accrual basis.

In general, these financial statements under the modified accrual basis have a short-term emphasis and for the most part, measure and account for cash and other assets that can easily be converted to cash. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet. The capital assets such as land and buildings are not reported.

Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance.

The operating statements for governmental funds report only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since different accounting bases are used to prepare the above statements, reconciliations are required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the total fund balances can be found on page 24, and the reconciliation of the total change in fund balances for all governmental funds to the change in net assets can be found on page 26.

#### *Notes to the Basic Financial Statements*

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in pages 27 to 37 of this report.

#### *Required Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the General Fund's budgetary comparison schedule and budgetary reconciliation.

#### **Government-wide Financial Analysis**

Our analyses focus on the net assets and changes in net assets of the APCD's governmental activities.

The following schedule lists a condensed Statement of Net Assets as of June 30, 2004. In future years, this schedule will contain a current-to-previous year comparison.

#### Net Assets

	Governmental Activities FY 2003-04
Current and other assets	\$ 6,421,200
Capital assets	618,520
<b>Total assets</b>	<b>7,039,720</b>
Other liabilities	857,397
Long-term liabilities outstanding	484,033
<b>Total liabilities</b>	<b>1,341,430</b>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	472,637
Unrestricted	5,225,653
<b>Total net assets</b>	<b>\$ 5,698,290</b>

As noted earlier, net assets may serve over time as a useful indicator of the APCD's financial position. At the close of the most recent fiscal year, the APCD's assets exceeded short-term liabilities of \$857,397 by \$6,182,323, and total liabilities of \$1,341,430 by \$5,698,290.

The largest portion of the APCD's net assets (92 percent) is unrestricted. Some of those revenue sources, such as DMV fees, restrict expenditures for specific purposes, but do not require that they be returned if unspent in the current year. They may be used to meet the APCD's ongoing programs associated with them. Other revenues are similar, however discretionary, and may be

used for any ongoing obligations in carrying out day-to-day operations. Eight percent of the APCD's net assets reflect its investment in capital assets used by APCD (e.g. building improvements, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The APCD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending. Although the APCD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedule lists a condensed Changes in Net Assets for the fiscal year ending June 30, 2004. In future years, this chart will contain a current-to-previous year comparison.

#### Changes in Net Assets

	Governmental Activities FY 2003-04
<b>Revenues:</b>	
Licenses, permits, and franchises	\$ 2,712,627
Use of money and property	117,836
Grants and subventions	2,320,330
Charges for services	1,755,033
Other	88,367
Total Revenues	<u>6,994,193</u>
<b>Expenses:</b>	
Air pollution control services:	
Salaries and benefits	4,741,548
Services and supplies	2,329,006
Debt Service	
Interest	3,317
Other Expenses	241,323
Depreciation	157,483
Total Expenses	<u>7,472,677</u>
<b>Deficiency of revenues over expenses</b>	<u><u>\$ (478,484)</u></u>

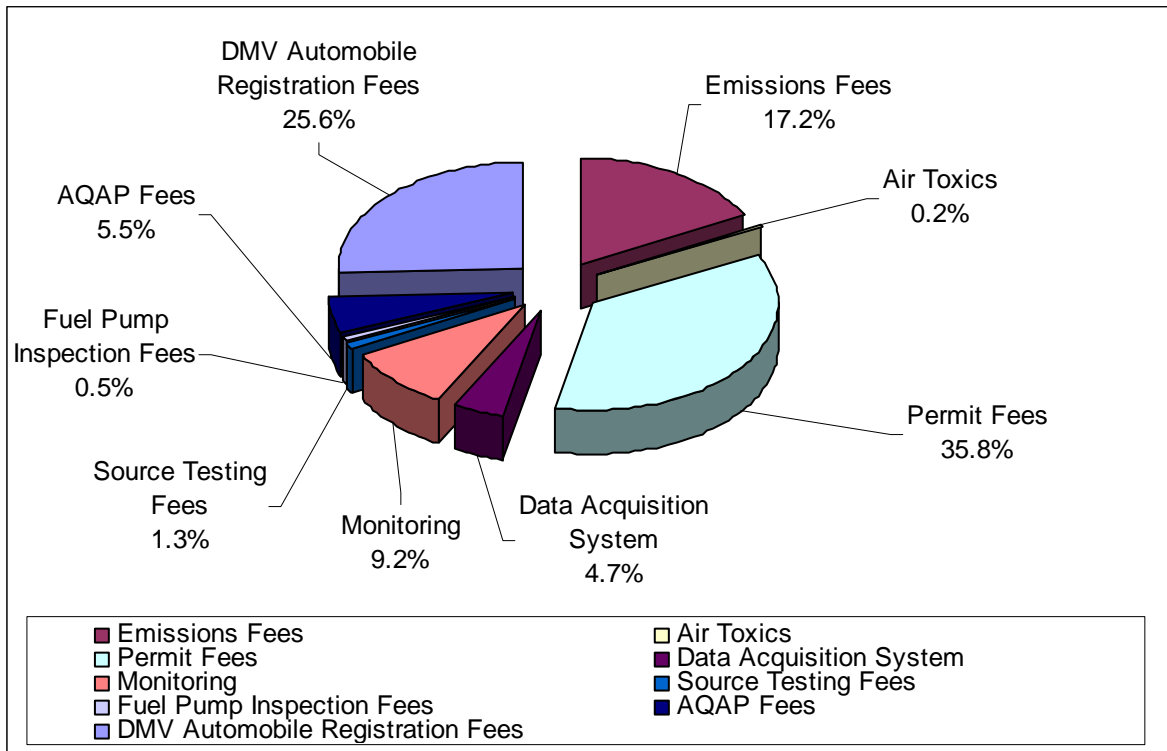
#### *Governmental Activities*

The objective of the Statement of Activities is to report the full cost of providing government services for that year. The format also permits the reader to ascertain the extent to which the APCD is either self-financing or draws from net assets in a given year.

The statement of activities presents information showing how the APCD's net assets changed during FY 2003-04. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

The Statement of Activities for APCD presents its governmental activities, its sole purpose. Governmental functions of the APCD are predominantly supported by fees, grants, state subvention, penalties, and settlements. The primary governmental activities of the APCD include the following: Advance Clean Air Technology, Ensure Compliance with Clean Air Rules, Customer Service, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Permit Review, Policy Support and Special Funds which are restricted to programs for specific purposes.

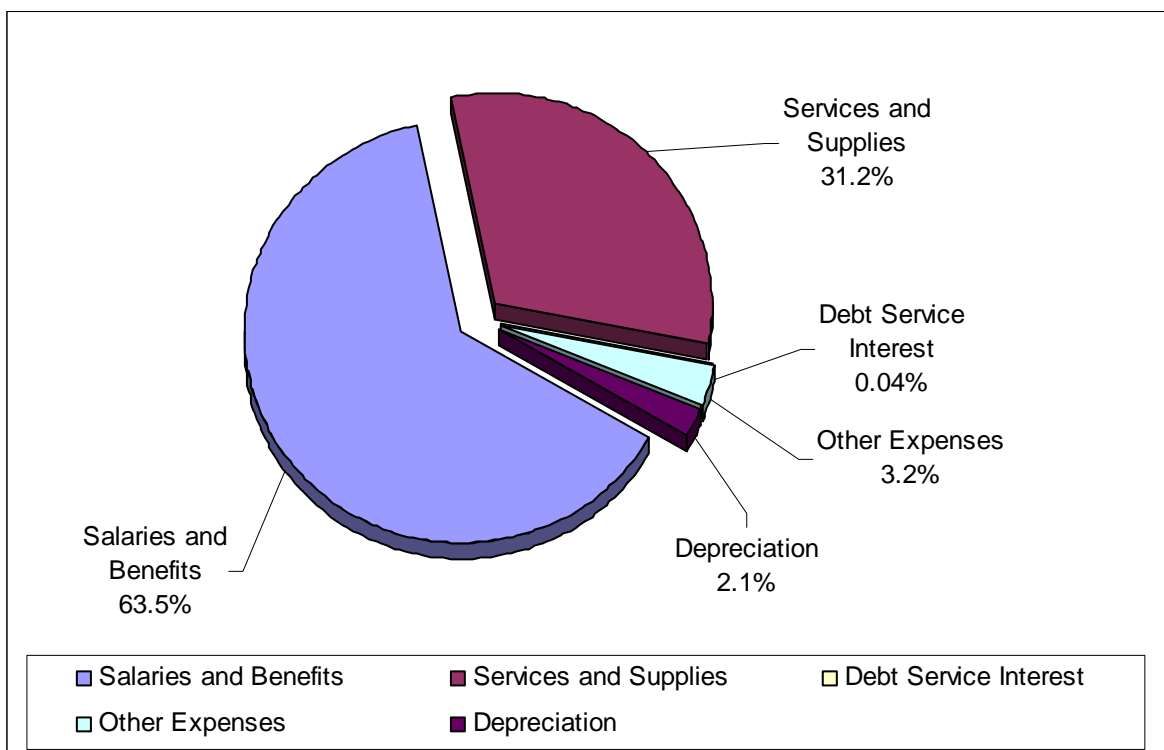
All of the revenues of the APCD were for air pollution control services and total \$6,994,193. Just under three quarters (74%) or \$5,189,301 of those revenues are fee based, as determined by APCD management. The chart and table below provide a breakdown of those fees. The DMV Automobile Registration Fees of \$1,327,591 are included in grants and subventions in the Statement of Activities. Also, all of the other fees listed below are included in either licenses, permits, and franchises, or charges for services, in the Statement of Activities.



Fee Source	FY 03-04
Emissions Fees	\$ 892,979
Air Toxics	10,652
Permit Fees	1,859,879
Data Acquisition System	239,875
Monitoring	478,190
Source Testing Fees	67,174
Fuel Pump Inspection Fees	27,384
AQAP Fees	285,577
DMV Automobile Registration Fees	1,327,591
<b>Total Fee Revenues</b>	<b>\$ 5,189,301</b>



All of the expenses of the APCD were for air pollution control services and total \$7,472,677. The chart and table below provide APCD expenses by object level.



Expenses by Object Level	FY 03-04
Salaries and Benefits	\$ 4,741,548
Services and Supplies	2,329,006
Debt Service Interest	3,317
Other Expenses	241,323
Depreciation	157,483
<b>Total Expenses</b>	<b>\$ 7,472,677</b>

### **Financial Analysis of APCD's Funds**

#### *Governmental Funds*

As of the end of the fiscal year, the APCD's governmental fund reported an ending fund balance of \$5,563,803, a decrease of \$386,397 in comparison with the prior year, after a prior period adjustment of \$3,440,771. (See Note XV.)

The General Fund is the operating fund of the APCD, and as a single purpose entity, is the only fund type reported. \$13,272 of the General Fund balance is reserved with the remaining \$5,550,531 unreserved, and designated for future use. The designated amount represents the APCD's intended use of the financial resources in future periods. Components of the designations are presented under Notes to the basic financial statements on page 30. Two measures of the General Fund's liquidity is the comparison of both unreserved fund balance and total fund balance to total expenditures. Unreserved General Fund balance and total General Fund balances represent 73.6 and 73.8 percent, respectively, of total General Fund expenditures. Unreserved General Fund balance may also serve as a useful measure of the APCD's net resources available for spending at the end of the fiscal year.

Beginning FY 2003-04, fee rates increased 2.7 percent which was consistent with the change in the California Consumer Price Index (CPI) to recover the cost of APCD programs; however, it is important to note that the APCD has not proposed any supplemental increases since 1991. Other fees have decreased, with some associated with workload and some not. As a result, we continue to pursue alternatives to traditional funding sources. The pursuit has borne some fruit in the form of tobacco settlement funds from the Prop 10 Commission and increased Federal and State grants. The last important ingredient to fluctuations in General Fund Balance relates to permit re-valuations that occur over a three-year cycle. One of the three years will yield a surplus with the other two yielding a deficit. FY 2003-04 was a deficit year for permit re-evaluations.

### **General Fund Budgetary Highlights**

The FY 2003-04 adopted budget compared to the amended budget reflects no change in the total budgeted appropriations, but an increase in budgeted revenues of \$6,323. The changes to the revenue budgeted were the result of implementation of GASB Statement No. 34 (described in the transmittal letter), which affected License, Permits, and Franchises; and, Use of Money and Property. Portions of services and supplies were reallocated to debt service, and capital outlay.

Debt Service was originally budgeted under services and supplies, while GAAP requires that they be broken out. Future budgets will reflect this; however, the District plans to pay off the debt in fiscal year 2005-06.

Capital Outlay was adjusted due to the original budgeting of vehicle purchases under Services and Supplies, while GAAP requires that they be booked as capital expenditures. As with Debt Service, future budgets will reflect this requirement and the variance should resolve.

A use of prior year fund balance of originally \$865,136 and finally \$858,813, was budgeted for FY 2003-04. At the end of the fiscal year, the fund balance used was \$386,397. This resulted in a positive variance of \$472,416. The following factors contributed to this variance.

#### *Revenues*

Grants and Subventions – were \$397,070 higher than budgeted because of an additional allocation by the EPA.

Charges for Services – were \$704,550 lower than budgeted because the Innovative Technologies Group (ITG) of the APCD operates on two-year contract cycles. Additional moneys were budgeted in case ITG could complete additional activities in the 2003-04 fiscal year.

#### *Expenditures*

Salaries and Benefits – were \$131,452 lower than budgeted due to the retirement of the Air Pollution Control Officer and Business Manager in the last quarter of fiscal year 2003-04. Further, the Air Pollution Control Officer was filled, shortly before, at a lesser starting salary and the Business Manager remained vacant until the first quarter of the next fiscal year.

Services and Supplies – were \$318,336 lower than budgeted primarily due to reduced reliance on professional and special consulting services. It is important to note that a number of technical projects have been deferred to future years.

## **Capital Assets and Debt Administration**

### *Capital Assets*

The book value of APCD's investment in capital assets was \$618,520 (net of accumulated depreciation of \$853,530) as of June 30, 2004. This investment in capital assets includes furniture, equipment for laboratory, air monitoring stations, computer and office equipment, and APCD vehicles, which are mostly hybrid vehicles.

The increase in capital assets primarily reflects additions to laboratory and air monitoring equipment, a color laser printer for in-house reprographics needs, and the replacement of two vehicles in APCD's aging fleet. These vehicles are being used by APCD inspectors and APCD employees. This fiscal year, numerous deletions were made for the disposal of obsolete office furniture and phone system at the APCD's previous leased location.

Additional information on the capital assets can be found in the notes to the basic financial statements on page 32.

### *Long-term Debt*

At the end of the current fiscal year, the APCD had a total long-term debt outstanding of \$484,033 including the current portion of \$107,912. Of this amount, \$145,883 represents a Note Payable used to purchase ergonomic modular furniture for APCD's newly leased, Casa Nueva, building. The remainder represents employee compensated absences of \$338,150. (See Note X.)

## **Economic Factors and Next Year's Budget and Rates**

The FY 2004-05 expenditure budget decreases by \$95,393 from the FY 2003-04 adjusted budget. A significant portion of this decrease reflects a 38% reduction in permit re-evaluation fees, or \$221,732. Re-evaluations have a three-year cycle, and a non-uniform schedule. The 2004-05 year represents the trough in this funding cycle whereby the prior year peak, or excess revenue, will be carried over. Future cycles will be met with a strategic "dry-period reserve" plan to level out the fee fluctuations. This will be done by designating the excess of the peak year for use in the deficit years.

Moreover, since FY 1992-93, the APCD has reduced staffing and program costs despite increased program requirements. The FY 2004-05 expenditures budget is approximately \$8 million and includes funding for 58.75 of the proposed 60.75 authorized positions. Compared to FY 1992-93, this reflects forty seven percent less staffing. Despite these reductions and the success of several streamlining measures adopted by the Board, revenues, especially declining emission fee revenues, did not keep pace with the program requirements. The more we reduce emissions, the less fees that will be collected, while workload will remain the same, or increase as the State of California passes down new air pollution control mandates.

While the adopted budget for FY 2004-05 represents a decrease from the current amended budget, it represents a \$311,108 budgeted expenditure increase over 2004 actuals of \$7,688,590. This increase reflects funding to cover salaries and benefits negotiated with employees; significant increases in liability and workers compensation costs; and increases in retirement costs associated with higher contribution rates. Further, deferred technology and information system enhancements are planned for FY 2004-05.

The APCD has not proposed any increase in the Rule 210 fee schedule for regulated sources other than the annual adjustment for the Consumer Price Index at 1.7% for the 2004-05 fiscal year. Lastly, the energy efficient Casa Nueva building is estimated to save the APCD 20% or more compared to prior utility bills, while having less impact on the environment.

As in past years, the APCD will continue its efforts to make progress toward attaining and maintaining the Federal and State clean air mandates in the most cost-effective manner possible.

### **Requests for Information**

This financial report is designed to provide a general overview of the APCD's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, 260 N. San Antonio Road, Suite A, Santa Barbara, CA 93110-1315. This report may be downloaded from the web at [www.sbapcd.org/apcd/cafr.htm](http://www.sbapcd.org/apcd/cafr.htm).

**Santa Barbara County Air Pollution Control District**  
**Balance Sheet and Statement of Net Assets**

**As of June 30, 2004**

	General Fund	Adjustments(1)	Statement of Net Assets
<b>Assets</b>			
Cash (note III)	\$ 5,462,135	\$ --	\$ 5,462,135
Restricted cash and investments (note IV)	458,750	--	458,750
Receivables:			
Accounts, net	463,440	--	463,440
Interest	24,153	--	24,153
Employee	12,722	--	12,722
Capital assets, net of accumulated depreciation (note V)	--	618,520	618,520
<b>Total assets and other debits</b>	<b>\$ 6,421,200</b>	<b>\$ 618,520</b>	<b>\$ 7,039,720</b>
<b>Liabilities</b>			
Deferred/Unearned revenue (note VIII)	\$ 242,827	\$ --	\$ 242,827
Accrued expenses	31,280	--	31,280
Salaries and benefits payable	124,540	--	124,540
Permit holders payable (note IV)	458,750	--	458,750
Note payable (note VII)	--	145,883	145,883
Employee compensated absences	--	338,150	338,150
<b>Total liabilities</b>	<b>857,397</b>	<b>484,033</b>	<b>1,341,430</b>
<b>Fund balances/Net assets:</b>			
Fund balances (note II):			
Reserved:			
Imprest cash	550	(550)	--
Employee loans	12,722	(12,722)	--
Designated	5,550,531	(5,550,531)	--
Total fund balances	5,563,803	(5,563,803)	--
<b>Total liabilities and fund balances</b>	<b>\$ 6,421,200</b>		
Net assets:			
Invested in capital assets, net of related debt		472,637	472,637
Unrestricted		5,225,653	5,225,653
<b>Total net assets</b>		<b>\$ 5,698,290</b>	<b>\$ 5,698,290</b>

- 1.) Please see the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets schedule on the following page.

See accompanying notes to the basic financial statements.

**Santa Barbara County Air Pollution Control District**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Government-wide Statement of Net Assets**

**As of June 30, 2004**

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Fund Balances - Total Governmental Funds (General Fund)	\$ 5,563,803
---	--------------

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

Capital assets, net of accumulated depreciation, have not been  
included as financial resources in governmental funds activity.  
These capital assets are reported as an adjustment to arrive  
at the Statement of Net Assets as capital assets of APCD  
as a whole.

Capital assets	\$ 1,472,050	
Accumulated depreciation	(853,530)	
	<u>\$ 618,520</u>	618,520

Long term liabilities are not due and payable in the current period  
and accordingly are not reported as fund liabilities. All liabilities,  
both current and long-term, are reported in the Statement of  
Net Assets.

Note payable	(145,883)
Compensated absences	<u>(338,150)</u>

Net Assets of Governmental Activities	<u>\$ 5,698,290</u>
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See accompanying notes to the basic financial statements.

**Santa Barbara County Air Pollution Control District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**and Statement of Activities**

**For the Fiscal Year Ended June 30, 2004**

	General Fund	Adjustments (1)	Statement of Activities
<b>Revenues:</b>			
Licenses, permits, and franchises	\$ 2,712,627	\$ --	\$ 2,712,627
Use of money and property	117,836	--	117,836
Grants and subventions	2,320,330	--	2,320,330
Charges for services	1,755,033	--	1,755,033
Other	88,367	--	88,367
<b>Total revenues</b>	<b>6,994,193</b>	<b>--</b>	<b>6,994,193</b>
<b>Expenditures/expenses:</b>			
Air pollution control services:			
Salaries and benefits	4,730,443	11,105	4,741,548
Services and supplies	2,329,006	--	2,329,006
Debt Service			
Principle	8,117	(8,117)	--
Interest	3,317	--	3,317
Other Expenses	241,323	--	241,323
Depreciation	--	157,483	157,483
Capital outlay	222,384	(222,384)	--
<b>Total expenditures/expenses</b>	<b>7,534,590</b>	<b>(61,913)</b>	<b>7,472,677</b>
Excess (deficiency) of revenues over expenditures/expenses	(540,397)	61,913	(478,484)
Other financing sources/(uses):			
Proceeds from the issuance of Long Term Debt	154,000	(154,000)	--
Deficiency of revenues over expenditures/expenses and other financing sources/(uses)	(386,397)	(92,087)	(478,484)
<b>Fund balances/net assets:</b>			
Beginning of year	2,509,429	--	2,509,429
GASB Prior Period Adjustment, net (note XV)	3,440,771	226,574	3,667,345
Beginning of year, restated	5,950,200	226,574	6,176,774
<b>End of year</b>	<b>\$ 5,563,803</b>	<b>\$ 134,487</b>	<b>\$ 5,698,290</b>

- 1.) Please see the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities schedule on the following page.

See accompanying notes to the basic financial statements.

**Santa Barbara County Air Pollution Control District**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Government-wide Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

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Net Change in Fund Balances - Total Governmental Funds (General Fund) \$ (386,397)

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

Governmental funds report capital outlays as expenditures.  
In turn, in the Government-wide Statement of Activities and Changes  
in Net Assets, the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense.  
Therefore, depreciation must be added, and capital outlays  
must be removed.

Depreciation	\$ (157,483)	
Capital outlay	222,384	
	<u>\$ 64,901</u>	64,901

Repayment of note principal is an expenditure in the governmental funds.  
For APCD as a whole, principal payments reduce the note payable in the  
Government-wide Statement of Net Assets and do not result in an expense  
in the Statement of Activities and Changes in Net Assets.

8,117

Long-term compensated absences is reported in the Government-wide  
Statement of Activities and Changes in Net Assets,  
but it does not require the use of current financial resources.  
Therefore, they are not reported as expenditures in governmental funds.

(11,105)

Proceeds from the issuance of a note payable is reported as an other  
financing source in the governmental funds, when received, because it  
provides current financial resources. However, this amount is recorded as  
a note payable in the government-wide financial statements.

(154,000)

Changes in Net Assets of Governmental Activities	<u>\$ (478,484)</u>
--	---------------------

See accompanying notes to the basic financial statements.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The Air Pollution Control District (APCD) of the County of Santa Barbara was formed by County Government Code No. 24220 in the year 1970. The APCD Board of Directors (The "Board") includes the five members of the County Board of Supervisors and one representative from each of the County's eight cities. The Board is the governing body of the APCD and is responsible for its legislative and executive control. The APCD was originally established pursuant to Section 40000 et. Seq. of the State of California Health and Safety Code. The Agency acts as a legal entity, separate and distinct from the County of Santa Barbara. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the APCD for which the APCD is considered to be financially accountable.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The APCD in general considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the APCD considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, licenses, permits, franchises, interest (use of money and property), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Expenditure-driven grant revenue is recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Grant revenue is recorded at the time of receipt or earlier, if the susceptible-to-accrual criteria are met.

The accounts of the APCD are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The APCD is a special-purpose government engaged in a single governmental program, and is presented accordingly in the basic financial statements.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued**

The APCD reports the following major governmental funds:

The **General Fund** is the APCD's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in other specialized funds.

The basic financial statements of the APCD are composed of the following.

- Combined Government-wide and Governmental Fund financial statements.
- Reconciliations between the Government-wide and Governmental Fund financial statements.
- Notes to the basic financial statements.

**C. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Cash Equivalents**

The APCD's cash and cash equivalents are considered to be cash on hand, demand deposits and investments held by the County Treasurer in a cash management investment pool (the "pool").

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

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. (See Note III)

**2. Restricted Cash and Investments**

Restricted cash and investments reflect cash received from APCD permit holders. These deposits are held until completion of permit holders' projects. (See Note IV)

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Assets, Liabilities, and Net Assets or Equity - Continued**

**3. Receivables and Payables**

The APCD only accrues revenues quarterly and at fiscal year-end. Included are revenues from permits, of which a portion may not be collectible; as such the APCD has an allowance of \$26,500 for uncollectible accounts and accounts receivable is reported at net. All accounts receivable are expected to be collected within one year. Interest receivable represents the last quarter of interest that has been earned, but not distributed as of the close of the fiscal year. Employee receivables represent loans to assist employees in acquiring personal computer equipment and software similar to what employees may be asked to use for APCD business. Funding for these loans is provided from employee medical spending account forfeitures.

The APCD only accrues expenditures at fiscal year-end. Accrued expenses and salaries and benefits payable are for goods and services received during the fiscal year, but will not be paid until after June 30, 2004. In addition the district has a payable for deposits by permit holders (See Note IV), a note payable (See Note VII), and Deferred/Unearned revenue (see Note VIII).

**4. Capital Assets and Depreciation**

Equipment and furniture are valued at cost unless obtained by donation in which case the assets are recorded at the appraised value at the date of receipt. The capitalization thresholds are \$5,000 for equipment and \$25,000 for buildings and improvements. (See Note V.)

Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet. Property, plant, and equipment of the APCD are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Equipment:	
Automobiles and light trucks	5 to 10
General machinery and office equipment	3 to 7
Furniture	7 to 10

**5. Long-Term Obligations**

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Assets, Liabilities, and Net Assets or Equity - Continued**

**6. Employee Compensated Absences**

Regular full-time employees accumulate vacation time, sick leave, compensatory time, and other leave time. Certain restrictions apply with respect to the accumulation of leave time and its payment at termination. All vacation, sick leave, compensatory time, and other leave time are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of an employee retirement.

**7. Fund Equity (Reserves and Designations)**

Portions of fund balances are reserved for future use and are, therefore, not available for appropriation. Designation of unreserved fund balances in the General fund indicates the APCD's plans for use of the financial resources in future periods.

**8. Use of Estimates**

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

**II. RESERVED AND DESIGNATED FUND BALANCE**

Fund balances, which are not available for appropriation or are not considered "expendable available financial resources", are reserved. Unreserved fund balances that have been earmarked by the Board for specified purposes are considered designated. Such reserved and designated fund balances at June 30, 2004 are as follows:

		<u>General Fund</u>
Reserved for:		
Imprest Cash		\$ 550
Employee Loans		12,722
Designated for:		
ITG Projects	\$ 1,565,597	
Accumulated Capital Outlay	258,395	
Strategic Reserve	450,000	
Monitoring	188,613	
Dry Period Reserve	652,929	
Unrealized Gains (FMV Adjustment)	945	
Contingency	66,453	
Data Acquisition System	462,850	
Insurance Deductible	40,000	
Special Investigations	20,000	
Promissory Note	145,000	
Operational Activities	1,699,749	
Subtotal designations	<u>\$ 5,550,531</u>	5,550,531
Total reserves and designations		<u>\$ 5,563,803</u>

### **III. CASH AND INVESTMENTS**

The following is a summary of the cash and cash equivalent balances for the primary government at June 30, 2004:

	Primary Government
Cash on hand	\$ 550
Cash equivalents in pooled investments	5,920,335
Cash Balance	<u>\$ 5,920,885</u>

The cash equivalents in pooled investments represents cash held by the County Treasurer. These deposits are both uninsured and uncollateralized, and are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is apportioned quarterly to certain participating funds based upon each fund's average daily deposit balance with all remaining interest deposited in the County's General Fund.

#### **Deposits**

At June, 30 2004, the carrying amount of the APCD's deposits was \$5,920,335 and is found under cash and equivalents in pooled investments.

#### **Investments**

In accordance with GAAP, the County's investments at June 30, 2004 are categorized separately to give an indication of the level of custodial risk assumed by the APCD. The APCD's investments are categorized in the following manner:

Category 1	Includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name.
Category 2	Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name.
Category 3	Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.
Not Required To Be Categorized	Includes investments made directly with another party, real estate, direct investments in mortgages and other loans, open-end mutual funds, pools managed by other governments, annuity contracts and guaranteed investment contracts.

### III. CASH AND INVESTMENTS – Continued

#### Investments – Continued

The following table summarizes investments categorized in accordance with GASB Statement No. 3 at June 30, 2004.

	Category			Uncategorized	Reported Amount/Fair Value
	1	2	3		
Cash Equivalents					
Held by the Santa Barbara					
County Treasurer	\$ -	\$ -	\$ -	\$ 5,920,335	\$ 5,920,335
Total Cash Equivalents	-	-	-	5,920,335	5,920,335
Investments					
None	-	-	-	-	-
Total Investments	-	-	-	-	-
Total Cash Equivalents & Investments	\$ -	\$ -	\$ -	\$ 5,920,335	\$ 5,920,335

### IV. RESTRICTED CASH AND INVESTMENTS AND PERMIT HOLDERS PAYABLE

Cash and investments at June 30, 2004 that are restricted by legal or contractual requirements are listed in the following table. An offsetting permit holders payable has also been recorded at an equivalent amount.

#### General Fund

Permit Holder Deposits	\$ 432,965
Air Resources Board (ARB) Fees	25,785
Total Restricted Cash and Investments	<u>\$ 458,750</u>

### V. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Furniture	\$ 574,298	\$ 70,572	\$ 245,842	\$ 399,028
Equipment	1,073,624	151,812	152,414	1,073,022
Total capital assets, being depreciated	<u>1,647,922</u>	<u>222,384</u>	<u>398,256</u>	<u>1,472,050</u>
Less accumulated depreciation for:				
Furniture	(247,642)	(57,004)	(245,842)	(58,804)
Equipment	(846,661)	(100,479)	(152,414)	(794,726)
Total accumulated depreciation	<u>(1,094,303)</u>	<u>(157,483)</u>	<u>(398,256)</u>	<u>(853,530)</u>
Total capital assets, net	<u>\$ 553,619</u>	<u>\$ 64,901</u>	<u>\$ -</u>	<u>\$ 618,520</u>

**VI. LEASE OBLIGATIONS**

**Operating Leases**

The following is a schedule by years of future minimum rental payments required under operating leases entered into by the APCD that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2004. A significant portion of the lease obligation is with the County of Santa Barbara (see note IX).

Year Ending June 30,	Amount
2005	\$ 300,000
2006	300,000
2007	269,000
2008	250,000
2009	250,000
2010-2014	1,252,000
2015-2019	1,252,000
2019-2024	1,190,000
2025-2029	1,183,000
2030-2033	907,000
Total Minimum Payments Required	<u>\$ 7,153,000</u>

Total rental expenditure/expense for the year ended June 30, 2004 was \$274,792.

**VII. NOTE PAYABLE**

Note payable at June 30, 2004 consists of a promissory note for supplemental construction costs of the Casa Nueva Building. The note was entered into between the County of Santa Barbara and the APCD (see note IX) on January 1, 2004 for \$154,000 and has an eight-year term. The interest rate on the note is 4.4% per annum. The outstanding balance at June 30, 2004 is \$145,883. A repayment schedule is presented below.

Year Ending June 30,	Principal	Interest	Total
2005	\$ 17,290	\$ 5,581	\$ 22,871
2006	17,565	5,307	22,872
2007	18,353	4,518	22,871
2008	19,177	3,694	22,871
2009	20,039	2,833	22,872
Thereafter	53,459	3,057	56,516
Total	<u>\$ 145,883</u>	<u>\$ 24,990</u>	<u>\$ 170,873</u>

**VIII. DEFERRED/UNEARNED REVENUE**

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

At June 30, 2004, the various components of deferred revenue and unearned revenue reported were for the APCD school bus retrofit program in the amount of \$242,827.

**IX. RELATED PARTY TRANSACTIONS**

APCD utilizes the Financial Information Network of the County of Santa Barbara for the maintenance of its books and records. Financial transactions are initiated and approved by APCD, and the County Auditor-Controller performs data entry, report generation, warrant issuance, and other related functions for APCD.

APCD is not a component unit of the County of Santa Barbara; however, the cash assets of APCD are included in the basic financial statements of the County of Santa Barbara in an investment trust fund.

APCD typically reimburses the County of Santa Barbara for a share of County overhead and other services costs. For the year ended June 30, 2004, \$26,935 was paid to the County of Santa Barbara for allocated overhead costs.

APCD has two leases with the County of Santa Barbara. One is for the Casa Nueva building, with a 30 year term, and the other is for the Aegis building, with a 20 year term, with total minimum payments of \$6,823,003 and \$212,161 respectively (see note VI).

Lastly, APCD has entered into a note payable with the County of Santa Barbara, with a 5 year term, with an outstanding balance of \$145,883 as of June 30, 2004 (see note VII).

**X. LONG-TERM DEBT**

The following is a summary of the long-term obligation transactions of the APCD for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
<b>Governmental activities:</b>					
Employee compensated absences	\$ 267,689	\$161,083	\$ 90,622	\$ 338,150	\$ 90,622
Note Payable	-	154,000	8,117	145,883	17,290
Total Long Term Debt	<u>\$ 267,689</u>	<u>\$315,083</u>	<u>\$ 98,739</u>	<u>\$ 484,033</u>	<u>\$ 107,912</u>

Both compensated absences and the note payable are being liquidated by the General Fund.

**XI. COMMITMENTS AND CONTINGENCIES**

The management of the APCD is not aware of any outstanding claims or litigation liabilities.

The APCD recognizes as revenue, grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. Although the APCD's grant programs have been audited through June 30, 2004 in accordance with the requirements of the Federal Single Audit Act of 1997 and the related U.S Office of Management and Budget's Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The APCD has entered into various Board approved contracts which have outstanding balances totaling \$112,090 as of June 30, 2004. These contracts involve future commitments to purchase goods and services during the period July 1, 2004 through May 31, 2006.



**XII. RISK FINANCING**

The Air Pollution Control District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. These risks are covered by commercial insurance purchased from independent third parties. There have been no reductions in insurance coverage as compared to the previous year, only changes in how the types of coverage and deductibles are described. For the past three fiscal years, no settlement amounts have exceeded insurance coverage. The APCD carries:

<b>Description</b>	<b>Limit</b>	<b>Deductible</b>
Worker's compensation		
Each accident	1,000,000	-
Disease - policy limit	1,000,000	-
Disease - each employee	1,000,000	-
Crime including:		
Employee dishonesty, forgery, theft, disappearance, & destruction	1,000,000	25,000
Crime - deductible buy down for:		
Employee dishonesty, forgery, theft, disappearance, & destruction	22,500	2,500
Crime - excess for:		
Employee dishonesty, forgery, theft, disappearance, & destruction	2,000,000	-
All risk property, including flood	750,000,000	10,000
Boiler and machinery	100,000,000	2,500
General Liability		
Error & omissions, auto liability and non-owned auto	5,000,000	2,500
Employment practices	2,000,000	10,000

**XIII. RETIREMENT PLANS**

**Plan Description**

The Santa Barbara County Employees' Retirement System ("SBCERS") was organized under the provisions of the 1937 County Employees Retirement Act on January 1, 1944. The Retirement System operates a cost-sharing multiple employer plan. Members include all permanent employees working full time or at least 50% part time for the County of Santa Barbara ("County"), Carpinteria-Summerland Fire Protection District, Santa Barbara Coastal Vector Control District, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

The Retirement System has nine retirement plans. Five are currently available to new employees. All new general member employees (except those of the Air Pollution Control District) are enrolled in the contributory General Plan 5b. All new County safety members are enrolled in the contributory Plan 4b. All new APCD employees are enrolled in the APCD Plan 2. All open plans provide benefits as defined by law upon retirement, death, or disability of members based on age, years of service, final average salary (generally 12 highest consecutive months), and the benefit options selected. Cost-of-living adjustments after retirement are provided in these plans, except General Plan 2.

**XIII. RETIREMENT PLANS – Continued**

**Fiduciary Responsibility**

The Retirement System is controlled by its own Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement System publishes its own Comprehensive Annual Financial Report and receives its own independent audit. The Retirement System is also a legally separate entity from the County and not a component unit.

Additional detailed information and separately issued financial statements of the Retirement System can be obtained from the Employees' Retirement System of the County of Santa Barbara located at 3916 State Street, Suite 210, Santa Barbara, California 93105.

**Funding Policy**

Contributions are made by members and employers at rates recommended by an independent actuary, approved by the Board of Retirement, and adopted by the Board of Supervisors. For certain budgetary units, a portion of the members contribution is paid by the County. Employee contributions are based upon each individual member's age of entry into the system. Employee contributions cannot be withdrawn until separation from employment.

**Employer contribution**

Employer contribution rates are as follows:

Open for New Enrollment

General Plan 5b	11.33%	County	All new general County employees
General Plan 5a	11.66%	Districts	All new general District employees
Safety Plan 4b	19.57%	County	All new safety County employees
Safety Plan 4a	22.83%	Districts	All new safety District employees
APCD Plan 2	16.39%	APCD	All new APCD employees

Closed to new Enrollment

General Plan 5a	11.66%	County	County employees hired before October 1994 may continue the plan
General Plan 2	4.62%	County	County employees hired before January 1999 may continue the plan; non-contributory
Safety Plan 4a	22.83%	County	County safety employees hired before October 1994 may continue the plan
APCD Plan 1	14.82%	APCD	Employees hired before July 1996 may continue the plan

**Annual APCD Pension Cost**

The annual required contribution for the current year was determined as part of an actuarial valuation performed as of December 31, 2002. Employer contribution rates are based upon the Entry Age Normal Actuarial Cost Method, permitted by Government Code Section 31453.5. The significant actuarial assumptions include: (1) annual rate of return on investments of 8.16%; (2) inflation element in wage increases of 4.5%; and (3) salary merit and longevity increases of 1%. Unfunded liabilities are amortized using the level percentage of projected payroll over fifteen years from June 30, 2003. Changes in actuarial gains and loss assumptions are spread over an open 5-year period. The current year APCD pension cost is \$587,223.

### **XIII. RETIREMENT PLANS – Continued**

#### **Five-Year Trend Information**

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

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Contributions</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contribution</u>
6/30/2000	12/31/1998	\$ 534,963	\$ 534,963	100%
6/30/2001	12/31/1999	450,670	450,670	100%
6/30/2002	12/31/2000	362,063	362,063	100%
6/30/2003	12/31/2000	353,060	353,060	100%
6/30/2004	12/31/2002	587,223	587,223	100%

### **XIV. DEFERRED COMPENSATION**

The APCD offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years up to a maximum of \$13,000 (in whole dollars), so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

This plan is administered through a third-party administrator. The APCD does not perform the investing function, and has no fiduciary accountability for the plan. Thus, the plan assets and any related liability to plan participants have been excluded from these financial statements.

### **XV. PRIOR PERIOD ADJUSTMENTS**

The APCD reevaluated the composition of its trust funds, and related holdings, and found that certain amounts should be classified as fund balance unreserved, designated. As a result, APCD, restated its beginning of the year fund balance by \$3,440,771.

**Santa Barbara County Air Pollution Control District**  
**Required Supplementary Information**

**June 30, 2004**

**General Fund – Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget - Positive (Negative)
<b>Revenues:</b>				
Licenses, permits, and franchises	\$ 2,672,913	\$ 2,696,535	\$ 2,712,627	\$ 16,092
Use of money and property	115,000	97,701	117,836	20,135
Grants and subventions	1,923,260	1,923,260	2,320,330	397,070
Charges for services	2,459,583	2,459,583	1,755,033	(704,550)
Other	59,199	59,199	88,367	29,168
<b>Total revenues</b>	<b>7,229,955</b>	<b>7,236,278</b>	<b>6,994,193</b>	<b>(242,085)</b>
<b>Expenditures:</b>				
Air pollution control services:				
Salaries and benefits	4,861,895	4,861,895	4,730,443	131,452
Services and supplies	2,695,776	2,647,342	2,329,006	318,336
Debt Service				
Principle	--	8,117	8,117	--
Interest	--	3,317	3,317	--
Other Expenses	351,420	351,420	241,323	110,097
Capital outlay	186,000	223,000	222,384	616
<b>Total expenditures</b>	<b>8,095,091</b>	<b>8,095,091</b>	<b>7,534,590</b>	<b>560,501</b>
Deficiency of revenues over expenditures	(865,136)	(858,813)	(540,397)	318,416
Other financing sources:				
Proceeds from the issuance of Long Term Debt	--	--	154,000	154,000
Deficiency of revenues over expenditures and other financing sources	(865,136)	(858,813)	(386,397)	472,416
<b>Fund balances:</b>				
Beginning of year	2,509,429	2,509,429	2,509,429	--
GASB Prior Period Adjustment, net (note XV)	3,440,771	3,440,771	3,440,771	--
Beginning of year, restated	5,950,200	5,950,200	5,950,200	--
<b>End of year</b>	<b>\$ 5,085,064</b>	<b>\$ 5,091,387</b>	<b>\$ 5,563,803</b>	<b>\$ 472,416</b>

See accompanying notes to the schedule of General Fund Budgeted and Actual Expenditures – Budgetary Basis.

**Notes to Schedule of General Fund Budgeted and Actual Expenditures – Budgetary Basis**

**I. BASIS OF PRESENTATION**

Budgets are prepared on the modified accrual basis of accounting consistent with GAAP.

**II. BUDGETARY AND LEGAL COMPLIANCE**

In accordance with the California Health and Safety Code Section 40130-40131 and other statutory provisions, on or before July 1 for each fiscal year, the District must prepare and submit a budget to the County Auditor. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles.

Annually, the Board of Directors conducts a public hearing for the discussion of a proposed budget. At the conclusion of the hearings, the Board adopts the final budget. All appropriations lapse at fiscal year end and are subject to reappropriation as part of the following year's budget. The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the object level. The Air Pollution Control Officer is delegated authority to make changes to the annual budget, provided it is within and between the salaries and benefits and services and supplies object levels. Other budget revisions must be adopted by a vote of the Board. Further increases or decreased to reserves and designations must be adopted by a 4/5 vote of the Board. Lastly, the County Auditor-Controller is authorized to make administrative budget adjustments for the Fair Market Value of Assets held in the County Treasury.

Several supplemental budgetary appropriation changes were made throughout the year. Vehicle purchases were budgeted under services and supplies, but reclassified as capital resulting in the negative variance on the prior page. In addition debt service principle and interest was not separately budgeted for, but rolled into services and supplies.





**Santa Barbara County  
Air Pollution Control District**  
Comprehensive Annual Financial Report  
Year Ended June 30, 2004

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## **STATISTICAL SECTION (UNAUDITED)**

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**General Fund Expenditures by Major Object (Combined Budgetary and GAAP Basis) – Last Ten Fiscal Years**

**General Fund Revenues by Major Object (Combined Budgetary and GAAP Basis) – Last Ten Fiscal Years**

**General Fund Revenues by Fee Source – FY 2003-04**

**General Fund Revenues by Fee Source – Last Ten Fiscal Years**

**Emission Fee Revenues – Last Ten Fiscal Years**

**Key Air Quality and Demographic Information Regarding the Region Included in the Santa Barbara County Air Pollution Control District**

**Santa Barbara County Smog Trend – Last Ten Calendar Years**

**Santa Barbara County Population By City – Last Five Calendar Years**

**Santa Barbara County Civilian Employment – Last Six Calendar Years**

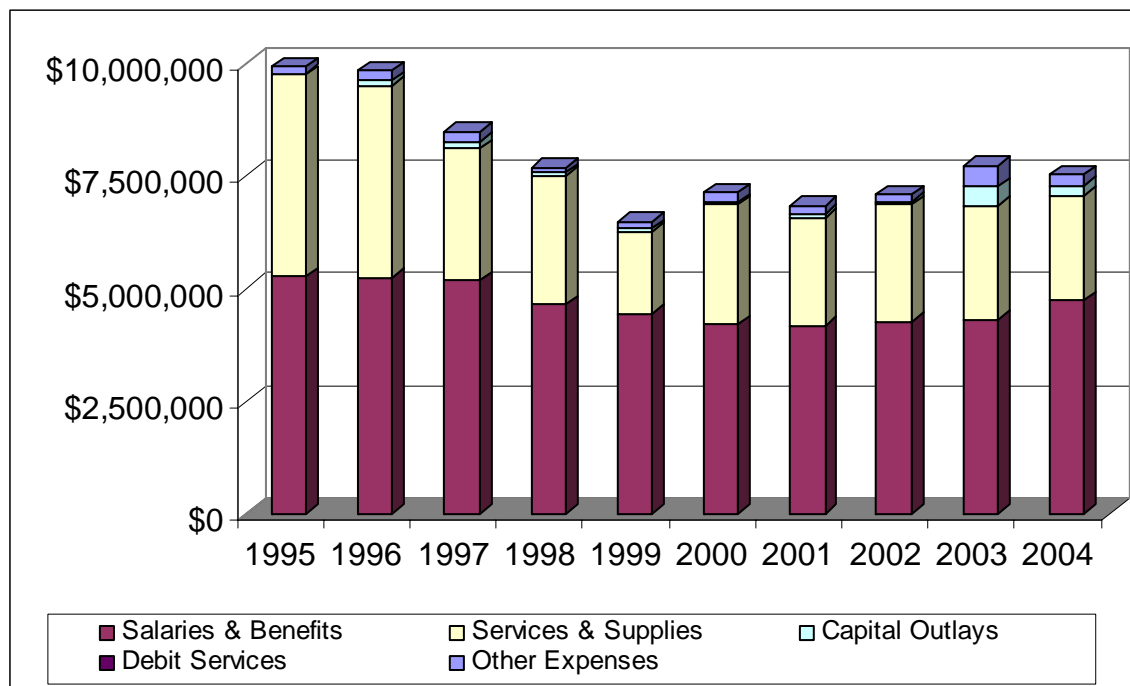
**Fee-Paid Vehicle Registrations and Fees Collected (Automobiles and Trucks) for Santa Barbara County – Last Ten Calendar Years**

**Demographic and Miscellaneous Statistics**

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The information in the statistical section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report.

**General Fund Expenditures by Major Object (Combined Budgetary and GAAP Basis) – Last Ten Fiscal Years**



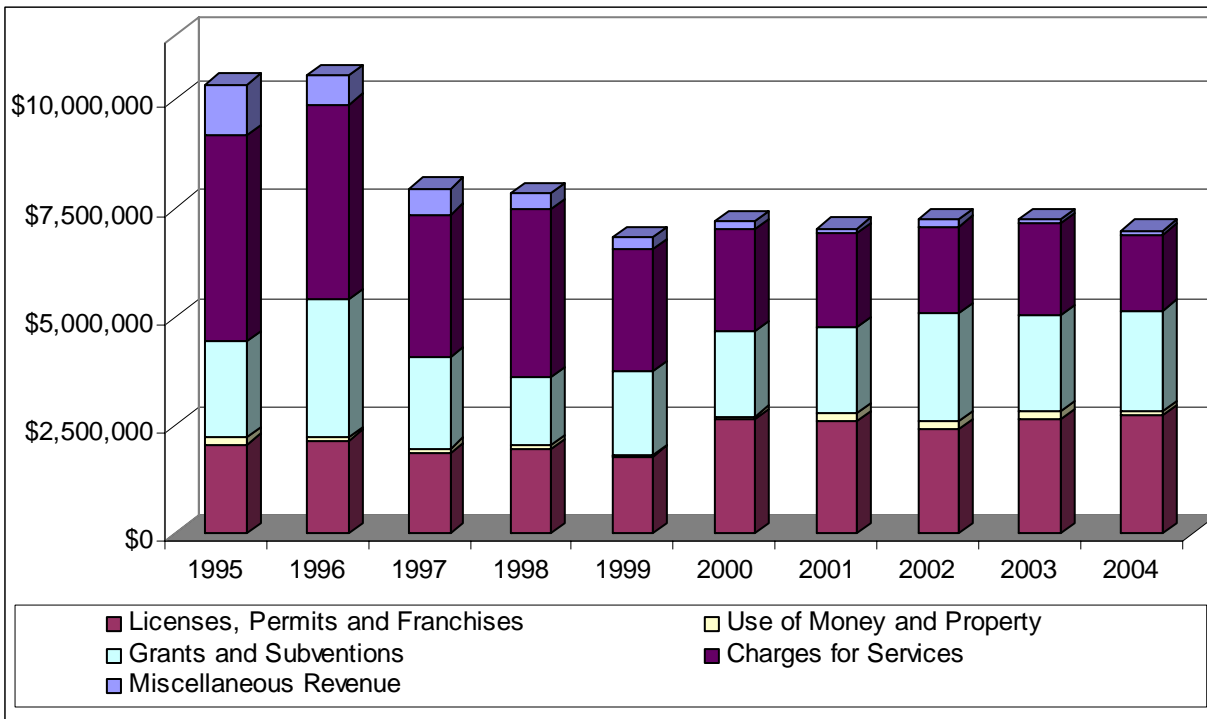
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Other Expenses	Debt Service	Total Expenditures
1995	\$ 5,267,493	\$ 4,488,304	\$ 26,067	\$ 162,787	\$ -	\$ 9,944,651
1996	5,249,975	4,272,679	111,492	204,178	-	9,838,324
1997	5,172,457	2,941,366	160,997	226,450	-	8,501,270
1998	4,650,398	2,863,132	55,644	114,021	-	7,683,195
1999	4,450,217	1,816,854	59,332	155,876	-	6,482,279
2000	4,194,863	2,667,598	58,328	225,173	-	7,145,962
2001	4,175,933	2,413,114	84,750	169,715	-	6,843,512
2002	4,257,007	2,618,399	52,393	168,575	-	7,096,374
2003	4,306,736	2,537,410	434,760	459,495	-	7,738,401
2004	\$ 4,730,443	\$ 2,329,006	\$ 222,384	\$ 241,323	\$ 11,434	\$ 7,534,590

Source:

Santa Barbara County Air Pollution Control District Audited Financial Statements



**General Fund Revenues by Major Object (Combined Budgetary and GAAP Basis) –  
Last Ten Fiscal Years**

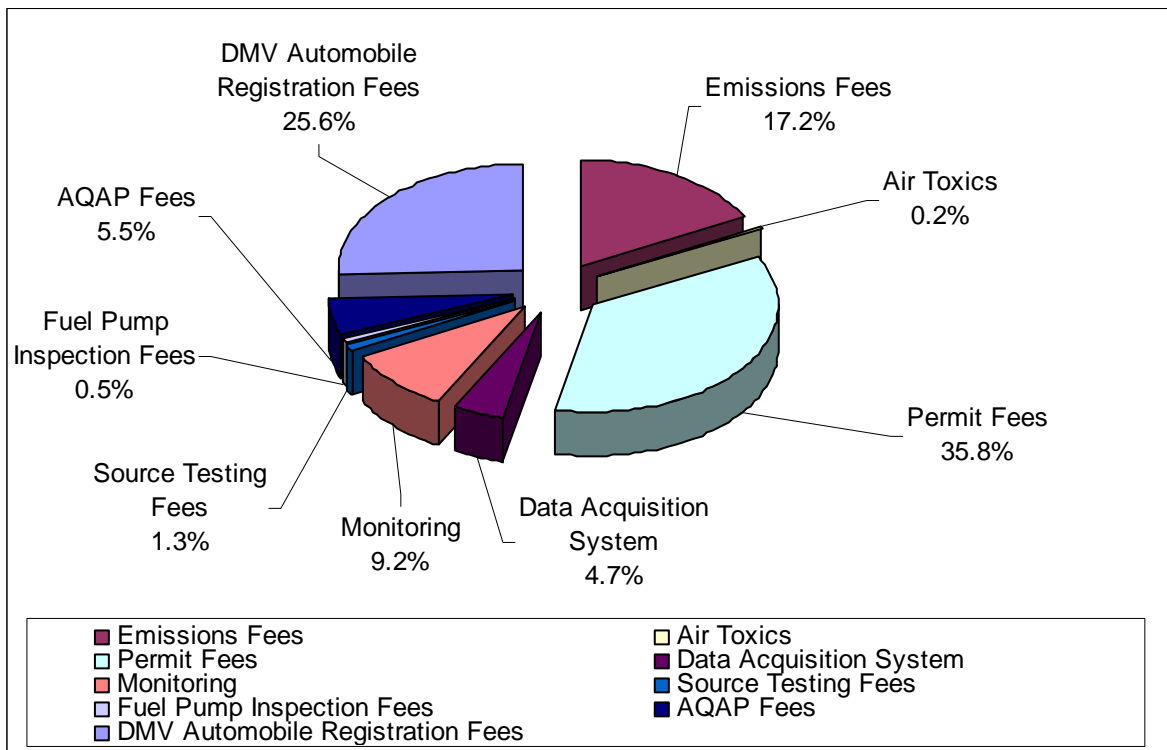


Year	Licenses, Permits and Franchises	Use of Money and Property	Grants and Subventions	Charges for Services	Miscellaneous Revenue	Total Revenues
1995	\$ 2,055,009	\$ 174,449	\$ 2,204,074	\$ 4,757,808	\$ 1,171,601	\$ 10,362,941
1996	2,147,462	73,462	3,195,224	4,490,967	681,334	10,588,449
1997	1,867,215	103,108	2,085,856	3,302,954	611,337	7,970,470
1998	1,947,029	96,584	1,556,726	3,873,201	368,267	7,841,807
1999	1,776,999	17,025	1,954,936	2,802,658	279,273	6,830,891
2000	2,640,100	68,011	1,952,666	2,357,285	179,873	7,197,935
2001	2,604,068	156,476	2,003,861	2,158,629	120,121	7,043,155
2002	2,406,317	195,497	2,491,108	1,994,938	163,010	7,250,870
2003	2,633,220	173,262	2,219,085	2,134,344	102,332	7,262,243
2004	\$ 2,712,627	\$ 117,836	\$ 2,320,330	\$ 1,755,033	\$ 88,367	\$ 6,994,193

Source:

Santa Barbara County Air Pollution Control District Audited Financial Statements

## General Fund Revenues by Fee Source – FY 2003-04

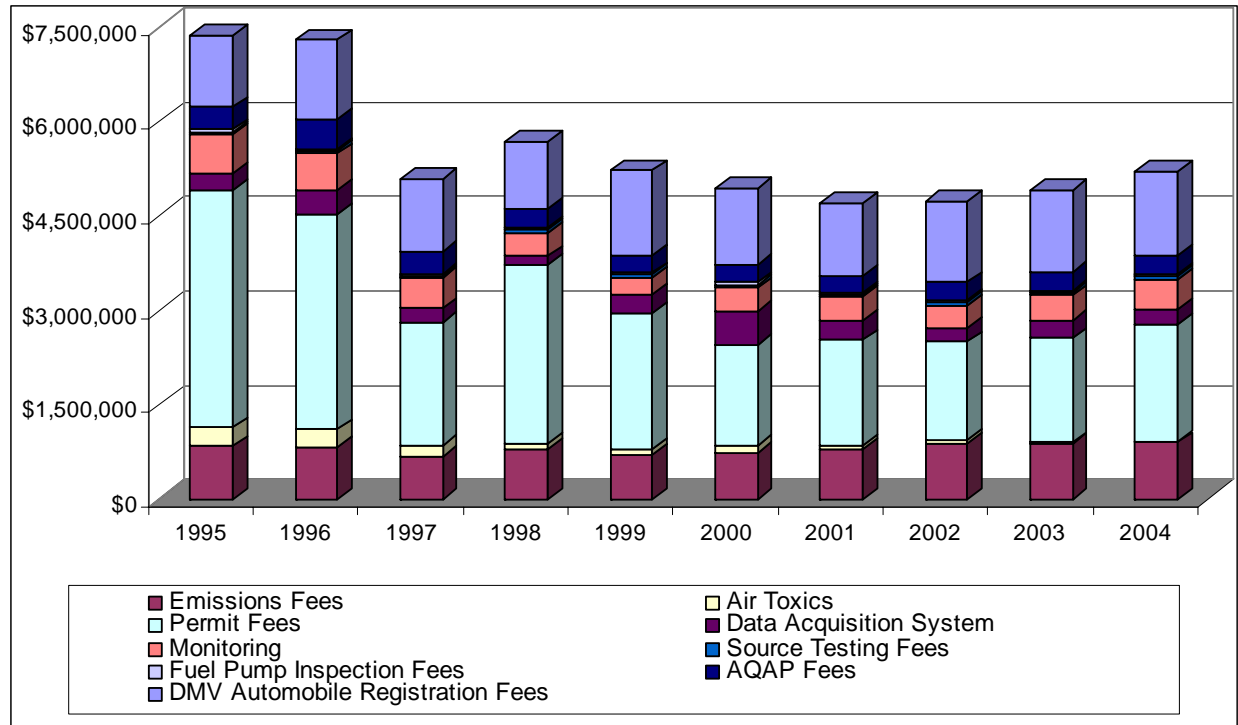


Fee Source	FY 03-04
Emissions Fees	\$ 892,979
Air Toxics	10,652
Permit Fees	1,859,879
Data Acquisition System	239,875
Monitoring	478,190
Source Testing Fees	67,174
Fuel Pump Inspection Fees	27,384
AQAP Fees	285,577
DMV Automobile Registration Fees	1,327,591
<b>Total Fee Revenues</b>	<b>\$ 5,189,301</b>

Source:

Santa Barbara County Air Pollution District Fee Revenues

## General Fund Revenues by Fee Source – Last Ten Fiscal Years

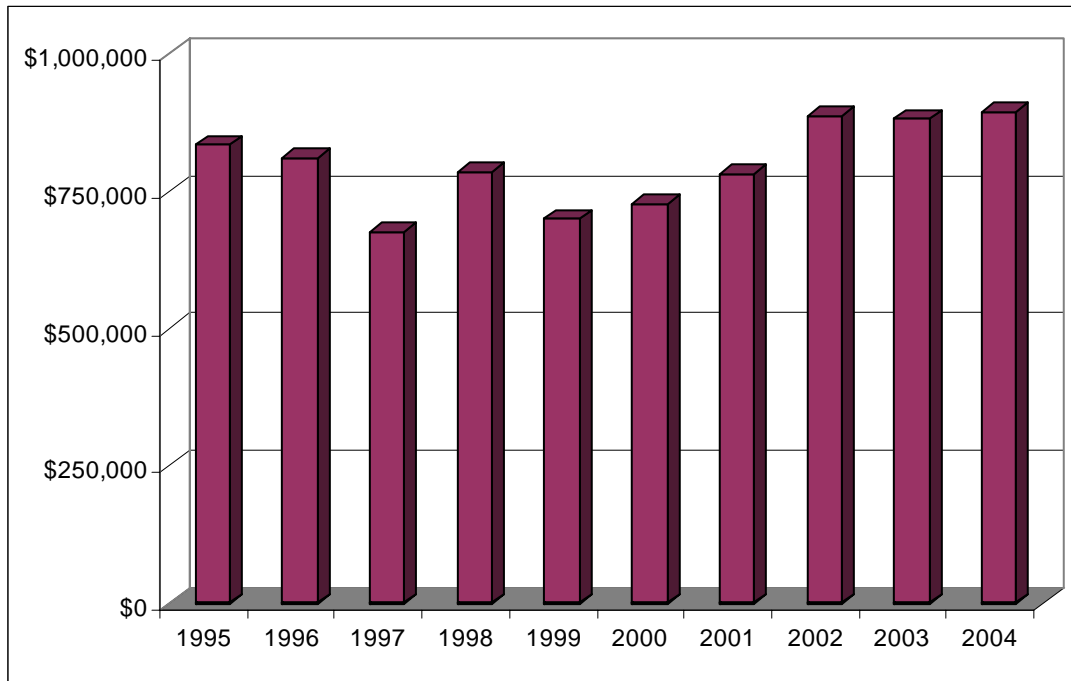


Year	Emissions Fees	Air Toxics	Permit Fees	Data Acquisition System	Monitoring	Source Testing Fees	Fuel Pump Inspection Fees	AQAP Fees	DMV Automobile Registration Fees	Total Fee Revenues
1995	\$ 832,512	\$ 299,115	\$ 3,781,462	\$ 258,737	\$ 618,118	\$ 36,442	\$ 41,300	\$ 352,566	\$ 1,151,376	\$ 7,371,628
1996	807,935	293,637	3,411,977	391,527	578,642	41,170	30,293	467,626	1,263,439	7,286,246
1997	673,251	179,387	1,944,124	230,128	498,370	24,305	31,904	354,556	1,136,924	5,072,949
1998	783,259	106,529	2,822,862	139,540	361,749	62,486	27,643	301,661	1,067,949	5,673,678
1999	697,624	99,358	2,161,660	277,306	284,092	46,350	21,651	289,425	1,337,440	5,214,906
2000	725,301	112,347	1,620,085	520,684	371,953	49,658	37,176	272,524	1,228,183	4,937,911
2001	779,320	58,453	1,683,853	310,233	381,158	42,629	29,072	260,801	1,145,024	4,690,543
2002	884,482	55,857	1,551,883	225,380	349,660	58,683	30,776	283,422	1,294,148	4,734,291
2003	880,060	15,267	1,655,930	290,887	389,934	48,043	27,732	286,096	1,313,739	4,907,688
2004	892,979	10,652	1,859,879	239,875	478,190	67,174	27,384	285,577	1,327,591	5,189,301

Source:

Santa Barbara County Air Pollution District Fee Revenues

### Emission Fee Revenues – Last Ten Fiscal Years



Year	Emission Fees
1995	\$ 832,512
1996	807,935
1997	673,251
1998	783,259
1999	697,624
2000	725,301
2001	779,320
2002	884,482
2003	880,060
2004	\$ 892,979

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Source:  
Santa Barbara County Air Pollution District Fee Revenues

## **Key Air Quality and Demographic Information Regarding the Region Included in the Santa Barbara County Air Pollution Control District**

The Santa Barbara County Air Pollution Control District includes all of Santa Barbara County.

### *Geography*

Santa Barbara County, located approximately 100 miles northwest of Los Angeles and 300 miles south of San Francisco, was established by an act of the State Legislature on February 18, 1850. The County occupies 2,774 square miles, one-third of which is located in the Los Padres National Forest. Bordered on the West and South by the Pacific Ocean, the County has 110 miles of beaches, a little over half being south facing beaches. Agriculture figures prominently in the valleys with just over 700 thousand acres devoted to crops and pasture. Strawberries, broccoli, grapes (wine), and avocados are the four most notable crops of the County.

*The County has 4 main urban areas:*

### Santa Barbara Coast

Santa Barbara Coast is located in the southern portion of the County. The area is bordered in the south by the Pacific Ocean, and in the north by the Santa Ynez Mountain range, one of the few mountain systems in North America that run east-west rather than north-south. Because of the unique north and south borders, and its year round mild ‘Mediterranean’ climate, it is fitting that Santa Barbara has been described by many as the California Riviera.

### Santa Ynez Valley

Santa Ynez Valley is located in the central portion of the County, nestled between the Santa Ynez and San Rafael mountain ranges. Santa Ynez Valley includes the communities of Buellton, Solvang, and Santa Ynez, as well as the Chumash Reservation. Lake Cachuma is also nestled between the mountain ranges, offering recreational activities and a water supply to the County. The Valley’s climate has recently attracted many wine makers to the area, adding vast vineyards to the rolling hills that lead to the Los Padres National Forest.

### Santa Maria Valley

Santa Maria Valley is located in the northern portion of the County, bordered by San Luis Obispo County on the north. Much of the new development within the County has been happening in the Santa Maria Valley area. The area has experienced a lot of change in the past decade – the population, urban development, and economy are all booming.

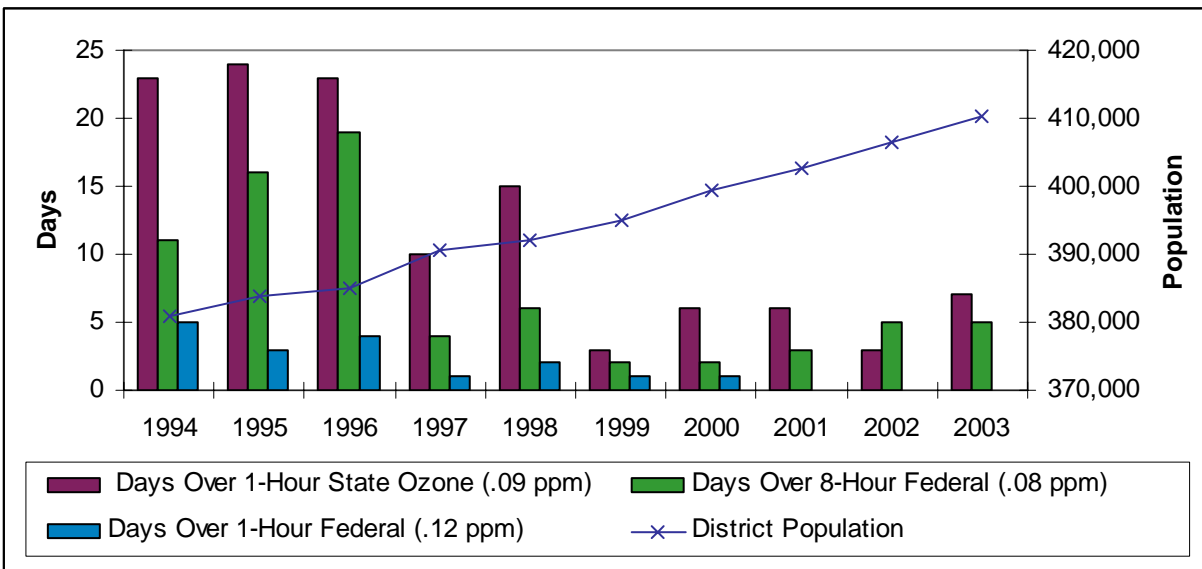
### Lompoc Valley

Lompoc Valley is located in the western portion of the County. The United States Vandenberg Air Force Base is located in the Valley contributing many local employment opportunities to County residents.

Overall, the County is a popular tourist and recreational area, famous for its mild climate, picturesque coastline, scenic mountains, and numerous parks and beaches. The County is rich in heritage and cultural diversity; Spanish-Mediterranean architecture on the South Coast, western style towns inland, missions, Danish village of Solvang, and numerous cultural festivals and parades, all depict its diverse legacy. World-class music, opera, dance, theatre and visual arts, coupled with beautiful urban and rural communities, make the County a haven to those who live here, as well as a delight to those who visit from all over the world.

The following charts illustrate air pollution, demographic, employment and motor vehicle information about the Santa Barbara County Air Pollution Control District region.

## **Santa Barbara County Smog Trend – Last Ten Calendar Years**



Year	Days Over 1-Hour State Ozone (.09 ppm)	Days Over 8-Hour Federal (.08 ppm)	Days Over 1-Hour Federal (.12 ppm)	District Population
1994	23	11	5	381,000
1995	24	16	3	383,700
1996	23	19	4	384,900
1997	10	4	1	390,500
1998	15	6	2	392,000
1999	3	2	1	394,900
2000	6	2	1	399,347
2001	6	3	0	402,760
2002	3	5	0	406,520
2003	7	5	0	410,175

Note:

Population figures prior to 2000 are at July 1. Population figures after are at January 1.

Sources:

2001-2004 Data:

State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State*, 2001-2004, with 2000 DRU Benchmark. Sacramento, California, May 2004.

<http://www.dof.ca.gov/HTML/DEMOGRAP/HistE-4.htm>

1994-2000 Data:

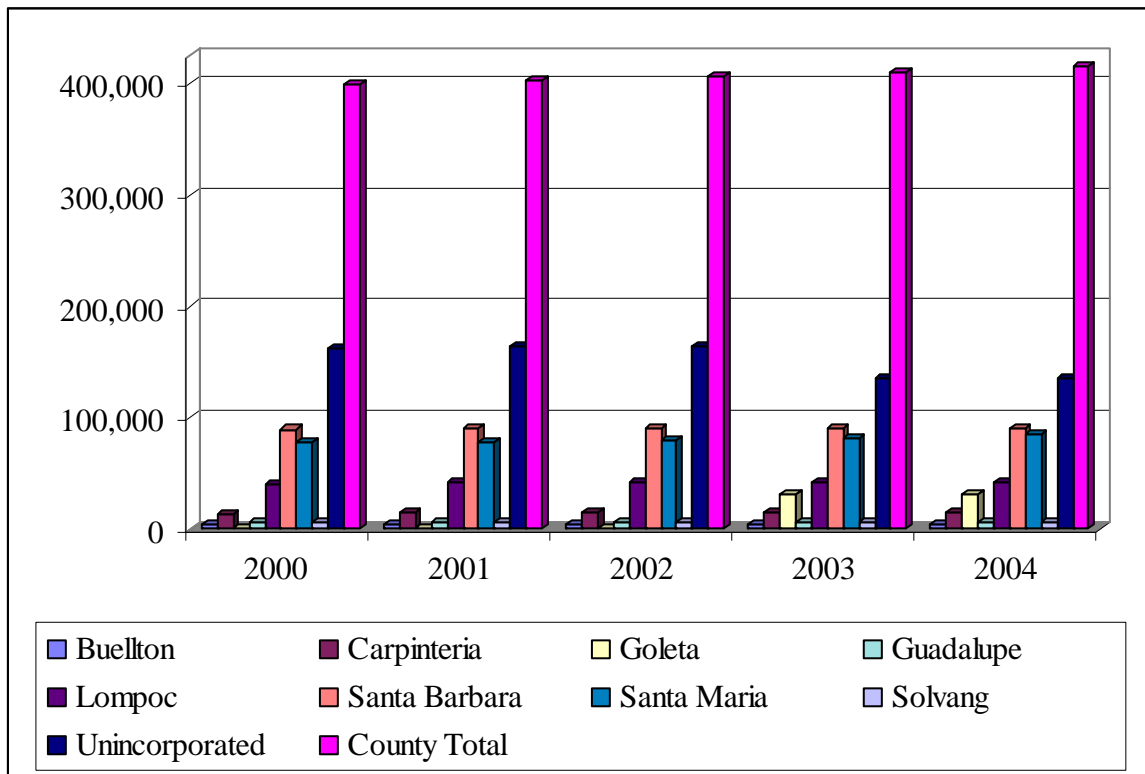
State of California, Department of Finance, *County Population Estimates and Components of Change*, July 1, 2001-2002, with Historical 2000 and 2001 Estimates. Sacramento, California, January 2003.

<http://www.dof.ca.gov/HTML/DEMOGRAP/I90-00.HTM>

Smog Data:

Santa Barbara County Air Pollution Control District Monitoring Data.

### Santa Barbara County Population By City – Last Five Years

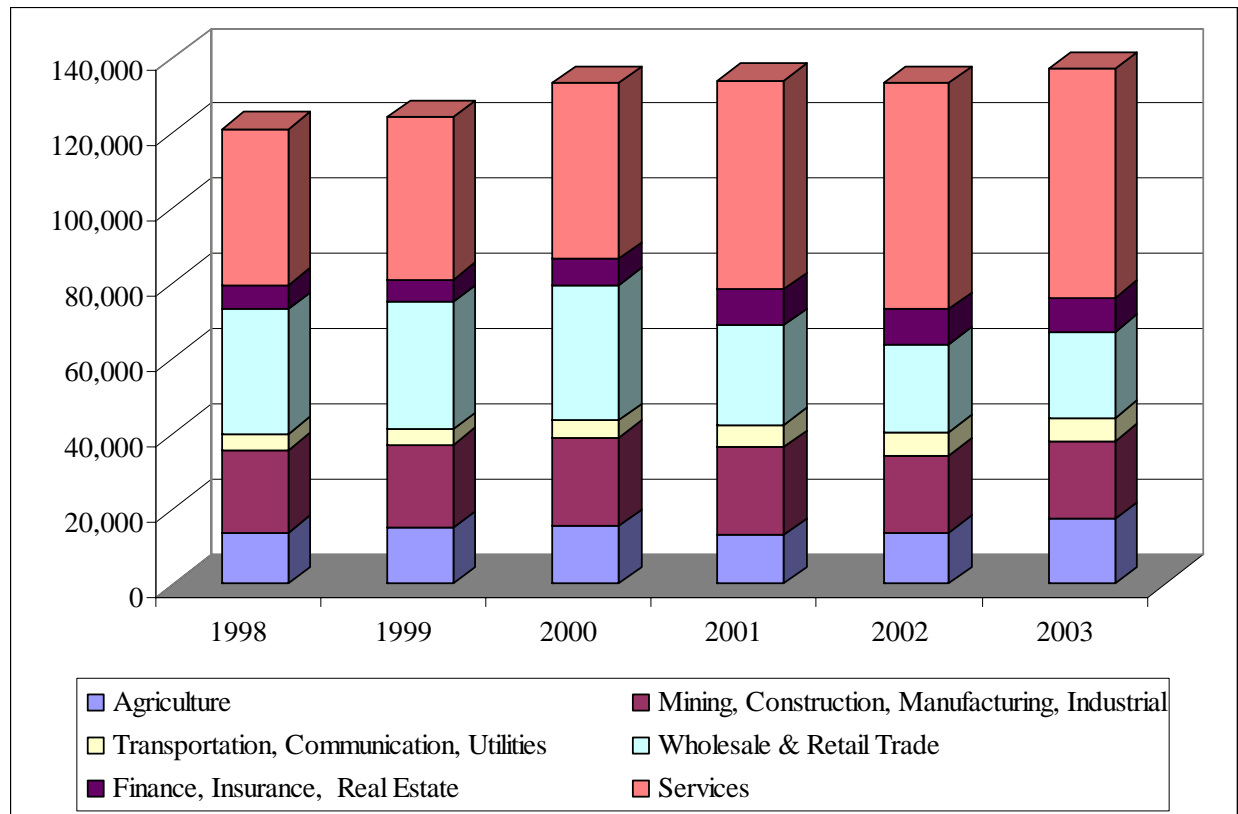


Santa Barbara County (January 1,)					
City	2000	2001	2002	2003	2004
Buellton	3,828	3,910	3,970	4,200	4,460
Carpinteria	14,194	14,350	14,400	14,350	14,350
Goleta	0	0	0	30,800	30,850
Guadalupe	5,659	5,875	6,075	6,250	6,300
Lompoc	41,103	41,450	41,550	41,750	42,250
Santa Barbara	89,606	90,000	90,400	90,200	90,500
Santa Maria	77,423	78,500	80,200	81,900	85,300
Solvang	5,332	5,375	5,425	5,425	5,425
Unincorporated	162,202	163,300	164,500	135,300	135,300
<b>County Total</b>	<b>399,347</b>	<b>402,760</b>	<b>406,520</b>	<b>410,175</b>	<b>414,735</b>

Source:

State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State*, 2001-2004, with 2000 DRU Benchmark. Sacramento, California, May 2004.

## Santa Barbara County Civilian Employment – Last Six Calendar Years



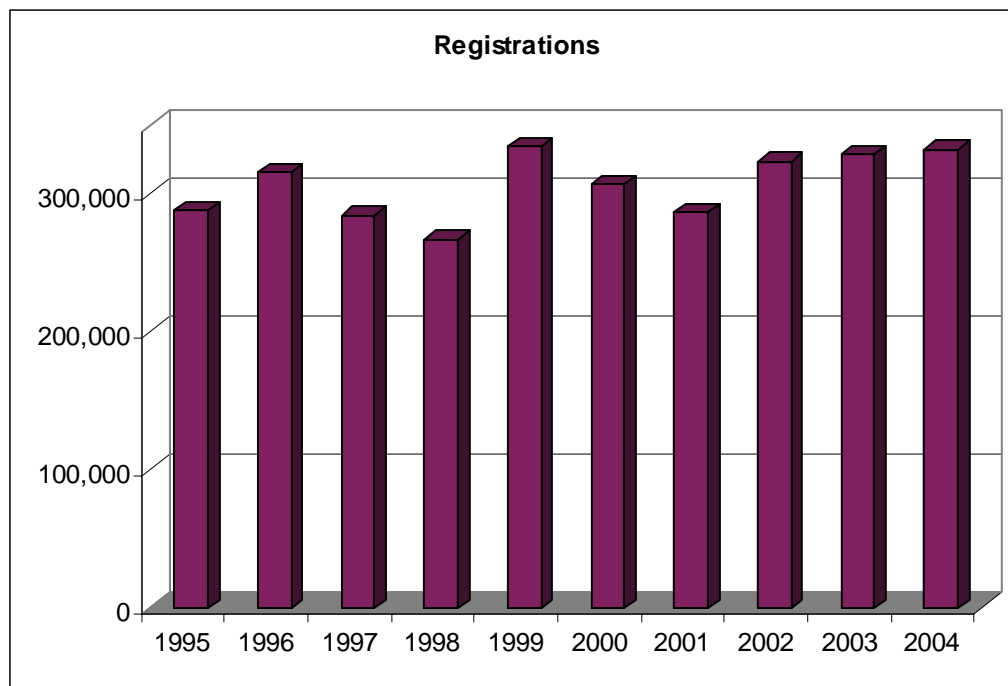
Year	Agriculture	Mining, Construction, Manufacturing, Industrial	Transportation, Communication, Utilities	Wholesale & Retail Trade	Finance, Insurance, Real Estate	Services	Santa Barbara County Total	State of California
1998	13,527	22,066	4,241	33,204	6,578	41,558	121,174	15,367,500
1999	14,789	22,192	4,135	33,854	6,054	43,123	124,147	15,731,700
2000	15,276	23,667	4,470	36,254	6,882	46,646	133,195	16,245,600
2001	13,040	23,219	6,073	26,518	9,599	55,451	133,900	16,435,200
2002	13,616	20,613	6,097	23,425	9,416	60,038	133,205	16,241,800
2003	17,166	20,799	6,156	22,945	9,034	60,933	137,033	16,761,060

Source:

The 2004 Santa Barbara County Economic Outlook.



**Fee-Paid Vehicle Registrations and Fees Collected (Automobiles and Light Trucks) for Santa Barbara County – Last Ten Fiscal Years**



Fiscal Year	Vehicle Registrations	Registration Fees
1995	287,844	\$ 1,151,376
1996	315,860	1,263,439
1997	284,231	1,136,924
1998	266,987	1,067,949
1999	334,360	1,337,440
2000	307,046	1,228,183
2001	286,256	1,145,024
2002	323,537	1,294,148
2003	328,435	1,313,739
2004	331,898	1,327,591

Source:  
Santa Barbara County Air Pollution District Fee Revenues

## **Demographic and Miscellaneous Statistics**

<i>District Established:</i>	September 14, 1970 with Santa Barbara County Board of Supervisors resolution 70-581
<i>Area Covered:</i>	2,774 square miles
<i>County &amp; Cities Included:</i>	Santa Barbara County and the cities of Buelton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang
<i>Population:</i>	414,735 (In January 1, 2004)
<i>Transportation:</i>	Railroads: the Union Pacific and passenger services by Amtrak's Pacific Surfliner  Two commercial Airports: Santa Barbara Airport and Santa Maria, with connecting services to many international airports.  Freeways: U.S. 101 and six State freeways routes 1, 135, 154, 166, 217, and 246
<i>Visitor Destinations:</i>	Santa Barbara Mission, Santa Barbara Harbor, Historic Downtown Santa Barbara, La Purisma Mission, Murals in Lompoc, Chumash Casino, Wine Country, Lake Cachuma, Beaches, State Parks, and National Forests
<i>Registered Vehicles:</i>	331,898 (in Fiscal Year 2003-04)
<i>Average Daily Miles Traveled:</i>	9.7 million
<i>Average Daily Vehicle Miles Traveled:</i>	31.9
<i>Average Trip Length:</i>	9.2
<i>Stationary Sources of Air Pollution Regulated:</i>	Oil and Gas Production Facilities, Offshore Oil and Gas Production Facilities, Manufacturing Facilities, Mining Operations, Sand & Gravel Production, Government Military Installations, Dry Cleaning, Gas Stations, and Paint Spray Booths
<i>Number of Permitted Sources:</i>	575
<i>Number of Air Monitoring Stations:</i>	12
<i>APCD Full-time Authorized positions:</i>	60.75
<i>Adopted FY 2004-05 Budget:</i>	\$7,999,698
<i>Key Federal, State, and Local Air Agencies:</i>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer's Association), STAPPA (State and Territorial Air Pollution Program Administrators), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.