



Our Vision  Clean Air

Attachment C

Trust Fund Reorganization, and Related Designations and Budget Revisions
for Fiscal Years 2003-04 and 2004-05

ATTACHMENT C

Agenda Date: October 21, 2004
Agenda Placement: Regular
Estimated Time: 10 minutes
Continued Item: No

Board Agenda Item - CONTINUED

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

CONTACT: Donald Kendig, CPA, Business Manager (961-8854)

SUBJECT: Trust Fund Reorganization, and Related Designations and Budget Revisions for Budget Years 2003-04 and 2004-05

RECOMMENDATIONS:

1. Adopt a resolution (Trust Fund Resolution Attachment, including attached Table 1) to transfer, and designate, monies from trust funds 1961, 1962, and 1963 to operating fund 1960 to comply with Government Accounting Standards Board Pronouncement No. 34.
2. Adopt budget revision requests for budget years 2003-04 and 2004-05 to properly account for the activity in these new designations in fund 1960.

DISCUSSION:

APCD staff is recommending that your Board transfer certain monies between trust funds as part of the implementation of new accounting standards. Furthermore, staff recommends the establishment of certain designations to provide reserve funds to mitigate year to year revenue fluctuation and to cover unforeseen expenses. The proposed resolution and budget revisions will be brought back to your board during the June Hearing.

Background

The APCD currently manages its money in four funds: Fund 1960 – APCD Operating, Fund 1961 – APCD Deposits Trust, Fund 1962 – APCD Data Acquisition System Trust; and, Fund 1963 – Trust & Capital Reserves.

Fund 1960 – APCD Operating:

Fund 1960 is used to account for APCD's operations and it focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available as the end of the fiscal year. Designations within this fund show resources that have been "earmarked" by the APCD Board or Control Officer for a particular purpose.

Fund 1961 – APCD Deposits Trust:

Prior to 1987, the APCD established Fund 1961 to hold deposits of restricted funds paid by various permit holders under cost reimbursement provisions of its fee rule (Rule 210). Among the permit holder deposits in Fund 1961 are deposits held for specific projects such as upgrading and maintaining

air monitoring and data acquisition systems. As APCD developed its innovative technologies program, revenues paid to the APCD for the purpose of funding the program were also held in Fund 1961. Over the years, Fund 1961 came to hold various categorical deposits and some non-categorical revenues from increment fees, a special fee for new large sources of air pollution. APCD also used Fund 1961 to hold subvention funds from the California Air Resources Board, unclaimed deposits reimbursements, and interest that accrued to the deposits and revenues held in the fund. Beginning in FY 01/02, APCD began to transfer some of the interest earned in Fund 1961 to Fund 1960; however, the bulk of the interest earned (over nearly 15 years) remains in Fund 1961.

Fund 1962 – APCD Data Acquisition System:

Fund 1962 was established during the development and installation of the data acquisition system and contains residual monies (totaling \$150,000) that are currently at the discretion of the APCD.

Fund 1963 – Trust & Capital Reserves:

Fund 1963 is a capital reserve fund that contains monies set aside annually, based upon a depreciation schedule for the replacement of APCD vehicles and other capital assets.

Purpose of the Resolution and Budget Revisions

In March of 2004, APCD began discussions with the Santa Barbara County Auditor-Controller regarding the disposition and management of the diverse holdings in Fund 1961, and the holdings in funds 1962 and 1963. At that time, the Auditor-Controller's Office advised us that, as part of the mandatory implementation of the new Government Accounting Standards Board (GASB) Pronouncement No. 34, some of the holdings in the APCD trust funds would be required to be managed as designations in Fund 1960, 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 (reporting model).

Attachment A (Board Resolution):

As a result of this 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 our outside auditors, Nasif, Hicks, Harris, & Co., agree that these monies should be combined within our 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. At the same time, APCD staff believes that it would be fiscally prudent to set up a set of contingency designations to provide reserve funds to mitigate the effects of year to year revenue fluctuations, and to cover unforeseen expenses such as insurance deductibles. We would also recommend that the Board designate funds to be used to pay the promissory note held by the County of Santa Barbara for leasehold improvements to the Casa Nueva building. The attached resolution accomplishes this goal.

Fiscal Year 2003-04 Budget Revision Request:

The fiscal year 2003-04 budget period is closed, so no additional financial activity can take place; however, we will be changing how we report our financial activity for fiscal year 2003-04 in our Comprehensive Annual Financial Report (CAFR) for the year then ending, June 30, 2004. The attached request brings the 2003-04 fiscal year budget in line with the new reporting model.

Fiscal Year 2004-05 Budget Revision Request:

The attached request incorporates the new reporting model, and related revenue & appropriations structure, mandated by GASB Pronouncement No. 34. Revenues collected in the current year, but

not intended to be used with in the year must be designated for future years. In turn, revenues collected in a prior year, but intended for the current year must be released from designations. This revision of the budget will not increase or decrease the budget adopted by your Board in June.

ATTACHED:

Trust Fund Resolution – Resolution recognizing GASB Pronouncement No. 34; and, transferring trust funds, establishing designations, revising the 2003-04 & 2004-05 budgets, and restating State Controller Schedules in accordance with it.

Table 1 – Supplement to Attachment A, summarizing of the types and amounts of the holdings in funds 1961, 1962, and 1963 and a restatement of 7/1/2003 fund balance for the transfer funds out of those trust funds to specific designations in Fund 1960. In addition it provides the designation and revenue restatement details for the accompanying Budget Revision Requests for 2003-04 and 2004-05.

Budget Revision Request 2003-04 – Supplement to Attachment A, providing legal authorization to make budget revisions to 2003-04.

Budget Revision Request 2004-05 – Supplement to Attachment A, providing legal authorization to make budget revisions to 2004-05.

Proposed Trust Fund Resolution

RESOLUTION OF THE AIR POLLUTION CONTROL DISTRICT BOARD OF THE COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA

In the Matter of Transferring Monies from)
APCD Trust Funds 1961, 1962, and 1963 to)
APCD Operating Fund 1960, and related)
Designations and Budget Revisions.)

APCD Resolution No. __ - ____

RECITALS

1. The Air Pollution Control District (District) Board is obligated by Generally Accepted Accounting Principles (GAAP) to implement the new Government Accounting Standards Board (GASB) Pronouncement No. 34 for fiscal year ending June 30, 2004 and beyond; and
2. GASB Pronouncement No. 34 requires a new reporting model, which results in a change in how the District records current (2004-05) and prior (2003-04) period revenues and expenditures, necessitating budget revisions; and
3. California Government Code §29085 establishes the District authority to establish reserves and designations in such amounts as the Board deems sufficient; and
4. The District finds it to be fiscally responsible to establish certain designations in order to segregate and restrict the use of money for the purposes for which they were collected; and
5. The District finds it to be fiscally prudent to set up a series of designations to provide contingency and reserve funds to mitigate the effects of year to year revenue fluctuations and to cover unforeseen expenses such as insurance deductibles and other unforeseen and periodic fluctuations in revenue and expenditure.

NOW, THEREFORE, IT IS HEREBY RESOLVED as follows:

1. That monies are transferred from Trust Funds 1961, 1962, and 1963 to Fund 1960 and designated as delineated in attached Table 1; and
2. That the accompanying budget revision request adjusting budget year 2003-04 to bring it in line with the new reporting model is approved; and
3. That the accompanying budget revision request establishing the new designations and reporting model for budget year 2004-05 is approved; and
4. As appropriate, the Santa Barbara County Auditor-Controller, is hereby authorized to make administrative adjustments to the State Controller Schedules, to bring 2003-04 and 2004-05 in alignment with Pronouncement No. 34 and related budget revisions; and
5. The Control Officer is hereby delegated the authority to transfer appropriations between object levels within the District budget units, as provided in Government Code §29125.

PASSED AND ADOPTED by the Santa Barbara County Air Pollution Control District Board, County of Santa Barbara, State of California, this _____, day of _____, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Clerk of the Board

By: _____
Deputy

APPROVED AS TO FORM

STEPHEN SHANE STARK
COUNTY COUNSEL

By: _____
Deputy

Attorneys for the Santa Barbara
County Air Pollution Control District

Chair, Air Pollution Control
District Board of the County
of Santa Barbara

APPROVED AS TO ACCOUNTING
FORM:

ROBERT W. GEIS, CPA
Auditor Controller

By: _____

TABLE 1**Prior Period Restatement of 7/1/2003 Fund Balance**

	June 30, 2003 Governmental Fund Types*	Adjustments for GASB #34 (Designations)	June 30, 2003 Adjusted Amounts
	General		General
Assets and other debits:			
<i>Assets</i>			
Cash	\$ 2,369,662	3,794,566 **	\$ 6,164,228
Receivables:			
Accounts	669,702		669,702
Property taxes	12,080		12,080
Interest	43,175		43,175
Restricted cash and investments	4,246,634	(3,794,566) **	452,068 *
Structures and improvements	-		-
Equipment	-		-
<i>Other debits</i>			
Amount to be provided for long term debt	-		-
Total assets and other debits	7,341,253.00		7,341,253.00
Liabilities, fund balances and other credits:			
<i>Liabilities:</i>			
Accounts payable	\$ 430,734		\$ 430,734
Salaries and benefits payable	124,584		124,584
Permit holders payable	4,276,506	(3,794,566) **	481,940
Deferred/Unearned revenue	-	239,207	239,207
Employee compensated absences	-		-
Total Liabilities	4,831,824		1,276,465
<i>Fund balances and other credits:</i>			
Investments in general fixed assets	-		-
Fund balances:			
Reserved:			
Imprest Cash	-	550	550 ****
Unreserved:			
Designated	1,114,204	4,950,034 ***	6,064,238 ****
Undesignated	1,395,225	(1,395,225)	-
Total Fund balances and other credits	2,509,429		6,064,788
Total liabilities, fund balances and other credits	\$ 7,341,253		\$ 7,341,253

* Trust Deposits and Imprest Cash

** Reclassification of Permit holders payable as unearned revenue and restatement of payable as Reserved and Designated Fund balance.

*** Reclass as noted in ** and designation of undesignated fund balance.

**** See Reserves and Designations detail on following page

TABLE 1**Reserves and Designations Summary for Jul 1, 2003**

Description	LiAcct	7/1/2003 Amounts
Reserves:		
Imprest Cash	9701	\$ 550
Total Reserves		<u>550</u>
Designations:		
ITG Projects	9737	1,947,499
Accumulated Capital Outlay	9730	250,799
Strategic Reserve	9740	450,000
Monitoring	9760	28,021
Dry Period Reserve	9790	652,929
Unrealized Gains (FMV Adjustment)	9797	48,433
Contingency	9798	66,453
Data Acquisition System	9799	\$ 146,378
Insurance Deductible	9799	40,000
Special Investigations	9799	20,000
Promissory Note	9799	145,000
Operational Activities	9799	<u>2,268,725</u>
Sub-total Various		2,620,103
Total Designations		<u>6,064,238</u>
Total reserves and designations		<u><u>\$ 6,064,788</u></u>

Reserves and Designations Activity for 2003-04

Description	7/1/2003 Amounts	03/04 Incr/(Decr.) *	6/30/2004 Amounts
Reserves:			
Imprest Cash	\$ 550	\$ -	\$ 550
Total Reserves	<u>550</u>		<u>550</u>
Designations:			
ITG Projects	1,947,499	(381,902)	1,565,597
Accumulated Capital Outlay	250,799	7,596	258,395
Strategic Reserve	450,000	-	450,000
Monitoring	28,021	160,592	188,613
Dry Period Reserve	652,929	-	652,929
Unrealized Gains (FMV Adjustment)	48,433	(47,488)	945
Contingency	66,453	-	66,453
Data Acquisition System	146,378	316,472	462,850
Insurance Deductible	40,000	-	40,000
Special Investigations	20,000	-	20,000
Promissory Note	145,000	-	145,000
Operational Activities	<u>2,268,725</u>	<u>(39,762)</u>	<u>2,228,963</u>
Total Designations	<u>6,064,238</u>		<u>6,079,745</u>
Total reserves and designations	<u>\$ 6,064,788</u>		<u>\$ 6,080,295</u>
Net Adjustments		<u>\$ 15,507</u>	

* See 2003-04 Budget Revision Request

TABLE 1**Projected Reserves and Designations Activity for 2004-05**

Description	7/1/2004 Amounts	04/05 Incr/(Decr.) *	7/1/2004 Amounts
Reserves:			
Imprest Cash	\$ 550	\$ -	\$ 550
Total Reserves	<u>550</u>		<u>550</u>
Designations:			
ITG Projects	1,565,597	(1,087,455) **	478,142
Accumulated Capital Outlay	258,395	(8,000) ****	250,395
Strategic Reserve	450,000		450,000
Monitoring	188,613	(50,000) ***	138,613
Dry Period Reserve	652,929		652,929
Unrealized Gains (FMV Adjustment)	945		945
Contingency	66,453		66,453
Data Acquisition System	462,850		462,850
Insurance Deductible	40,000		40,000
Special Investigations	20,000		20,000
Promissory Note	145,000		145,000
Operational Activities	2,228,963	(1,068,728) +	1,160,235
Total Designations	<u>6,079,745</u>		<u>3,865,562</u>
 Total reserves and designations	<u>\$ 6,080,295</u>		<u>\$ 3,866,112</u>
 Net Adjustments		<u>\$ (2,214,183)</u>	

* See 2004-05 Budget Revision Request

** Reclassification of Fund Draw Down as a Release of Designation.

*** Reclassification of Revenues as a Release of Designation.

**** Net Decrease comprised of Interest Earnings at \$12,000 less a Budgeted Purchase of two vehicles at \$20,000. A complete analysis of Fixed Assets and Accumulated Depreciation will be performed as part of the last quarter of 2004-05 or the 2005-06 Proposed Budget that will bring capital designations in line with their replacement schedule.

+ Activity is outlined as follows:

Reclassification of Fund Draw Down as a Release of Designation of \$687,015 in addition to existing Release of \$381,713. Net Increase and Decrease of Designations of \$500,000 to provide for the designation of excess revenues and to balance the budget.

Budget Revision Request

2003-04

Gov. Code Sec. 29125 & 29130

Summary

	Budget Unit	Budget Unit	Budget Unit	See attachment(s) for detail of this column when revision involves more than three budgt units.
Increase/(Decrease) in appropriation for:	<u>871 (rev. w. inc.)</u>	<u>871 (rev. to release)</u>		
Salaries & Benefits				
Services & Supplies				
Other Charges				
Operating Transfers				
Fixed Assets				
Reserve or Designation	<u>484,660.00</u>			
Sources:				
Revenue	<u>484,660.00</u>	<u>-461,038.00</u>		
Operating Transfers				
Reserve or Designation		<u>461,038.00</u>		
Net Effect on Contingency	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Justification for Transfer

For ALL Changes: explain what the change is for and why it is required.

When Moving Appropriation: explain why it's available, thr purpose of the move, and why the move is needed.

When Revenue is Adjusted: explain the reason for the increase or decrease and the *Impact on Revenue*.

1. The Air Pollution Control District (District) Board is obligated by Generally Accepted Accounting Principles (GAAP) to implement the new Government Accounting Standards Board (GASB) Pronouncement No. 34 for fiscal year ending June 30, 2004 and beyond; and

2. GASB Pronouncement No. 34 requires a new reporting model, which results in a change in how the District records current (2004-05) and prior (2003-04) period revenues and expenditures, necessitating budget revisions.

Transfer from Contingency Total Amount requested from contingency \$ 0.00

Explain why not other alternative funding source is available.

Air Pollution Controll Officer Comments (as appropriate)

Air Polltion Control Officer Approval	Air Polluion Control District Board's Action
<div style="text-align: right;">_____</div> <div style="text-align: center;">Date</div> Transfer/Revision in Accordance with District Policy. _____ <div style="text-align: center;">Air Pollution Control Officer</div>	<div style="text-align: right;">_____</div> <div style="text-align: center;">Date</div> <input type="checkbox"/> Approved <input type="checkbox"/> Disapproved _____ <div style="text-align: center;">Clerk of the Board of APCD</div>

Revised 06/2004

Budget Revision Request

2004-05

Gov. Code Sec. 29125 & 29130

Summary

	Budget Unit	Budget Unit	Budget Unit	See attachment(s) for detail of this column when revision involves more than three budgt units.
Increase/(Decrease) in appropriation for:	<u>871 (rev. to release)</u>	<u>871 (bal. as release)</u>	<u>871 (for any excess)</u>	
Salaries & Benefits				
Services & Supplies				
Other Charges				
Operating Transfers				
Fixed Assets				
Reserve or Designation	<u>12,000.00</u>		<u>500,000.00</u>	
Sources:				
Revenue	<u>-38,000.00</u>			
Operating Transfers				
Reserve or Designation	<u>50,000.00</u>	<u>1,744,470.00</u>	<u>500,000.00</u>	
Net effect on Fund Bal.	<u>0.00</u>	<u>-1,744,470.00</u>	<u>0.00</u>	<u>0.00</u>

Justification for Transfer

For ALL Changes: explain what the change is for and why it is required.

When Moving Appropriation: explain why it's available, thr purpose of the move, and why the move is needed.

When Revenue is Adjusted: explain the reason for the increase or decrease and the *Impact on Revenue*.

1. The Air Pollution Control District (District) Board is obligated by Generally Accepted Accounting Principles (GAAP) to implement the new Government Accounting Standards Board (GASB) Pronouncement No. 34 for fiscal year ending June 30, 2004 and beyond; and
2. GASB Pronouncement No. 34 requires a new reporting model, which results in a change in how the District records current (2004-05) and prior (2003-04) period revenues and expenditures, necessitating budget revisions.
- 3.) As part of implementation of GASB Pronouncement No. 34, APCD was required to designate undesignated fund balance. FY 2004-05 was proposed with a draw on fund balance, which was subsequently designated as part implementing the reporting changes in fiscal year 2003-04.

Air Pollution Control Officer Comments (as appropriate)

Air Polltion Control Officer Approval	Air Polluion Control District Board's Action
<div style="text-align: right;">_____</div> <div style="text-align: center;">Date</div> Transfer/Revision in Accordance with District Policy. _____ <div style="text-align: center;">Air Pollution Control Officer</div>	<div style="text-align: right;">_____</div> <div style="text-align: center;">Date</div> <input type="checkbox"/> Approved <input type="checkbox"/> Disapproved _____ <div style="text-align: center;">Clerk of the Board of APCD</div>

Revised 06/2004