



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, 2015**

**LOUIS D. VAN MULLEM JR
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.**

Front Cover:

GRAPE VINES AND OAK TREES (COURTESY OF MIKE MCKAY)

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



Comprehensive Annual Financial Report
Year Ended June 30, 2015

Prepared by:

The Fiscal Section of the Santa Barbara County Air Pollution Control District
Kristina N. Aguilar, CPA, Administrative Manager





Comprehensive Annual Financial Report
Year Ended June 30, 2015

TABLE OF CONTENTS

TABLE OF CONTENTS	i
INTRODUCTORY SECTION	1
<i>Letter of Transmittal</i>	2
FINANCIAL SECTION	10
<i>Independent Auditors' Report</i>	11
Management's Discussion and Analysis (Unaudited)	14
<i>Financial Statements</i>	26
Fund and Government-wide Financial Statements	26
<i>Balance Sheet and Statement of Net Assets</i>	26
<i>Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets</i>	27
<i>Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities</i>	28
<i>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities</i>	29
Notes to the Basic Financial Statements	30
<i>Required Supplementary Information (Unaudited)</i>	54
General Fund - Budgetary Comparison Schedule (Budgetary Basis)	54
Notes to the General Fund - Budgetary Comparison Schedule (Budgetary Basis)	55
Santa Barbara County Employees' Retirement System – Schedule of the APCD's Proportionate Share of the Net Pension Liability	56
Santa Barbara County Employees' Retirement System – Schedule of the APCD's Contributions	57
Other Post-Employment Benefits (OPEB) Plan – Schedule of Funding Progress	58
Notes to the Other Post-Employment Benefits (OPEB) Plan - Schedule of Funding Progress	58
STATISTICAL SECTION (UNAUDITED)	59
<i>General Fund Expenditures by Major Object (Combined Budgetary and GAAP Basis) - Last Ten Fiscal Years</i>	60
<i>General Fund Revenues by Major Object (Combined Budgetary and GAAP Basis) - Last Ten Fiscal Years</i>	61
<i>General Fund Fee Revenues by Fee Source - Fiscal Year 2014-15</i>	62
<i>General Fund Fee Revenues by Fee Source - Last Ten Fiscal Years</i>	63
<i>Emission Fee Revenues - Last Ten Fiscal Years</i>	64
Key Air Quality and Demographic Information Regarding the Region Included in the Santa Barbara County Air Pollution Control District	65
Santa Barbara County Air Quality Trend - Last Ten Calendar Years	66
Santa Barbara County Population by City - Last Ten Calendar Years	67
Santa Barbara County Civilian Employment - Last Ten Calendar Years	68
Fee-Paid Vehicle Registrations and Fees Collected (Automobiles and Light Trucks) for Santa Barbara County - Last Ten Fiscal Years	69
Demographic and Miscellaneous Statistics	70



Comprehensive Annual Financial Report
Year Ended June 30, 2015

INTRODUCTORY SECTION

Letter of Transmittal



January 21, 2016

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

Please accept the Comprehensive Annual Financial Report (CAFR) of the Santa Barbara County Air Pollution Control District (APCD) for the fiscal year that ended June 30, 2015.

APCD management assumes full responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures. 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.

Bartlett, Pringle & Wolf, LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the APCD's financial statements for the fiscal year ended June 30, 2015. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

A federally mandated "Single Audit" was not required for the fiscal year ended June 30, 2015 because expenditures of federal funds were less than the \$500,000 threshold. Therefore, there will not be a separately issued Single Audit report.

Profile of 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 most sources except motor vehicles. In response, the APCD was established on September 14, 1970 to adopt measures to control stationary sources of pollution, issue permits, monitor air quality, maintain an inventory of pollution sources, and other related activities.

Santa Barbara County Air Pollution Control District Governing Board

Policymaking and legislative authority is vested in the governing board (Board) of the APCD, which 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).

The Board is responsible, among other things, for adopting rules and regulations, adopting budgets, appointing committees, and appointing the Air Pollution Control Officer (APCO).

The following lists members of the governing board as of June 30, 2015.

**Santa Barbara County Board
of Supervisors**

Salud Carbajal, First District

Janet Wolf, Second District

Doreen Farr, Third District

Peter Adam, Fourth District

Steve Lavagnino, Fifth District

City of Buellton

Mayor Holly Sierra, Chair

Alternate, Vice Mayor Ed Andrisek

City of Carpinteria

Councilmember Al Clark

Alternate, Councilmember Wade Nomura

City of Goleta

Councilmember Michael T. Bennett

Alternate, Councilmember Roger Aceves

City of Guadalupe

Mayor John Lizalde

Alternate, Councilmember Jerry Beatty

City of Lompoc

Mayor Pro Tem DeWayne Holmdahl

Alternate, Mayor Bob Lingl

City of Santa Barbara

Mayor Helene Schneider

Alternate, Councilmember Bendy White

City of Santa Maria

Mayor Alice Patino

Alternate, Councilmember Etta Waterfield

City of Solvang

Mayor Jim Richardson

Alternate, Mayor Pro Tem Ed Skytt

Organization Chart

The APCD, with 47.00 full-time equivalent employees, has expertise in meteorology, engineering, chemistry, planning, environmental sciences, industrial field inspection, air monitoring, public outreach, data processing, accounting, human resources, and administration.

The following chart lists the Air Pollution Control Officer and the primary divisions as of June 30, 2015.



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.

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

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.

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 Division staff: issues permits, and works with businesses to help them comply with permits; 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.

Compliance Division staff: provides initial and ongoing inspection and enforcement services to applicants and operators of stationary sources of air pollution. Perform random surveillance activities; reply to public nuisance complaints regarding odors, smoke and dust; implement the federal Asbestos program; inspect equipment under the Statewide Portable Equipment Registration Program (PERP); inspect our local agricultural engine registrations; and in coordination with Santa Barbara County Fire, implement our burn programs (e.g., agricultural burns, prescribed burns).

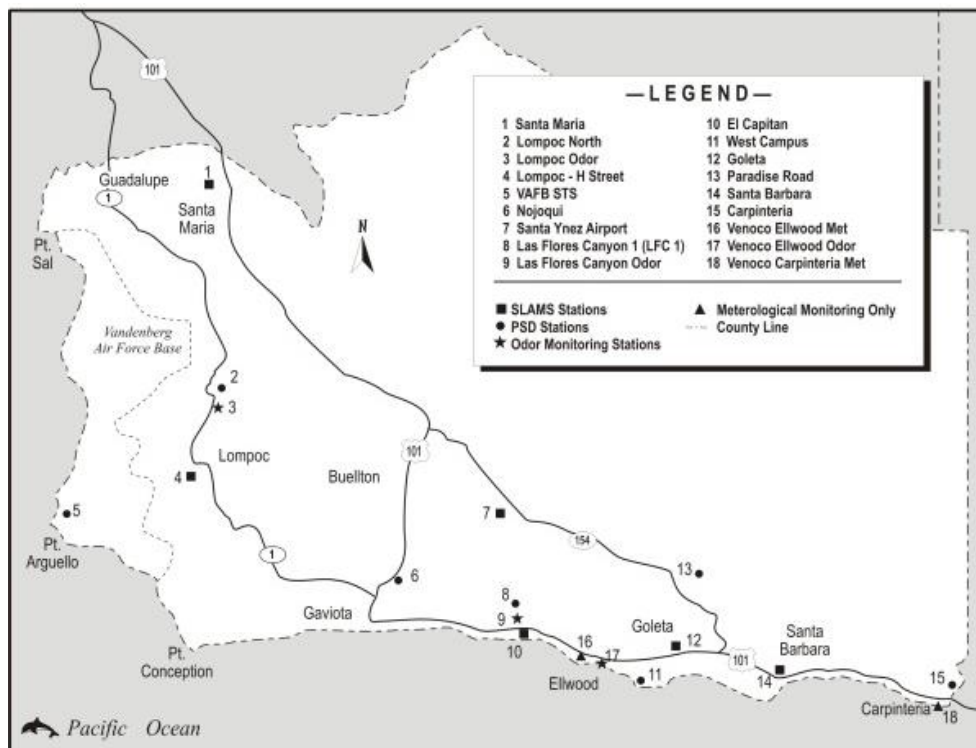
Technology and Environmental Assessment Division staff: monitors the air in our county; prepares clean air plans to show how we will meet clean-air standards; develops rules; implements clean air technologies and manages the clean air grant programs; reviews environmental documents for compliance with the California Environmental Quality Act (CEQA); 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. The map, below, 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 one-hour ozone standard. For 33 years our efforts focused on attaining that standard, and on August 8, 2003, Santa Barbara County was officially designated an attainment area for the federal one-hour ozone standard. Santa Barbara County, as of June 30, 2011, is designated as attainment for the federal eight-hour ozone standard (*0.075 parts per million) that replaced the previous federal one-hour standard. In addition, we attained the state one-hour ozone standard for the first time during 2004-2006. The California eight-hour ozone standard was implemented in June, 2006. The County violates the state eight-hour ozone standard and the state standards for PM₁₀ (particulate matter of 10 micrometers or less).

Map of Santa Barbara County's 18 Air Quality Monitoring Stations



Factors Affecting the Financial Condition

Major Initiatives

The APCO, in the District's adopted budget, outlines major programs (initiatives), accomplishments, and goals aligned with the Strategic Plan as adopted by the APCD Board in October 1997. This budget is available at <http://www.ourair.org/apcd/our-budget/>.

Clean Air Planning – During FY 2014-15, staff effort was focused on updating our emissions inventory and development and adoption of the 2013 Clean Air Plan triennial update for the state 8-hour ozone standard.

Marine Shipping – In order to maintain our hard-won accomplishment of attaining the federal ozone standard and to continue making progress toward the state eight-hour standard, we are continuing to explore solutions to reduce emissions from the number one source of ozone-forming pollution in our region: marine shipping. Ocean-going vessels passing along our coastline emit more oxides of nitrogen (NOx) than all of the vehicles on our roadways combined. Achieving additional NOx reductions from shipping is key to further progress towards attainment of the state ozone standard. We have created a Marine Shipping Solutions Group with representatives from various agencies to collaborate on solutions. Our primary effort this year has been conducting a pilot program for a vessel speed reduction program.

Diesel Engine Air Toxic Control Measures – Since 2004, the state of California has approved ATCM to reduce particle pollution from both stationary and portable diesel engines. By law, the requirements of these ATCMs are to be implemented and enforced by local air districts. The ATCMs apply to engines that provide prime power and to those that are used for emergency backup power, as well as to engines that are trailer-mounted and transported among job sites.

Retirement Costs – Retirement rates and their associated costs have been increasing steadily since FY 2003-04, well before the most recent economic downturn which was accompanied by uncharacteristic and unforeseen investment losses. The amount of money the APCD must pay each year into the Santa Barbara County Employees Retirement System (SBCERS), has doubled from roughly \$641,000 in fiscal year 2004-05 to \$1,240,306 for fiscal year 2014-15. The rates have increased from approximately 16% of covered payroll to approximately 32.2% during that period. Pursuant to APCD rules, fees have increased according to the Consumer Price Index (CPI), but the APCD has eliminated positions due to attrition, in order to balance their budget.

In FY 2009-10, the Board adopted a prefunding plan for retiree health benefits, which is a more cost effective option than a pay as you go basis. The Board further adopted an earmarking and gradual transfer of a portion of discretionary designations (\$900,000 at June 30, 2015) to the 401(h) trust in order to eventually fully fund the retiree health benefits and eliminate the APCD's need to pay the benefits annually out of its operating budget.

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 forecasted that overall fee revenue would decrease substantially for several years, and indeed, sizable revenue reductions occurred shortly after they were predicted. The fee revenue outlook has stabilized and while it is predicted revenues will grow, it is predicted that they will grow less than the CPI. The lag behind the CPI is due to positive emission reductions from new, cleaner, emission sources replacing the periodic withdrawal of older, less efficient sources.

The APCD has not proposed an increase in fees on regulated sources since 1991 other than the annual adjustment for CPI change pursuant to its rules, which, for FY year 2014-15 was 1.4% resulting in no change in the fee base.

Detailed charts of fee and expenditure trends along with other demographic information can be found in the statistical section of this report.

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 Generally Accepted Accounting Principles (GAAP); and, to provide reasonable, rather than 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 Board.

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

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.

Long-Term Financial Planning

The highest hurdle to the APCD's long term financial success is surviving the ups and downs of the economy. If any large regulated sources close their doors because of a downturn in the economy, it could cause a financial burden to the District due to a reduced revenue stream.

Relevant Financial Policies

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, 2015 is \$8,717,931 (see Note III of the basic financial statements).

Risk Management

APCD manages its risks of property and liability losses through commercial insurance. Commercial insurance coverages are obtained with assistance from a brokerage firm, Alliant Insurance Services, Inc. APCD maintains all risk property coverage with replacement cost

valuation for pooled insurable values of approximately \$1,000,000,000 with a deductible of \$10,000. A detailed listing may be found under Note XI 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 this CAFR is the result of a coordinated effort by the entire APCD staff. We would like to acknowledge the special efforts of the Fiscal Section and our independent auditors, Bartlett, Pringle & Wolf, LLP.

Recognition is also given to the Board for its leadership and support and to all employees of the APCD who continue to embrace innovation and improve operations to accomplish the APCD mission of protecting public health.

Respectfully Submitted,



Louis D. Van Mullem Jr.
Air Pollution Control Officer



Kristina Aguilar
Administrative Manager



Comprehensive Annual Financial Report
Year Ended June 30, 2015

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements

Fund and Government-wide Financial Statements

Balance Sheet and Statement of Net Position

*Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Position*

*Statement of Revenues, Expenditures, and Changes in Fund Balances and
Statement of Activities*

*Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Government-wide
Statement of Activities*

Notes to the Basic Financial Statements

Required Supplementary Information (Unaudited)

General Fund – Budgetary Comparison Schedule (Budgetary Basis)

Notes to the General Fund – Budgetary Comparison Schedule (Budgetary Basis)

Santa Barbara County Employees' Retirement System – Schedule of Funding Progress

Notes to the Santa Barbara County Employees' Retirement System – Schedule of Funding Progress

Other Post-Employment Benefits (OPEB) Plan – Schedule of Funding Progress

Notes to the Other Post-Employment Benefits (OPEB) Plan – Schedule of Funding Progress



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Santa Barbara County Air Pollution Control District (APCD) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the major fund of the Santa Barbara County Air Pollution Control District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I and Note XV to the basic financial statements, Santa Barbara County Air Pollution Control District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during fiscal year 2015. The adoption of this standard required retrospective application resulting in a \$7,778,810 reduction of net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14 through 25, the General Fund - Budgetary Comparison Schedule on page 54, the Santa Barbara County Employees' Retirement System Schedule of APCD's Proportionate Share of the Net Pension Liability on page 56, the Santa Barbara County Employees' Retirement System Schedule of APCD's Contributions on page 57, and the Other Post-Employment Benefits (OPEB) Plan Schedule of Funding Progress on page 58; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise APCD's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section 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 or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2016 on our consideration of APCD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering APCD's internal control over financial reporting and compliance.

Bartlett, Rungt + Wolf, LLP

Santa Barbara, California
January 21, 2016

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

As of June 30, 2015

The information in this section is not covered by the Independent Auditors' report, but is presented as required supplementary information for the benefit of the readers of the comprehensive annual financial report (CAFR).

As management of the Air Pollution Control District of the County of Santa Barbara, California (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 (FY) ended June 30, 2015. 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

New Significant Accounting Standards Implemented

In fiscal year 2014-15, the APCD adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:

- Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*" and
- Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement date – an amendment of GASB Statement No. 68*"

In order to implement the new standards a prior period adjustment of \$7,778,810 was made to decrease the July 1, 2014 net position. See footnote XII for a discussion of the District's defined benefit pension plan and footnote XV for a discussion of the prior period adjustment. Certain amounts necessary to fully restate fiscal year 2013-14 financial information was not available at the time of the issuance of these financial statements, therefore prior year balances presented in the Management Discussion and Analysis section have not been restated and are not fully comparable.

Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the APCD's defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions.

The significant impact to the APCD of implementing Statement No. 68 is the reporting of the APCD's unfunded pension liability on the APCD's full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e., contributions made by the APCD) occurring during fiscal year 2014-15 are reported as deferred outflows of resources in accordance with Statement No. 71.

The adoption of Statement No. 68 has no impact on the APCD's governmental fund financial statements, which continue to report expenditures equal to the amount of the APCD's actuarially determined contribution (formerly referred to as the "annual required contribution"). The calculation of pension contributions is also unaffected by this Statement.

Government-wide Financial Analysis

The assets of the APCD exceeded its liabilities at the close of the most recent fiscal year by \$1,633,286 (*net position*):

- \$338,444 represents the APCD's investment in capital assets, less any related outstanding debt used to acquire those assets (*invested in capital assets, net of related debt*).
- \$1,294,842 represents (*unrestricted*) net position, which may be used to finance the APCD's day-to-day operations without constraints established by legal requirements.

The APCD's total net position decreased by \$6,640,946 (or 80.3%) over the prior year:

- A \$69,027 increase in net position invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of any related long-term debt. See further discussion of capital assets and long-term debt on page 17.
- A \$6,709,972 decrease in unrestricted net position is the change in resources available to fund APCD programs and obligations. The large decrease is due to the new accounting standards along with a prior period adjustment that also is associated with the new standards, a reference to this can be found on page 14. This change is further discussed on page 18.

Financial Analysis of the APCD's General Fund

As of the close of the fiscal year, the APCD's governmental funds reported combined fund balances of \$8,576,826. This amount represents entirely the amount of the General Fund and an increase of 7.2%, or \$578,602 from the prior year. Of that amount, approximately 99.8% or \$8,562,340 is available for spending, but bound by various levels of constraints that control the purposes for which specific amounts can be spent.

Capital Assets and Debt Administration

The APCD's investment in capital assets (net of accumulated depreciation) increased \$69,027 (or 25.6%) to \$338,444. During the fiscal year, the APCD purchased five pieces of equipment and four vehicles, and disposed of two pieces of equipment and three vehicles. The APCD recorded depreciation of \$95,447 against its assets. No long term debt currently exists related to capital assets.

Overview of the Basic 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
- 2) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the APCD's finances, in a manner similar to commercial enterprises or a private-sector business.

The *Statement of Net Position* reports all assets held and liabilities owed by the APCD on a full accrual basis. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the APCD is improving or deteriorating.

The *Statement of Activities* reports the most recent fiscal year changes to the APCD's net position, also on a full accrual basis. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 position.

The APCD's government-wide financial statements are presented on pages 26 and 28, 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. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. As a single purpose entity, the APCD only utilizes governmental funds to account for its activities.

Governmental Funds

Governmental funds account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating the APCD's near-term financing requirements. The governmental funds' focus is narrower than that of the government-wide financial statements. To understand the long-term impact of the APCD's near-term financing decisions, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. The reconciliations of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide financial statements facilitate the comparison between *governmental funds* and *governmental activities*.

Pages 26 and 28 of this report display the governmental funds financial statements.

The reconciliation between the *total fund balances* can be found on page 27 and the reconciliation of the *total change in fund balances* for all governmental funds to the *change in net position* can be found on page 29.

The APCD adopts an annual appropriated budget for its operating fund. The budget and actual comparison statement provided for the General Fund, found on page 54 under the *required supplementary information* section, demonstrates performance against the budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements, starting on page 30, provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position 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 total assets of \$10,026,166 and deferred outflows of \$1,380,872 which exceeded liabilities of \$8,059,136 and deferred inflows of \$1,714,616 by \$1,633,286.

A summary of net position is as follows:

Summary of Net Position

	Governmental Activities		Changes	
	June 30, 2015	June 30, 2014	Dollar	Percent
Current and other assets	\$ 9,687,722	\$ 9,051,894	\$ 635,828	7.0%
Capital assets	338,444	269,418	69,026	25.6%
Total assets	10,026,166	9,321,312	704,854	7.6%
Deferred outflows of resources	1,380,872	-	1,380,872	0.0%
Current and other liabilities	8,059,136	1,047,080	7,012,056	669.7%
Total liabilities	8,059,136	1,047,080	7,012,056	669.7%
Deferred inflows of resources	1,714,616	-	1,714,616	0.0%
Net Position:				
Invested in capital assets, net of related debt	338,444	269,418	69,026	25.6%
Unrestricted	1,294,842	8,004,814	(6,709,972)	-83.8%
Total net position	\$ 1,633,286	\$ 8,274,232	\$(6,640,946)	-80.3%

Analysis of Net Position

The APCD's total net position decreased by \$6,640,946, or 80.3%, during the fiscal year. As described below, the APCD experienced a decreases in one category of net position and an increase in the other.

The components of total net position are as follows:

Invested in Capital Assets, Net of Related Debt

Invested in capital assets (e.g. furniture, vehicles, machinery, and equipment), less outstanding debt used to acquire those assets, is a small portion (20.7%) of the APCD's net position. (No debt is outstanding.) The APCD uses these capital assets in carrying out its mission of protecting public health. 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 any debt must be provided from other sources since the capital assets themselves cannot be used to liquidate such liabilities.

The amount invested in capital assets, net of related debt was \$338,444 at the fiscal year's end, and equaled the APCD's investment in capital assets (net of accumulated depreciation). The APCD's investment in capital assets includes large furniture purchases for the two offices, vehicles, and equipment for air monitoring, testing, and data collection.

The increase in net position that are invested in capital assets, net of related debt, of \$69,027 represents capital acquisitions, less current year depreciation and dispositions.

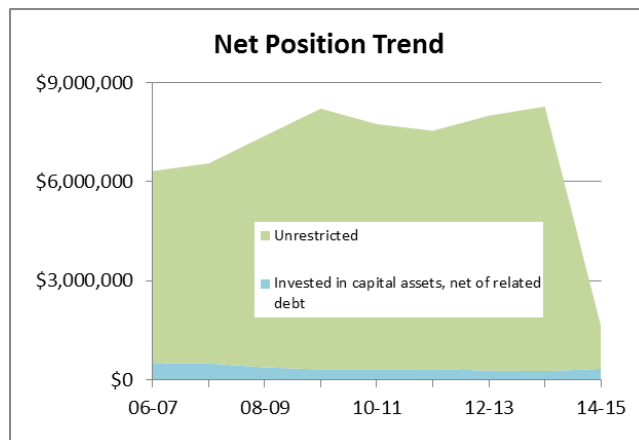
Unrestricted Net Position

The largest portion of the APCD's net position (79.3%) 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 discretionary and may be used for any ongoing obligations in carrying out day-to-day operations.

Unrestricted net position decreased \$6,709,972, or 83.8% from the previous year from \$8,004,814 to \$1,294,842. Approximately 28.2% of it is for ITG, Carl Moyer, DMV \$2, DMV \$4, monitoring, and data acquisition system programs, with the remainder available for more general APCD purposes.

The following chart provides the change in Net Position from the prior years and Net Position trend:



Unrestricted net position have decreased from the prior year from \$8,004,814 to \$1,294,842 or 83.8% due to the implementation of GASB Statement No. 68 for pension liability reporting. As of June 30, 2015 the APCD now has to report its portion of the net pension liability within the Santa Barbara County Retirement System. See Note I for more information regarding this implementation.

Analysis of Governmental Activities

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, late payment penalties, and penalty 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 issuance review, and policy support, as well as special programs, whose funding have specific mandates.

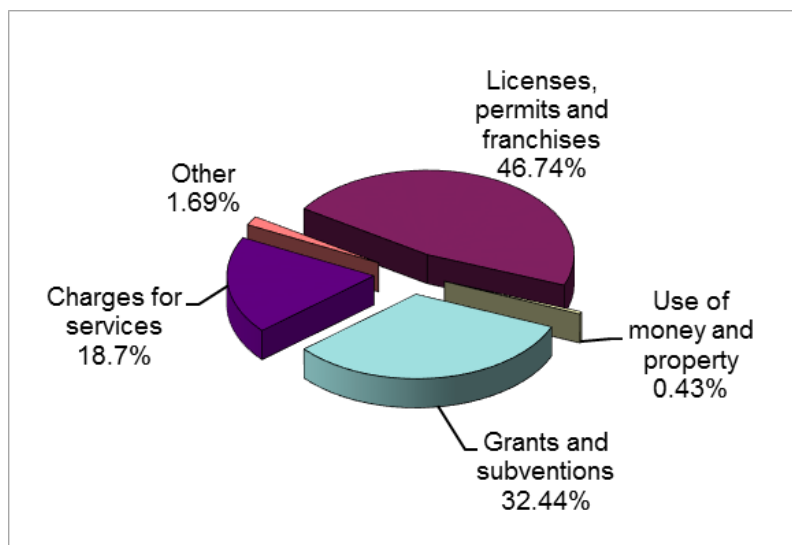
The following table shows the revenue, expenses, and changes in net position:

Changes in Net Position

	Governmental Activities		Changes	
	June 30, 2015	June 30, 2014	Dollar	Percent
Revenues:				
Licenses, permits, and franchises	\$ 4,196,836	\$ 3,536,813	\$ 660,023	18.7%
Use of money and property	38,387	55,833	(17,446)	-31.2%
Grants and subventions	2,912,323	2,973,829	(61,506)	-2.1%
Charges for services	1,678,870	1,720,825	(41,955)	-2.4%
Other	152,120	69,542	82,578	118.7%
Total Revenues	8,978,536	8,356,842	621,694	7.4%
Expenses:				
Air pollution control services:				
Salaries and benefits	5,168,475	5,262,580	(94,105)	-1.8%
Services and supplies	2,415,952	2,543,802	(127,850)	-5.0%
Other Expenses	160,798	170,929	(10,131)	-5.9%
Depreciation	95,447	102,145	(6,698)	-6.6%
Total Expenses	7,840,672	8,079,456	(238,784)	-3.0%
Excess (deficiency) of revenues over expenses	1,137,864	277,386	860,478	310.2%
Net Position:				
Net position - beginning	8,274,232	7,996,846	277,386	3.5%
Prior period adjustment	(7,778,810)	--	(7,778,810)	-100.0%
Net position - beginning, as restated	495,422	7,996,846	(7,501,424)	-93.8%
Net position - ending	<u>\$ 1,633,286</u>	<u>\$ 8,274,232</u>	<u>\$ (6,640,946)</u>	<u>-80.3%</u>

Revenues

Revenues for the APCD's governmental activities had an overall increase of 7.4% from the prior year. All of the revenues of the APCD were for air pollution control services and total \$8,978,536 for the year ending June 30, 2015 and \$8,356,842 for the year ending June 30, 2014. The chart below provides APCD revenues by object level as of June 30, 2015.



For the year ending June 30, 2015, 83.1% or \$7,457,821 of APCD revenues are fee-based, and a chart and table on page 62 of the Statistical Section provide a breakdown of those fees. It is important to note that DMV automobile registration fees of \$2,143,037 are included in the grants and subventions object level, and all of the other fees are included in either the licenses, permits, and franchises; or, charges for services object level of the Statement of Activities. The remaining revenue of \$1,520,715, which is not fee based, includes penalty settlements, State subvention, Federal EPA grants, use of money and property (interest), and revenue from other governmental agencies.

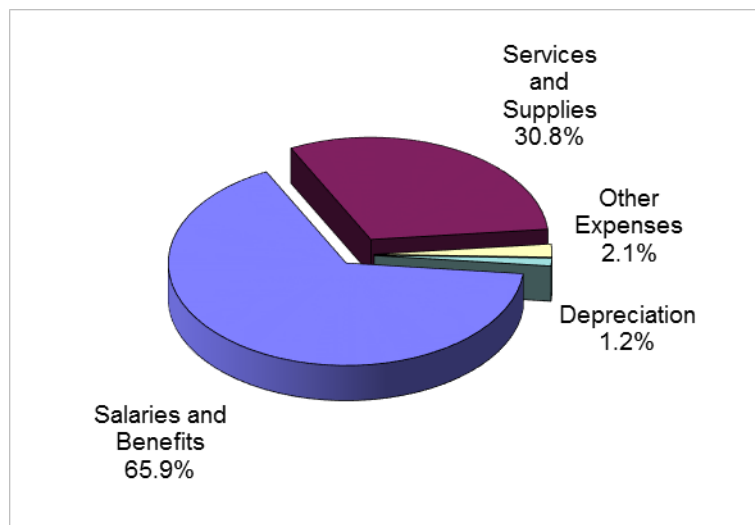
Licenses, permits, and franchises increased \$660,023 (18.7%) over the previous year, primarily due to a \$560,298 increase in re-evaluation fees; an increase of \$36,202 in evaluation fees; and a \$149,317 increase in notice of violation fees; which was offset by a decrease of \$70,972 in small annual emission fees; and \$9,250 in application fees.

Use of Money and Property decreased \$17,446 (31.2%) due to recognizing interest of \$29,271 and a smaller unrealized gain of \$9,115 at the end year versus the \$27,912 unrealized gain from FY 2013-14.

Charges for services decreased \$41,955 (2.4%) primarily due to a decrease in reimbursable services of \$59,098, and an offsetting increase from air quality environmental impact revenue of \$16,235.

Expenses

All of the expenses of the APCD were for air pollution control services and total \$7,840,672 for the year ending June 30, 2015 and \$8,079,456 for the year ending June 30, 2014. The chart below provides APCD expenses by object level as of June 30, 2015.



Salaries and benefits comprise the largest portion of the APCD's expenses at 65.9% or \$5,168,475. Salaries and benefits decreased \$94,105 (1.8%) over the prior year primarily due to a high rate of turnover due to attrition and positions being left vacant for long periods of time.

Services and supplies comprise the second largest portion of the APCD's expenses at 30.8% or \$2,415,952. Services and supplies decreased \$127,850 (5.0%) over the prior year.

Financial Analysis of the APCD's Funds

The APCD uses fund accounting to demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the APCD's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the APCD's financing requirements. In particular, the governmental fund balance is a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the APCD's governmental funds reported an ending fund balance of \$8,576,826, an increase of \$578,602 (or 7.2%) in comparison with the prior year.

General Fund

The General Fund is the operating fund of the APCD, and as a single purpose entity, is the only fund type reported. One measure of the General Fund's liquidity is the comparison of spendable fund balance to total fund balance, which is 99.8%. One measure of the General Fund's financial health is the comparison of spendable fund balance to operating expenditures, which is 96.5%. Spendable 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.

The components of total fund balance are as follows:

Nonspendable

The \$14,486, acquired through employee medical spending forfeitures, is in the form of long term employee loans not to exceed \$2,500 per loan under the APCD's employee computer automation program, assisting employees in acquiring and sharpening computer literacy skills by providing interest free loans to acquire personal computer equipment and software similar to what employees may be asked to use for APCD business.

Restricted

Of the \$1,066,046, \$382,970 is restricted to the DMV \$2 program, \$482,265 is restricted to the Carl Moyer program, both as part of legislation with very restrictive spending limitations. \$195,869 is restrict to the DMV \$4 program, and \$4,942 is restricted to Unrealized Gains.

Committed

Of the \$7,496,294, \$550 is in the form of imprest, or petty, cash and is kept on hand, as opposed to in the bank. \$274,797 is committed to ITG projects as part of mitigation agreements with broad spending parameters. \$367,628 is committed to monitoring activities, \$713,243 to data acquisition system activities, \$1,098,592 to replace furniture, equipment, and vehicles. \$1,500,000 is a strategic reserve to match 15% of revenues in an effort to provide in case of large emergencies or contingencies. \$800,000 is committed to the Re-evaluation Cycle revenue stabilization policy in an effort to provide fiscal stability for re-evaluation revenue that fluctuates in three year cycles. \$1,841,484 is committed to operational activities for fiscal prudence in managing the budgetary condition of the APCD, and \$900,000 to fund the APCD's retiree health subsidy. The retiree health subsidy will be gradually transferred over to the Santa Barbara County Employees' Retirement System (SBCERS) at a rate not to exceed 25% of retirement contributions, with the intent of fully funding the promised benefit in four to five years.

A detailed schedule of fund balances can be found in Note II of the notes of the basic financial statements.

Capital Assets and Debt Administration

Capital Assets

The APCD's investment in capital assets was \$338,444 (net of accumulated depreciation of \$1,584,882) at June 30, 2015 representing an increase of \$69,027 (or 25.6%) over the prior year. This investment in capital assets includes furniture, laboratory equipment, air monitoring stations, computer and office equipment, and APCD vehicles, which are mostly hybrid vehicles.

The additions to capital assets reflect the purchase of nine pieces of equipment. Four vehicles were purchased during the fiscal year to replace older vehicles within the APCD's fleet and five pieces of monitoring equipment were purchased to continue to maintain a superior level of technology in that area of expertise.

The deletions of capital assets reflect the disposal of one analyzer, one piece of monitoring equipment and three vehicles. Whenever possible, the APCD donates old equipment to other districts, and old computers to schools. Vehicles are usually auctioned off by a third party vendor or donated to another government agency. In this case the three vehicles were auctioned off by a third party. The revenue from the sale of the vehicles was included in the statement of activities and totaled \$9,550.

Additional information on the capital assets can be found in Note V of the notes to the basic financial statements.

Deferred Outflows of Resources & Deferred Inflow of Resources

Deferred Outflows of Resources

Deferred outflows of resources are new to the APCD's Statement of Net Position for this fiscal year. This classification balance, although similar to "assets," is set apart because these items do not meet the technical definition of being an APCD asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense/expenditure.

The most significant deferred outflow of resources reported are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the APCD as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue or an increase to net position.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or

actual experience (see Note X for more information on deferred outflows of resources and deferred inflows of resources).

General Fund Budgetary Highlights

A General Fund Budgetary Comparison Schedule can be found on page 54 that compares fiscal year 2014-15 amended budget to the adopted budget. This supplemental schedule reflects an increase of \$4,942 in total budgeted revenues and no change in total budgeted expenditures.

Changes from Original to Final Budgeted Amounts

The Auditor-Controller increased budgeted use of money and property by \$4,942 for the fair value of assets held in the County Treasury, which also increased the total budgeted revenues by \$4,942.

A use of prior year fund balance of originally \$1,263,676 was budgeted for fiscal year 2014-15 and amended to use \$1,258,734, and by the end of the fiscal year, \$578,602 was actually added to the fund balance. This resulted in a positive variance of \$1,837,336 between the final adopted budget and actual amount, and a positive variance of \$1,842,278 between originally adopted budget and actual amount. The following factors contributed to this variance.

Variances with Final Budgeted Amounts

There were no variances out of budgetary or legal compliance.

Revenues

Licenses, Permits, and Franchises – unanticipated evaluation fees of \$172,050, application fees of \$12,991, penalty settlements of \$329,372, and source test fees of \$7,146 above budget contributed to the excess of \$544,281. It should be noted that the APCD put together a plan in the middle of the 2013-14 fiscal year and is actively reducing the fund balance for the DAS, by offering a discount on the system fees. This will bring the balance down to a more representative amount for system replacement.

Use of Money and Property – with the ultra-low interest rate policy of the U.S. Federal Reserve (“the Fed”) over the last few years, the District was able to see that the market was starting to stabilize and therefore budgeted much more accurately than in the previous two years. Use of money and property came in in excess of budget by \$3,445.

Grants and Subvention – DMV \$2 and \$4 revenue was \$102,037 more than budgeted as was the EPA federal grant by \$22,227, which was offset by the PERP State grant coming in lower than budgeted by \$37,730, and revenue from other government agencies of \$40,457, for a total excess of \$49,743.

Charges for Services – All revenue streams within this category were budgeted very accurately for the year. Charges for Service came in \$2,291 under budget.

Other Revenue – The other revenue line item came in in excess of budget due to the APCD’s selling three vehicles at auction during the year. That, along with other miscellaneous small cash receipts, the other revenue line item was \$10,433 in excess of budget.

Expenditures

Salaries and Benefits – were \$327,839 lower than budgeted as a result of salary savings from three managers retiring and those positions staying vacant while the recruitments were taking place, this also meant retirement costs were less than budgeted by \$142,126. Other Post Employment Benefit expenditures were also less than budgeted in the amount of \$60,029.

Services and Supplies – were \$891,764 lower than originally budgeted primarily due to less grants being funded (due to timing), professional and special services that were needed, less travel and training by staff and many other immaterial variances.

Other Expenses – were \$6,596 lower than budgeted due to our motor pool charges for the fleet being less than anticipated.

Capital Outlay – was \$5,526 lower than budgeted primarily due to equipment costing less than anticipated.

Economic Factors and Next Year's Budget and Rates

The following known factors were considered in preparing the APCD's budget for FY 2015-16.

Revenues

- The FY 2015-16 budget contains a 1.9% increase in fee revenues pursuant to APCD Rule 210. 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.
- We are entering the mid-year in the three year re-evaluation cycle in FY 2015-16. Compared to FY 2014-15 fees of \$1,061,685, FY 2015-16 adopted amount is \$991,463, or a \$70,222 decrease.
- Interest earnings are anticipated to remain constant due to all-time market low interest rates at \$30,000.
- Reimbursable charges are increasing by \$66,565 due to an increase in reimbursable workload.
- The Federal grant from EPA is anticipated to be \$475,000 which remains consistent from the prior year. State funding is stable, as well as anticipated vehicle registrations.

Expenditures

- Salaries and benefits increased primarily due to a cost of living adjustment of 2% for all staff during the 2015-16 fiscal year. The District is finally seeing some relief, with contribution rates decreasing 1.15% overall. Although slowing down, retirement costs are up slightly from last FY due to a fully staffed work force.
- Services and supplies increased due to one-time expenditures being paid for with fund balance monies for a new lawnmower scrap incentive program, a new exhibit at the Santa Maria Valley Children's museum and a portable air sensor project with local schools. Additionally, S&S grant program expenditures increased due to the following: 1) the potential for additional state Moyer allocations applied for by APCD; 2) to support a unique partnership pursuing a vessel speed reduction pilot project and to provide matching funds; 3) to bolster \$2 DMV funding for our highly successful Old Car Buy Back program; and 4) CEC grant for tri-county hydrogen readiness plan. The changes listed above resulted in an overall increase in S&S by \$503,725.
- Capital outlay decreased \$35,000 due to no longer needing to replace three vehicles since that was completed in 2013-14. However, the District continues to update our analyzers and monitoring equipment.

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. Questions concerning any of the information provided in this report should be addressed to the Business Manager, 260 N. San Antonio Road, Suite A, Santa Barbara, CA 93110. This report may be downloaded from the web at <http://www.ourair.org/apcd/comprehensive-annual-financial-report/>.

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

As of June 30, 2015

	General Fund	Adjustments (1)	Statement of Net Position
Assets			
Cash (note III)	\$ 8,322,423	\$ --	\$ 8,322,423
Receivables:			
Accounts, net	487,784	--	487,784
Interest	8,536	--	8,536
Employee	3,208	--	3,208
Current assets	8,821,951	--	8,821,951
OPEB assets (note XIII)	--	469,713	469,713
Restricted cash and investments (note IV)	396,058	--	396,058
Capital assets, net of accumulated depreciation (note V)	--	338,444	338,444
Total assets	\$9,218,009	\$ 808,157	\$ 10,026,166
Deferred outflows of resources			
Deferred pensions (note X)	--	1,380,872	1,380,872
Total deferred outflow of resources	--	1,380,872	1,380,872
Liabilities			
Accounts payable	\$ 7,497	\$ --	\$ 7,497
Salaries and benefits payable	237,628	--	237,628
Employee compensated absences (note VIII)	--	289,198	289,198
Current liabilities	245,125	289,198	534,323
Permit holders payable (note IV)	396,058	--	396,058
Net Pension Liability (note XII)	--	7,128,755	7,128,755
Total liabilities	641,183	7,417,953	8,059,136
Deferred inflows of resources			
Deferred pensions (note X)	--	1,714,616	1,714,616
Total deferred inflows of resources	--	1,714,616	1,714,616
Fund balances/Net position:			
Fund balances (note II):			
Nonspendable	14,486	(14,486)	
Restricted	1,066,046	(1,066,046)	
Committed	7,496,294	(7,496,294)	--
Total fund balances	8,576,826	(8,576,826)	--
Total liabilities and fund balances	\$9,218,009		
Net position:			
Invested in capital assets, net of related debt		338,444	338,444
Unrestricted		1,294,842	1,294,842
Total net position		\$ 1,633,286	\$ 1,633,286

(1) Please see the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position 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 Position**

As of June 30, 2015

Fund Balances - Total Governmental Funds (General Fund) \$ 8,576,826

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

The net accrued OPEB assets are for obligations that do not
require the use of current financial resources and therefore
are not reported as assets in the governmental funds. 469,713

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 Position as capital assets of APCD
as a whole.

Capital assets	\$ 1,923,326	
Accumulated depreciation	(1,584,882)	
	<u>\$ 338,444</u>	338,444

Deferred outflows of resources are for obligations that do not
require the use of current financial resources and therefore
are not reported as assets in the governmental funds. 1,380,872

All liabilities, both current and long-term, are reported in the
Statement of Net Position.

Compensated absences	(289,198)
Net Pension Liability	(7,128,755)

Deferred inflows of resources are for obligations that do not
require the use of current financial resources and therefore
are not reported as a liability in the governmental funds. (1,714,616)

Net Position of Governmental Activities \$ 1,633,286

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, 2015

	General Fund	Adjustments (1)	Statement of Activities
Revenues:			
Licenses, permits, and franchises	\$ 4,196,836	\$ --	\$ 4,196,836
Use of money and property	38,387	--	38,387
Grants and subventions	2,912,323	--	2,912,323
Charges for services	1,678,870	--	1,678,870
Other	12,433	139,687	152,120
Total revenues	8,838,849	139,687	8,978,536
Expenditures/expenses:			
Air pollution control services:			
Salaries and benefits	5,519,023	(350,548)	5,168,475
Services and supplies	2,415,952	--	2,415,952
Other Expenses	160,798	--	160,798
Depreciation	--	95,447	95,447
Capital outlay	164,474	(164,474)	--
Total expenditures/expenses	8,260,247	(419,575)	7,840,672
Excess (deficiency) of revenues over expenditures/expenses	578,602	559,262	1,137,864
Fund balances/net position:			
Net position - beginning	7,998,224	276,008	8,274,232
Prior period adjustment	--	(7,778,810)	(7,778,810)
Net position - beginning, as restated	7,998,224	(7,502,802)	495,422
Net position - ending	\$ 8,576,826	\$ (6,943,540)	\$ 1,633,286

- (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, 2015

Net Change in Fund Balances - Total Governmental Funds (General Fund) \$ 578,602

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

The net accrued OPEB assets are reported in the Government-wide
Statement of Activities and Changes in Net Position, but they do not
provide current financial resources. Therefore, they are not reported
as revenues in the governmental funds. 139,687

Governmental funds report capital outlays as expenditures.
In turn, in the Government-wide Statement of Activities and Changes
in Net Position, 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	\$ (95,447)	
Asset abandoned	0	
Capital outlay	164,474	
	<u>\$ 69,027</u>	69,027

Employer retirement contributions decreased due to a GASB 68
adjustment, however it does not require the use of current financial
resources. Therefore, it is not reported as an expenditure
in the governmental funds. 316,310

Compensated absences is reported in the Government-wide
Statement of Activities and Changes in Net Position, but it does not
require the use of current financial resources. Therefore, it is not
reported as expenditures in governmental funds. 34,238

Changes in Net Position of Governmental Activities \$ 1,137,864

See accompanying notes to the basic financial statements.

Santa Barbara County Air Pollution Control District
Notes to the Basic Financial Statements

As of June 30, 2015

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 Santa Barbara County Board of Supervisor Resolution 70-581 in 1970. The APCD Board of Directors (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 established pursuant to Section 40000 et seq. of the State of California Health and Safety Code. The APCD 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. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68 *"Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27"*

The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 71 *"Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68"*

The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement amends paragraph 137 of Statement No. 68. The requirements of this Statement apply to all state and local governments that are required to apply the provisions of Statement No. 68 for defined benefit pensions. This statement

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. New Accounting Pronouncement - Continued

recognizes that at the beginning of the period in which the provisions of Statement No. 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions.

In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

C. 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.

The APCD reports the following major governmental funds:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The *General Fund* is the APCD's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the APCD 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.

D. Assets, Liabilities, and Net Position 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 (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 (LAIF Board) has oversight responsibility for LAIF. The LAIF 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).

3. Accounts 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 \$4,000 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

3. Accounts Receivable and Payables - Continued

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, 2015. In addition, the district has a payable for deposits by permit holders (see Note IV).

4. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the APCD recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the APCD that is applicable to a future reporting period. The APCD has one item which qualifies for reporting in this category; refer to Note X for a detailed listing of the deferred outflows of resources the APCD has recognized.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the APCD that is applicable to a future reporting period. The APCD has one item which qualifies for reporting in this category; refer to Note X for a detailed listing of the deferred inflows of resources the APCD has recognized.

5. 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:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

5. Capital Assets and Depreciation - Continued

<u>Assets</u>	<u>Years</u>
Equipment:	
Automobiles and light trucks	5 to 10
General machinery and equipment	3 to 20
Furniture	7

6. Long-Term Obligations

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

7. 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 (see Note VIII).

8. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note XII and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the APCD recognizes a net pension liability, which represents the APCD's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Santa Barbara County Employees' Retirement System (SBCERS). The net pension liability is measured as of the APCD's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the APCD's pension plan with SBCERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by SBCERS. For this purpose, benefit payments (including refunds of

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities, and Net Position or Equity - Continued

8. Pensions – Continued

employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

9. Fund Equity (Fund Balances)

Portions of fund balances are nonspendable and are therefore, not available for appropriation. Spendable fund balances in the General Fund are classified based on the relative strength of the constraints that control the purposes for which the amounts can be spent (see Note II).

10. 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. FUND BALANCES

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that are constrained for a specific purpose through restrictions of external parties (i.e. creditors, grantors, contributors, or laws or regulations of other governments), or by constitutional provision or enabling legislation.

Committed: amounts that can be used only for specific purposes determined by a formal action of the APCD Board. The APCD Board is the highest level of decision-making authority for the APCD. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the APCD Board.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes, as expressed by (a) the Board itself or (b) a body (e.g. budget or finance committee) or the APCO to which the Board has delegated the authority to assign the amounts.

Unassigned: all other spendable amounts.

II. FUND BALANCES - Continued

As of June 30, 2015, fund balances are composed of the following:

Fund balances:

Nonspendable:

Employee loans - computer automation program	\$ 14,486
--	-----------

Restricted for:

DMV \$2 Grants	382,970
Carl Moyer Grants	482,265
DMV \$4 Programs	195,869
Unrealized Gains (GASB 31 FMV Adjustment)	4,942

Committed to:

Imprest cash	550
ITG Projects	274,797
Capital Replacement	1,098,592
Data Acquisition System	713,243
Strategic Reserve	1,500,000
Retiree Health Subsidy	900,000
Monitoring	367,628
Reevaluation Cycle	800,000
Operational Activities	1,841,484
Total fund balances	<u>\$ 8,576,826</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the APCD considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the APCD considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the APCD Board has provided otherwise in its commitment or assignment actions.

III. CASH AND INVESTMENTS

Cash and investments include the cash balances of the APCD's General Fund and Trust Fund, which are consolidated and invested by the County Treasurer (Treasurer) in a cash management investment pool (pool), for the purpose of increasing interest earnings through investment activities. 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. Interest earned on pooled investments is apportioned quarterly to APCD's participating funds based upon each fund's average daily deposit balance.

Investments held by the Treasurer are stated at fair value. The fair value of investments is established quarterly based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of the APCD's position in the pool is the same as the value of the pool shares. The value of APCD's equity withdrawn is based on the book value of the APCD's percentage participation at the date of such withdrawal.

III. CASH AND INVESTMENTS - Continued

The Treasurer participates in the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board.

The APCD has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2015 to support the value of shares in the pool.

Additional information and separately issued financial statements of the County of Santa Barbara can be obtained from the Santa Barbara County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039.

A. Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that the APCD will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that the APCD's bank deposits are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. The remaining balance on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

B. Investments

The APCD is a voluntary participant in the Treasurer's investment pool that is regulated by the California Government Code under oversight of the Treasurer of the State of California. The fair value of the APCD's investments in this pool is reported in the accompanying financial statements, and this note, at amounts based upon the APCD's pro-rata share of the fair value provided by the Treasurer for the entire investment pool.

Pursuant to Section 53646 of the State of California Government Code the Treasurer prepares an *Investment Policy Statement* (Policy) annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; State and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTRUST).

1. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

III. CASH AND INVESTMENTS - Continued**B. Investments – Continued****1. Credit Risk and Concentration of Credit Risk - Continued**

The Policy sets specific parameters on the credit quality of investment purchases. Securities issued and fully guaranteed as to payment by an agency or government sponsored enterprise of the U.S. Government be rated AAA by at least two of the three major rating services, i.e. Fitch, Moody's and Standard & Poor's (S&P). Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1

By S&P. Corporate notes, with a maturity greater than three years, shall be rated AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of the three major ratings services.

At the time of purchase, the Treasurer's investment policy dictates that no more than 5% of the total portfolio be invested in the securities of any single issuer, other than the U.S. Government, its agencies, and sponsored enterprises. As of the fiscal year ended June 30, 2015, the pooled investments did not exceed the 5% limit.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2015:

Investment Type	Total	% of Portfolio	Exempt from Disclosure	Minimum Legal Rating
Cash equivalents and investments in County Investment Pool	\$ 8,717,931	100%	\$ -	Not Rated
Total cash and investments	<u>\$ 8,717,931</u>		<u>\$ -</u>	

2. Custodial Credit Risk

Custodial credit risk for investments is the risk that the APCD will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the Treasurer, on the APCD's behalf, are deposited in trust for safekeeping with a custodial bank different from the Treasurer's primary bank. Securities are not held in broker accounts.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County Treasurer mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that long-term investments, in the aggregate, shall not exceed 75% of the portfolio.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below

III. CASH AND INVESTMENTS - Continued

B. Investments - Continued

3. Interest Rate Risk - Continued

original cost; conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs and to preclude the Treasurer from having to sell investments below original cost.

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, such discount, when realized, is considered gain rather than interest. The calculation of realized gains and losses is

Independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s).

Information about the sensitivity of the fair values of the APCD's investment to market interest rate fluctuation is provided by the following table that shows the average maturity date of each investment.

	Total	Remaining Maturity 12 Months or Less
Cash equivalents and investments in County Investment Pool	\$ 8,717,931	\$ 8,717,931
Total cash and investments	<u>\$ 8,717,931</u>	<u>\$ 8,717,931</u>

C. Cash and Investments Held by the Treasurer

The following is a summary of investments held by the Treasurer, on behalf of the APCD, as of June 30, 2015:

Statement of net position:

Cash and investments	\$ 8,718,481
Total cash and investments	<u>\$ 8,718,481</u>

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 550
Cash equivalents and investments in County Investment Pool	8,717,931
Total cash and investments	<u>\$ 8,718,481</u>

The portion of cash and investments as of June 30, 2015, that is restricted is as follows:

Total unrestricted cash and investments	\$ 8,322,423
Restricted cash and investments (note IV)	396,058
Total cash and investments	<u>\$ 8,718,481</u>

IV. RESTRICTED CASH AND INVESTMENTS AND PERMIT HOLDERS PAYABLE

Cash and investments at June 30, 2015 that are restricted by legal or contractual requirements are listed in the following table. An offsetting permit holder's payable has also been recorded at an equivalent amount.

General Fund

Permit holder deposits	\$ 396,058
Total restricted cash and investments	<u>\$ 396,058</u>

V. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets, being depreciated:				
Furniture	\$ 399,028	\$ -	\$ -	\$ 399,028
Equipment	1,437,716	164,474	(77,892)	1,524,298
Total capital assets, being depreciated	<u>1,836,744</u>	<u>164,474</u>	<u>(77,892)</u>	<u>1,923,326</u>
Less accumulated depreciation for:				
Furniture	(399,028)	-	-	(399,028)
Equipment	(1,168,299)	(95,447)	77,892	(1,185,854)
Total accumulated depreciation	<u>(1,567,327)</u>	<u>(95,447)</u>	<u>77,892</u>	<u>(1,584,882)</u>
Total capital assets, net	<u>\$ 269,417</u>	<u>\$ 69,027</u>	<u>\$ -</u>	<u>\$ 338,444</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 non-cancelable lease terms in excess of one year as of June 30, 2015. A significant portion of the lease obligation is with the County of Santa Barbara (see Note VII).

Year Ending June 30,	Casa Nueva	Aegis	Cook St.	Total
2016	241,263	13,688	42,310	297,261
2017	241,263	13,688	-	254,951
2018	241,263	13,688	-	254,951
2019	241,263	13,688	-	254,951
2020	241,263	6,843	-	248,106
2021-2025	1,206,314	-	-	1,206,314
2026-2030	1,206,314	-	-	1,206,314
2031-2033	683,577	-	-	683,577
Total Minimum Payments Required	<u>\$ 4,302,520</u>	<u>\$ 61,595</u>	<u>\$ 42,310</u>	<u>\$ 4,406,425</u>

Total rental expenditure/expense for the year ended June 30, 2015 was \$296,655.

VII. RELATED PARTY TRANSACTIONS

The 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 the APCD, and the County Auditor-Controller performs data entry, report generation, warrant issuance, and other related functions for the APCD.

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

The APCD typically reimburses the County of Santa Barbara for a share of County overhead and other services costs. For the year ended June 30, 2015, the County of Santa Barbara was paid \$78,967 for allocated overhead costs.

The 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 remaining payments of \$4,288,639 and \$61,595 respectively (see Note VI).

The APCD subleases a portion of its Santa Maria office to the Santa Barbara County Association of Governments (SBCAG) for \$2,385 annually, plus a share of common area cost.

The APCD shares tenancy of Casa Nueva with SBCAG and the County and allocates costs to the co-tenants for various utilities and common area services.

VIII. EMPLOYEE COMPENSATED ABSENCES

The following is a summary of the employee compensated absences of the APCD for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Employee compensated absences	\$ 323,436	\$ 292,016	\$ 326,254	\$ 289,198	\$ 289,198
Total employee compensated absences	<u>\$ 323,436</u>	<u>\$ 292,016</u>	<u>\$ 326,254</u>	<u>\$ 289,198</u>	<u>\$ 289,198</u>

Compensated absences are liquidated through the General Fund.

IX. 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, 2015, 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.

X. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the APCD recognized deferred outflows of resources in the government-wide statements. These items are a consumption of net position by the APCD that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The APCD has one item that is reportable on the

X. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES – Continued

Government-wide Statement of Net Position: that item relates to outflows from changes in the net pension liability (Note XII).

Deferred outflows of resources balances for the year ended June 30, 2015 were as follows:

Government-wide Deferred Outflows	
Governmental Activities	
Pensions	<u>\$ 1,380,872</u>
Total Governmental Activities	<u><u>\$ 1,380,872</u></u>

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the APCD recognized deferred inflows of resources in the government-wide statements. These items are an acquisition of net position by the APCD that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The APCD has one item that is reportable on the Government-wide Statement of Net Position: that item relates to inflows from changes in the net pension liability (Note XII).

Deferred inflows of resources balances for the year ended June 30, 2015 were as follows:

Government-wide Deferred Inflows	
Governmental Activities	
Pensions	<u>\$ 1,714,616</u>
Total Governmental Activities	<u><u>\$ 1,714,616</u></u>

XI. 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. It should also be noted that there aren’t any incurred but not reported (IBNR) claims payable for the year ending June 30, 2015. For the past three fiscal years, no settlement amounts have exceeded insurance coverage.

XII. RETIREMENT PLAN

A. Plan Description

The Santa Barbara County Employees' Retirement System (Retirement System) was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for its employees and contracting districts. It is governed by the California Constitution, California State Government Code § 31450 (County Employees' Retirement Law of 1937 (CERL)), and the bylaws, policies and procedures adopted by the Retirement System's Board of Retirement. The Santa Barbara County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of the Retirement System members.

The Retirement System operates a cost sharing multiple-employer defined benefit plan. Members include all permanent employees working full time or at least 50% part time for the APCD, as well as the County of Santa Barbara (County), Carpinteria-Summerland Fire Protection District, Mosquito and Vector Management District of Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

The Retirement System has one APCD retirement plan with four tiers, of which, one tier is currently available to new employees. All 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.

B. Fiduciary Responsibility

The Retirement System, governed by the Board of Retirement, is a fiduciary for the accounting and control of member and employer contributions, investment income and member benefits. The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan and managing the investment of the Retirement System's assets under authority granted by Article XVI of the Constitution of the State of California. Article XVI, Section 17(a) provides the Retirement Board has the "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17(b) further provides that "members of the Retirement Board of a public retirement system shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

The Board consists of nine members and two alternates. These positions are filled as follows: the County Board of Supervisors appoints four, members of the Retirement System elect six (including the two alternates), and the County Treasurer-Tax Collector is an ex-officio member. The Retirement System is a legally separate entity and is not a component unit of the APCD. It publishes its own Comprehensive Annual Financial Report and receives its own independent audit.

XII. RETIREMENT PLAN - Continued

B. Fiduciary Responsibility - Continued

Additional detailed information and separately issued financial statements of the Retirement System can be obtained at 3916 State St. Suite 210, Santa Barbara, CA 93105.

C. Benefits Provided

All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years of retirement service credit (5 vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service related disability benefits are based upon final average compensation or retirement benefits (if eligible). Non-service related disability benefits are based on 1) years of service and final average compensation or 2) retirement benefits (if eligible). Death benefits are based upon a variety of factors including whether the participant was retired or not. Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the pension plans. Specific details for the retirement, disability or death benefit calculations and COLA maximums for each of the pension plans are available in the SBCERS' Comprehensive Annual Financial Report (CAFR). The SBCERS' CAFR is available online at:

<http://cosb.countyofsb.org/sbcers/default.aspx?id=19040>.

D. Employer/Employee Contribution Rates

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the SBCERS Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the County's contractually required contribution (formerly known as the actuarially required contribution (ARC)) rate for the year ended June 30, 2015, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plan from the District recognized in pension expense were \$169,524 for the year ended June 30, 2015. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

XII. RETIREMENT PLAN – Continued

D. Employer/Employee Contribution Rates - Continued

Employer and employee contribution rates are as follows:

	APCD Plan 1	APCD Plan 2	General Plan 7	General Plan 8
	Employees hired before July 2, 1995 may continue the plan	Employees hired before August 16, 2012 and after July 3, 1995 may continue the plan	Employees hired before January 1, 2013 and after August 16, 2012 may continue the plan	All APCD employees hired on or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 55	1.67% @ 57.5	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-65	50-65	50-65	52-67
Monthly benefits, as a % of eligible	0.7454 - 1.5668	0.7454 - 1.5668	0.7091 - 1.4593	0.0100 - 0.0250
Required employee contribution rates	3.65 - 4.68%	6.83 - 12.07%	2.43 - 2.66%	7.70%
Required employer contribution rates	38.85%	37.38%	31.41%	31.24%

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the APCD reported a liability of \$7,128,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The APCD's proportion of the net pension liability was based on a projection of the APCD's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2014, the County's proportion was 1.1680%, which was an increase of 0.0224% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the APCD recognized pension expense of \$923,996. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2015, the APCD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	-	(1,541,117)
Changes in proportions and differences between APCD contributions and proportionate share of contributions	140,566	(173,499)
APCD contributions subsequent to the measurement date	1,240,306	-
	<u>\$ 1,380,872</u>	<u>\$ (1,714,616)</u>

XII. RETIREMENT PLAN – Continued

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$1,240,306 reported as deferred outflows of resources related to pensions resulting from APCD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ (393,371)
2017	(393,371)
2018	(393,371)
2019	(393,371)
2020	(566)
Thereafter	-
	<u>\$ (1,574,050)</u>

F. Actuarial Assumptions for Annual Pension Costs

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actual Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Amortization Growth Rate	3.50%
Inflation	3.00%
COLA Increases	2.75% for those with a 3.00% cap; 2.00% for those with a 2.00% COLA cap
Projected Salary Increase	3.50% plus merit component
Investment Rate of Return	7.50% (1)
Post-Retirement Mortality	Sex distinct RP-2000 Combined Mortality, projected with generational improvements using Scale BB

(1) Net of pension plan investment expense

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013. Based upon the results of the 2013 actuarial experience study, there were no changes to the assumptions from the prior valuation.

XII. RETIREMENT PLAN – Continued**G. Discount Rate**

The long-term expected rate of return on pension plan investments (7.5 percent) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	23%	5.40%
Investment grade bonds	10%	0.70%
Emerging market non-U.S. equity	10%	8.80%
Developed market non-U.S. equity	9%	6.00%
Private equity	7%	7.20%
Tips	7%	0.40%
Private real estate	6%	4.00%
High yield bonds	4%	3.60%
Foreign bonds	4%	-0.30%
Emerging market bonds	3%	3.50%
Natural resources (private)	3%	6.40%
Commodities	3%	2.20%
Bank loans	2%	2.40%
Infrastructure (private)	2%	4.50%
Infrastructure (public)	2%	5.60%
Natural resources (public)	2%	6.10%
Real estate investment trusts	2%	4.00%
Frontier market equity	1%	7.60%
Cash	0%	-0.20%
Small cap	0%	0.00%
Total	100%	

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the APCD's Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the APCD's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the APCD's

XII. RETIREMENT PLAN – Continued**H. Sensitivity of the APCD's Proportionate Share of the Net Pension Liability to Changes in Discount Rate - Continued**

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
APCD's proportionate share of the net pension plan liability	\$ 12,298,912	\$ 7,128,755	\$ 2,908,198

I. Pension fund fiduciary net position

Detailed information about the pension fund's fiduciary net position is available in the separately issued SBCERS CAFR.

XIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**A. Plan Description**

The APCD's cost sharing multiple-employer defined benefit post-employment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (Retirement System). The OPEB Plan provides medical benefits to eligible retired APCD and other employer plan sponsors' employees, as well as to their eligible dependents, pursuant to California Government Code Section 31694 et. seq. Other employer plan sponsors include the County of Santa Barbara (County), the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

In September 2008, the APCD and the Retirement System adopted an Internal Revenue Code (IRC) Section 401(h) account that provides for these benefits. Under GASB Statement 43, *Reporting for Post-Employment Benefit Plans Other Than Pension Plans* and GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the liability related to the plan is required to be determined for both retirement systems and employers. GASB Statements 43 and 45 are not limited to the reporting of vested benefits.

The Retirement System issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the OPEB Plan. This may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210 Santa Barbara, CA 93105.

B. Plan Benefits

The County negotiates health care contracts with providers for both its active employees and the participating retired members of the Retirement System. APCD retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such, the APCD does not have a retiree premium implicit rate subsidy.

XIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continued

B. Plan Benefits - Continued

Pursuant to the OPEB Plan, the APCD Board has determined to provide a monthly insurance premium subsidy of \$15 (whole dollars) per year of credited service from the 401(h) account for Eligible Retired Participants participating in a County-sponsored health insurance plan. The monthly insurance premium subsidy is applied directly by the Retirement System to pay the premium and is not paid to the retiree or other party. The maximum amount paid in any month does not exceed the premium; any amount in excess of the premium is forfeited. If an Eligible Retired Participant does not participate in the County-sponsored health insurance plan, then the Retirement System reimburses the eligible Retired Participant for other medical care expenses. The maximum monthly amount paid is \$4 (whole dollars) per year of credited service.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 (whole dollars) per month or a subsidy of \$15 (whole dollars) per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Survivors of Eligible Retired Participants (Spouses and Dependents) continue to receive a subsidy proportionate to their percentage of the retiree's pension benefit.

C. Funding Policy

Participating employer plan sponsors individually determine their separate contributions to the Retirement System to fund the OPEB Plan. The APCD has adopted a policy of funding at an amount not to exceed 25% of its normal retirement costs in any given fiscal year, in order to pre-fund the benefit at the maximum amount allowed under the IRC.

For fiscal year ended June 30, 2015, the projected OPEB annual required contribution (ARC) was \$49,001, or 1.5% percent of the APCD's estimated annual covered payroll. This includes the normal cost for the year for current active employees of \$21,119, and \$27,882 for unfunded actuarial accrued liabilities (UAAL) amortization. The APCD's contribution to the OPEB Plan for fiscal year ended June 30, 2015 was \$182,051.

D. Annual OPEB Cost and Net OPEB Asset

The APCD's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize, over an open/rolling 30 years, any UAAL which consist of current retirees, current vested terminated employees, and current active employees.

XIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continued

D. Annual OPEB Cost and Net OPEB Asset - Continued

The following are the components of the APCD's annual OPEB cost for the fiscal year ended June 30, 2015:

Annual required contribution (ARC)	\$ 49,001
Interest on net OPEB asset	(24,603)
Adjustment to ARC	17,966
Annual OPEB cost	<u>42,364</u>
Contributions made	(182,051)
Increase in net OPEB asset	<u>(139,687)</u>
Net OPEB asset - beginning of year	(330,026)
Net OPEB asset - end of year	<u><u>\$ (469,713)</u></u>

The APCD's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB asset for the current year and the three preceding years, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributed	Percentage of ARC Contributed	Net OPEB Obligation/(Asset)
6/30/2013	110,983	189,356	170.6%	(78,373)
6/30/2014	109,606	170,996	156.0%	(61,390)
6/30/2015	42,364	182,051	429.7%	(139,687)
				<u><u>\$ (469,713)</u></u>

The quantification of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the APCD's reporting obligations under GASB 45, as the APCD understands these obligations.

Using the most recent actuarial valuation dated June 30, 2014, the following is the funded status of the OPEB Plan:

Actuarial accrued liability (AAL)	\$ 1,388,852
Actuarial value of plan assets	<u>(915,228)</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 473,624</u></u>
Funded ratio (actuarial value of plan assets/AAL)	65.9%
Covered payroll (active plan members)	\$ 3,170,019
UAAL as a percentage of covered payroll	14.9%

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the APCD's OPEB is presented as required supplementary information

XIII. OTHER POST-EMPLOYMENT BENEFITS (OPEB) - Continued

D. Annual OPEB Cost and Net OPEB Asset - Continued

following the notes to the financial statements. This schedule will, in the subsequent fiscal year, present multiyear trend information that shows whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the AAL for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations.

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Amortization Period for UAAL	Open Period of 30 years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Rate of return on investments	7.50%
Payroll Growth	3.50%
Inflation	N/A

In the Retirement System's June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of investment expenses) and no anticipated health care benefit increases. The OPEB Plan's unfunded AAL is being amortized using an open/rolling amortization period of 30 years. This is the longest amortization period available and will result in the lowest level of ARC and Net OPEB assets for the APCD's financial statements.

XIV. DEFERRED COMPENSATION PLANS

A. Employee Contribution Deferred Compensation Plan

The APCD offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code (IRC). 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 \$18,000 (during calendar year 2015), 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.

XIV. DEFERRED COMPENSATION PLANS - Continued

B. Social Security Compliance Deferred Compensation Plan

The APCD's Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the APCD in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular retirement system are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.2% and the APCD's contribution equals 1.5% for a combined total of 7.7%.

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.

The APCD's actual contributions for the current year and two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Contributed</u>
6/30/2013	\$ 1,854
6/30/2014	\$ 3,504
6/30/2015	\$ 4,295

XV. PRIOR PERIOD ADJUSTMENT

Note I describes the GASB pronouncements the District is adopting for the current fiscal year. There is a financial impact for the adoption of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27."

Net Pension Liability

Implementation of GASB Statement No. 68 recognizes a liability for the District's proportionate share of the net pension liability of all employers for benefits provided through SBCERS. Additionally, the District is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows or resources and deferred inflows of resources related to pensions. The effect of this adjustment can be seen below.

Because all of the information required to restate prior year was not available at the time the financial statements were available to be issued, prior year values are not presented.

The following table presents the effect of the prior period adjustment on the June 30, 2015 financial statement balances.

Net Position, at July 1, 2014, as originally stated	\$ 8,274,232
Decrease in net position due to net pension liability	(7,778,810)
Net Position, at July 1, 2014, as restated	<u>\$ 495,422</u>

XVI. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 21, 2016, the date that the financial statements were available to be issued.

XVII. APCD OWNED EMISSION REDUCTION CREDITS (ERCs)

On April 14, 2009, the United States Air Force (USAF) transferred ERC Certificate No. 0091-1108 to the APCD containing 3.00 tons per quarter (tpq) of oxides of nitrogen (NO_x). This was done as part of the Environmental Investment (ENVVEST) Program and the requirements of APCD Regulation XIII. The Santa Barbara County market for ERCs would indicate a potential fair value of \$600,000 for these credits. Given that it is impossible to predict when and if the credits might be sold, and at what price, management believes it would be misleading to record them in the financial statements at any value at this time.

Management, however, would like financial statement readers to be aware that the APCD is in possession of these credits and that they may be sold at some point in the future.

Santa Barbara County Air Pollution Control District
General Fund - Budgetary Comparison Schedule (Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget - Positive (Negative)
Revenues:				
Licenses, permits, and franchises	\$ 3,652,555	\$ 3,652,555	\$ 4,196,836	\$ 544,281
Use of money and property	30,000	34,942	38,387	3,445
Grants and subventions	2,862,580	2,862,580	2,912,323	49,743
Charges for services	1,681,161	1,681,161	1,678,870	(2,291)
Other	2,000	2,000	12,433	10,433
Total revenues	8,228,296	8,233,238	8,838,849	605,611
Expenditures:				
Air pollution control services:				
Salaries and benefits	5,846,862	5,846,862	5,519,023	327,839
Services and supplies	3,307,716	3,307,716	2,415,952	891,764
Other expenses	167,394	167,394	160,798	6,596
Capital outlay	170,000	170,000	164,474	5,526
Total expenditures	9,491,972	9,491,972	8,260,247	1,231,725
Excess (deficiency) of revenues over expenditures/expenses	(1,263,676)	(1,258,734)	578,602	1,837,336
Fund balances:				
Beginning of year	7,998,224	7,998,224	7,998,224	--
End of year	\$ 6,734,548	\$ 6,739,490	\$ 8,576,826	\$ 1,837,336

See accompanying independent auditors' report.

See accompanying notes to the General Fund – Budgetary Comparison Schedule.

Santa Barbara County Air Pollution Control District
Notes to the General Fund - Budgetary Comparison Schedule (Budgetary Basis)
As of June 30, 2015

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-Controller. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

Annually, the Board of Directors conducts two public hearings 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 (APCO) is delegated authority to make changes to the annual budget, provided it is within and between the salaries and benefits, services and supplies, other expenses, and capital outlay object levels. Subsequent to budget adoption, increases or decreases 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.

Variances with Final Budgeted Amounts

There were no variances out of budgetary or legal compliance.

Please see the General Fund Budgetary Highlights section of the MD&A, beginning on page 23, for more details on the object level variances found in the budgetary comparison schedule.

**Santa Barbara County Air Pollution Control District
Santa Barbara County Employees' Retirement System – Schedule of the APCD's
Proportionate Share of the Net Pension Liability**

As of June 30, 2015

Last 10 Fiscal Years*

	<u>FY 2015</u>	<u>FY 2014</u>
APCD's proportion of the net pension liability (asset)	1.1680%	1.1456%
APCD's proportionate share of the net pension liability (asset)	\$7,128,755	\$8,955,261
APCD's covered-employee payroll	\$3,260,399	\$3,457,746
APCD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.65%	258.99%
Plan fiduciary net position as a percentage of the total pension liability	80.46%	73.66%

*Amounts presented above were determined as of 6/30. Additional years will
be presented as they become available

Source: Santa Barbara County Employees' Retirement System GASB 67/68 Report as of June
30, 2014. Produced by Cheiron.

**Santa Barbara County Air Pollution Control District
Santa Barbara County Employees' Retirement System – Schedule of the APCD's
Contributions**

As of June 30, 2015

Last 10 Fiscal Years*

	<u>FY 2015</u>
Contractually required contribution (actuarially determined)	\$1,176,451
Contributions in relation to the actuarially determined contribution	<u>1,176,451</u>
Contribution deficiency (excess)	<u>\$ -</u>
APCD's covered-employee payroll	\$3,260,399
Contributions as a percentage of covered-employee payroll	36.08%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available

Source: Santa Barbara County Employees' Retirement System GASB 67/68 Report as of June 30, 2014. Produced by Cheiron.

**Santa Barbara County Air Pollution Control District
Other Post-Employment Benefits (OPEB) Plan – Schedule of Funding Progress
As of June 30, 2015**

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) ÷ (5)
6/30/2009	\$ 127,521	\$ 1,851,551	6.9%	\$ 1,724,030	\$ 3,954,591	43.6%
6/30/2010	\$ 275,096	\$ 1,822,303	15.1%	\$ 1,547,207	\$ 3,715,513	41.6%
6/30/2012	\$ 556,504	\$ 1,932,699	28.8%	\$ 1,376,195	\$ 3,474,506	39.6%
6/30/2014	\$ 915,228	\$ 1,388,852	65.9%	\$ 473,624	\$ 3,170,019	14.9%

Source: Santa Barbara County Employees' Retirement System Other Post-Employment Benefits Actuarial Valuation as of June 30, 2014. Produced by Cheiron.

See accompanying independent auditor's report.

Notes to the Other Post-Employment Benefits (OPEB) Plan - Schedule of Funding Progress

I. INTENTION OF THE INFORMATION

This information is intended to help users assess the APCD's OPEB plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

The information presented relates solely to the APCD and not Santa Barbara County Employees' Retirement System as a whole.



Comprehensive Annual Financial Report
Year Ended June 30, 2015

STATISTICAL SECTION (UNAUDITED)

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 Fee Revenues by Fee Source – Fiscal Year 2014-15

General Fund Fee 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 Air Quality Trend – Last Ten Calendar Years

Santa Barbara County Population by City – Last Ten Calendar Years

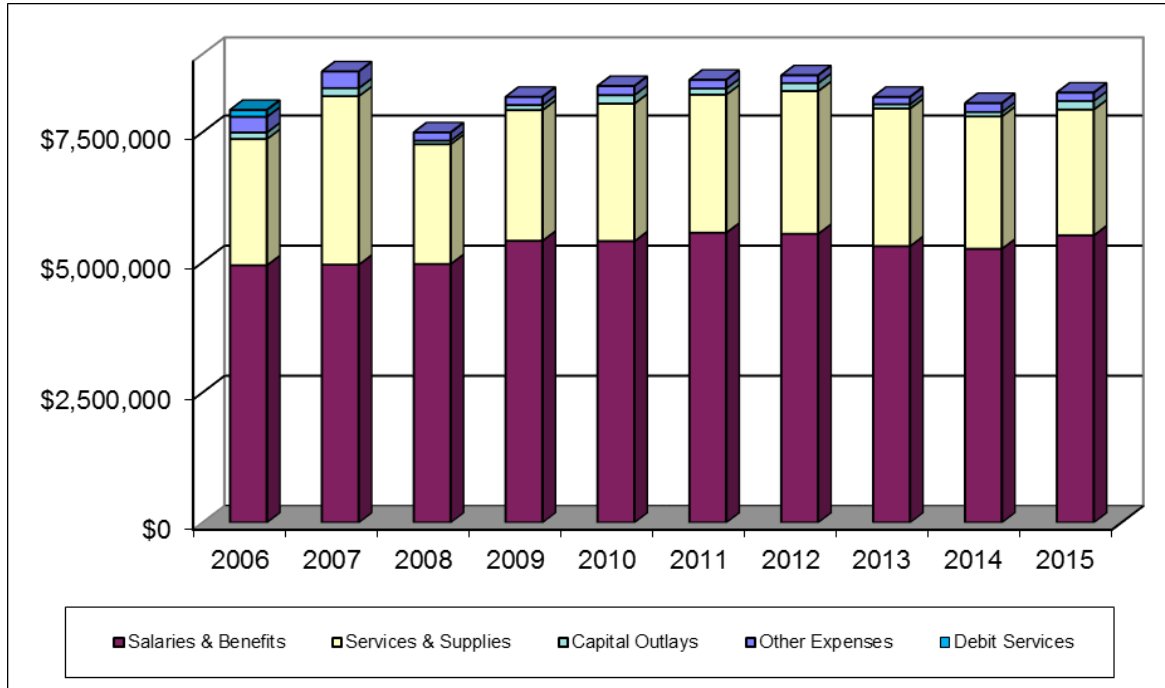
Santa Barbara County Civilian Employment – Last Ten Calendar Years

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

Demographic and Miscellaneous Statistics

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**

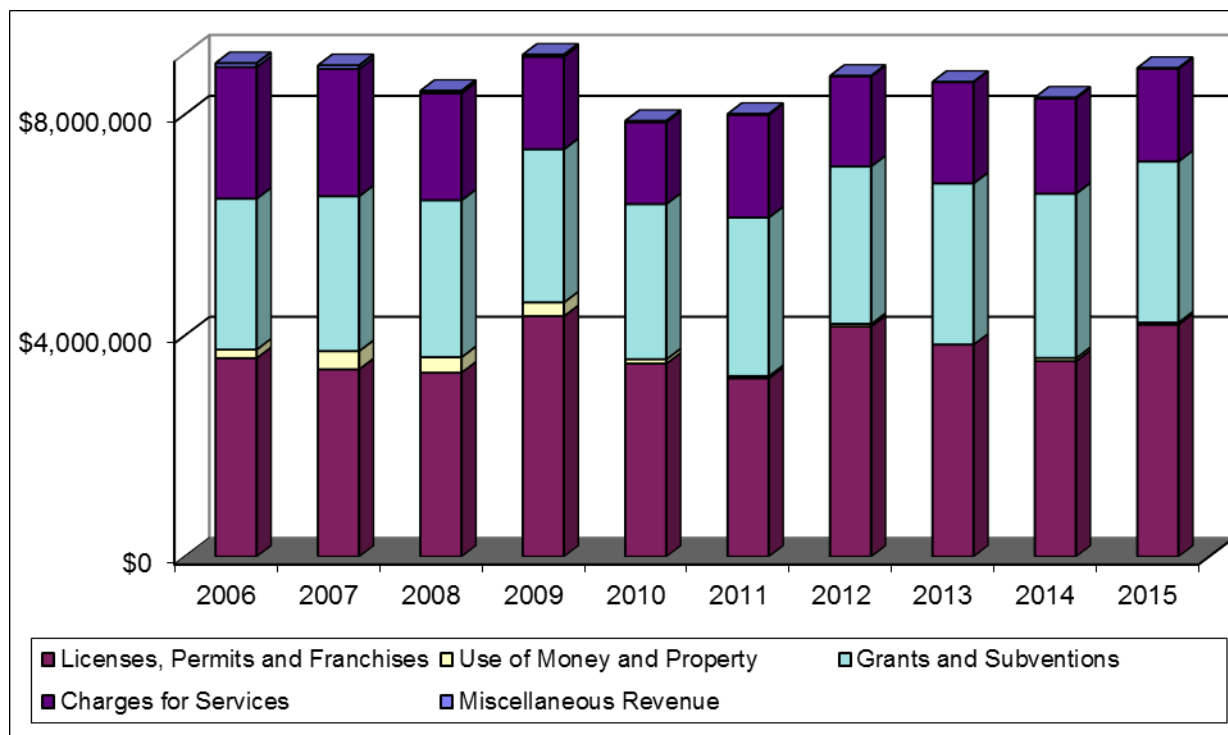


Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Other Expenses	Debt Service	Total Expenditures
2006	\$ 4,944,060	2,425,606	124,339	301,565	130,342	\$ 7,925,912
2007	\$ 4,956,097	3,236,442	153,753	320,440		\$ 8,666,732
2008	\$ 4,968,527	2,301,481	66,867	158,307		\$ 7,495,182
2009	\$ 5,414,416	2,511,145	95,986	156,336		\$ 8,177,883
2010	\$ 5,407,472	2,641,301	163,446	175,188		\$ 8,387,407
2011	\$ 5,568,990	2,652,335	118,893	165,563		\$ 8,505,781
2012	\$ 5,547,586	2,742,990	152,967	148,120		\$ 8,591,663
2013	\$ 5,310,383	2,644,481	81,405	140,557		\$ 8,176,826
2014	\$ 5,259,494	2,543,802	84,689	170,929		\$ 8,058,914
2015	\$ 5,519,023	2,415,952	164,474	160,798		\$ 8,260,247

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**

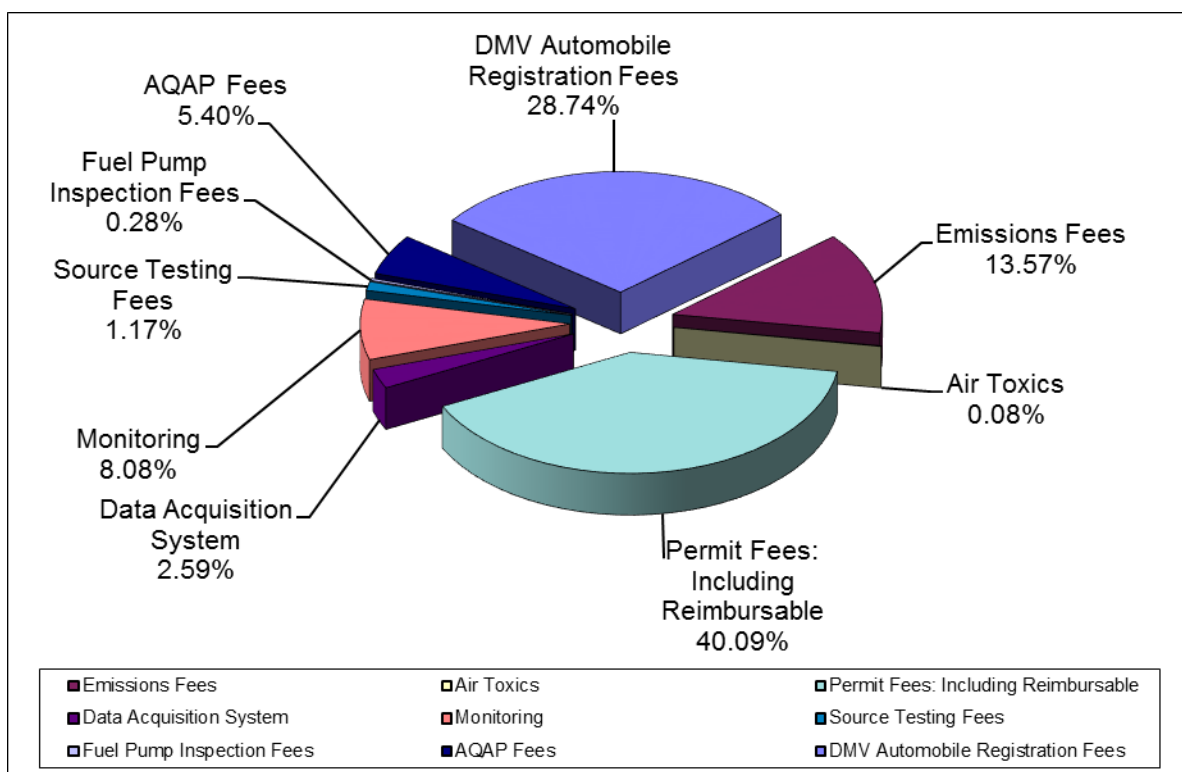


Year	Licenses, Permits and Franchises	Use of Money and Property	Grants and Subventions	Charges for Services	Miscellaneous Revenue	Total Revenues
2006	\$ 3,591,224	154,294	2,730,758	2,380,341	69,961	\$ 8,926,578
2007	\$ 3,388,275	329,306	2,800,513	2,305,517	63,868	\$ 8,887,479
2008	\$ 3,328,064	279,247	2,838,854	1,935,857	42,677	\$ 8,424,699
2009	\$ 4,349,163	249,722	2,768,491	1,674,763	36,620	\$ 9,078,759
2010	\$ 3,491,018	78,637	2,808,773	1,480,161	22,590	\$ 7,881,179
2011	\$ 3,226,591	38,344	2,868,791	1,858,119	16,718	\$ 8,008,563
2012	\$ 4,162,559	47,067	2,848,840	1,629,645	9,022	\$ 8,697,133
2013	\$ 3,835,844	(21,875)	2,916,048	1,833,905	1,632	\$ 8,565,554
2014	\$ 3,536,813	55,833	2,973,829	1,720,825	15,450	\$ 8,302,750
2015	\$ 4,196,836	38,387	2,912,323	1,678,870	12,433	\$ 8,838,849

Source:

Santa Barbara County Air Pollution Control District Audited Financial Statements

General Fund Fee Revenues by Fee Source - Fiscal Year 2014-15

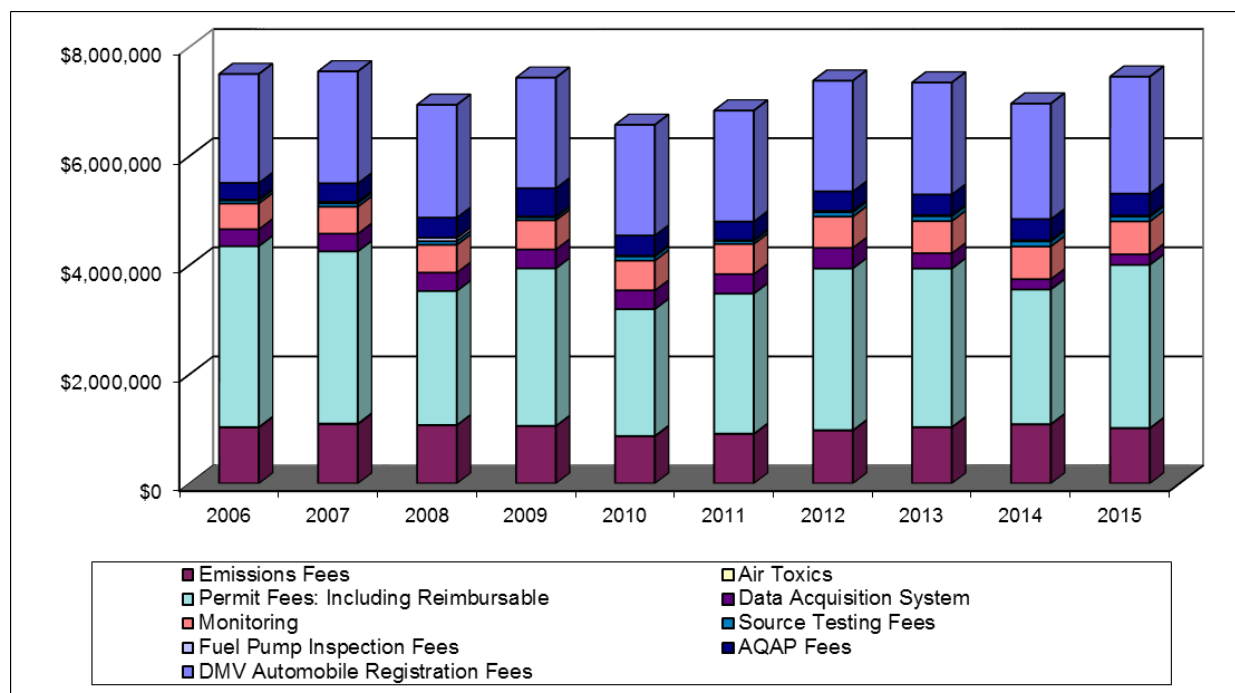


Fee Source	FY 14-15
Emissions Fees	\$ 1,011,844
Air Toxics	5,727
Permit Fees: Including Reimbursable	2,989,787
Data Acquisition System	193,512
Monitoring	602,803
Source Testing Fees	87,146
Fuel Pump Inspection Fees	20,786
AQAP Fees	403,179
DMV Automobile Registration Fees	2,143,037
Total Fee Revenues	\$ 7,457,821

Source:

Santa Barbara County Air Pollution District Audited Fee Revenues

General Fund Fee Revenues by Fee Source - Last Ten Fiscal Years

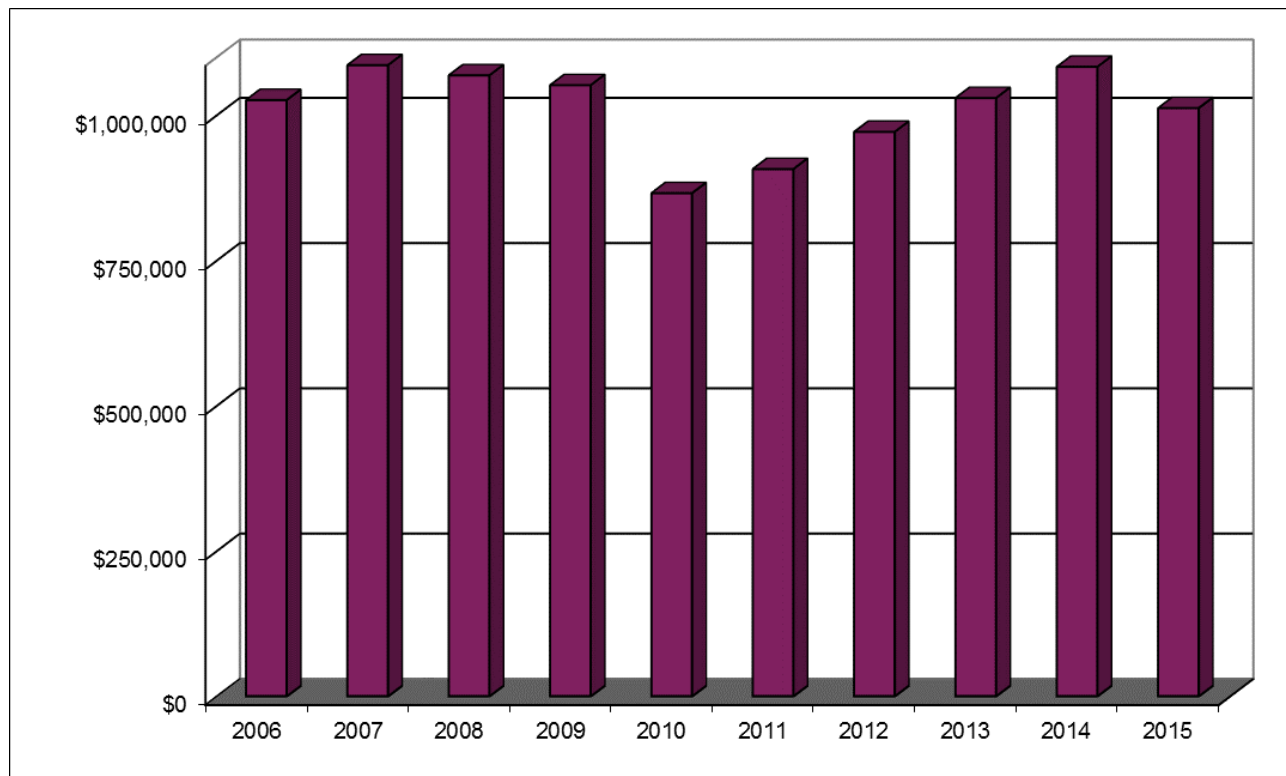


Year	Emissions Fees	Air Toxics	Permit Fees: Including Reimbursable	Data Acquisition System	Monitoring	Source Testing Fees	Fuel Pump Inspection Fees	AQAP Fees	DMV Automobile Registration Fees	Total Fee Revenues
2006	\$ 1,025,676	9,086	3,315,396	310,314	472,089	55,300	16,641	305,550	1,995,966	\$ 7,506,018
2007	\$ 1,085,778	11,577	3,158,404	324,026	492,751	63,780	27,468	338,280	2,051,539	\$ 7,553,603
2008	\$ 1,068,178	3,908	2,457,229	336,726	508,847	66,903	62,410	369,709	2,067,453	\$ 6,941,363
2009	\$ 1,051,272	6,221	2,885,594	348,562	534,244	53,722	14,096	519,147	2,025,336	\$ 7,438,194
2010	\$ 865,433	6,152	2,324,726	343,360	544,809	78,270	12,441	372,224	2,026,839	\$ 6,574,254
2011	\$ 906,927	5,949	2,566,379	357,483	554,606	55,020	13,221	343,001	2,034,178	\$ 6,836,764
2012	\$ 970,904	5,829	2,963,944	378,577	571,474	82,685	23,968	356,613	2,029,342	\$ 7,383,336
2013	\$ 1,029,140	5,633	2,905,227	281,475	587,997	90,803	20,281	378,437	2,051,399	\$ 7,350,392
2014	\$ 1,082,816	5,867	2,467,491	190,135	597,744	95,217	20,727	386,944	2,117,633	\$ 6,964,574
2015	\$ 1,011,844	5,727	2,989,787	193,512	602,803	87,146	20,786	403,179	2,143,037	\$ 7,457,821

Source:

Santa Barbara County Air Pollution District Audited Fee Revenues

Emission Fee Revenues - Last Ten Fiscal Years



Year	Emission Fees
2006	1,025,676
2007	1,085,778
2008	1,068,178
2009	1,051,272
2010	865,433
2011	906,927
2012	970,904
2013	1,029,140
2014	1,082,816
2015	1,011,844

Source:

Santa Barbara County Air Pollution District Audited 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 700,000 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 south-facing aspect, 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.

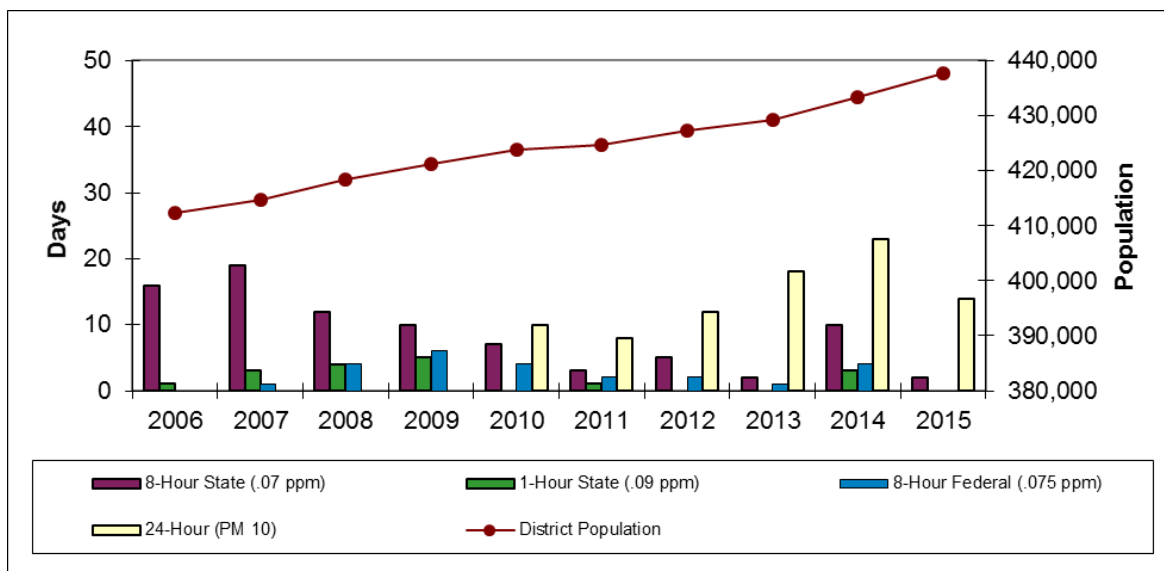
Lompoc Valley

Lompoc Valley is located in the western portion of the County. 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 (at 64 degrees F and with 300 days of sunshine on average), picturesque coastline, scenic mountains, 114 parks, 18 beaches, and 17 golf courses. 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 reflect 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 quality, demographic, employment and motor vehicle information about the Santa Barbara County Air Pollution Control District region.

Santa Barbara County Air Quality Trend - Last Ten Calendar Years



Calendar Year Exceedances (number of days with an exceedance)					
Year	Ozone			Particulate Matter	District Population
	8-Hour State (.07 ppm)	1-Hour State (.09 ppm)	8-Hour Federal (.075 ppm)	24-Hour (PM 10)	
2006	16	1	0		412,271
2007	19	3	1		414,750
2008	12	4	4		418,309
2009	10	5	6		421,197
2010	7	0	4	10	423,740
2011	3	1	2	8	424,732
2012	5	0	2	12	427,267
2013	2	0	1	18	429,200
2014	10	3	4	23	433,398
2015	2	0	0	14	437,643

Sources:

2001-2010 Data:

State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, August 2011

2011-2012 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State with Annual Percent Change — January 1, 2011 and 2012. Sacramento, California, May 2012

2012-2013 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2012 and 2013. Sacramento, California, May 2013.

2013-2014 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2013 and 2014. Sacramento, California, May 2014.

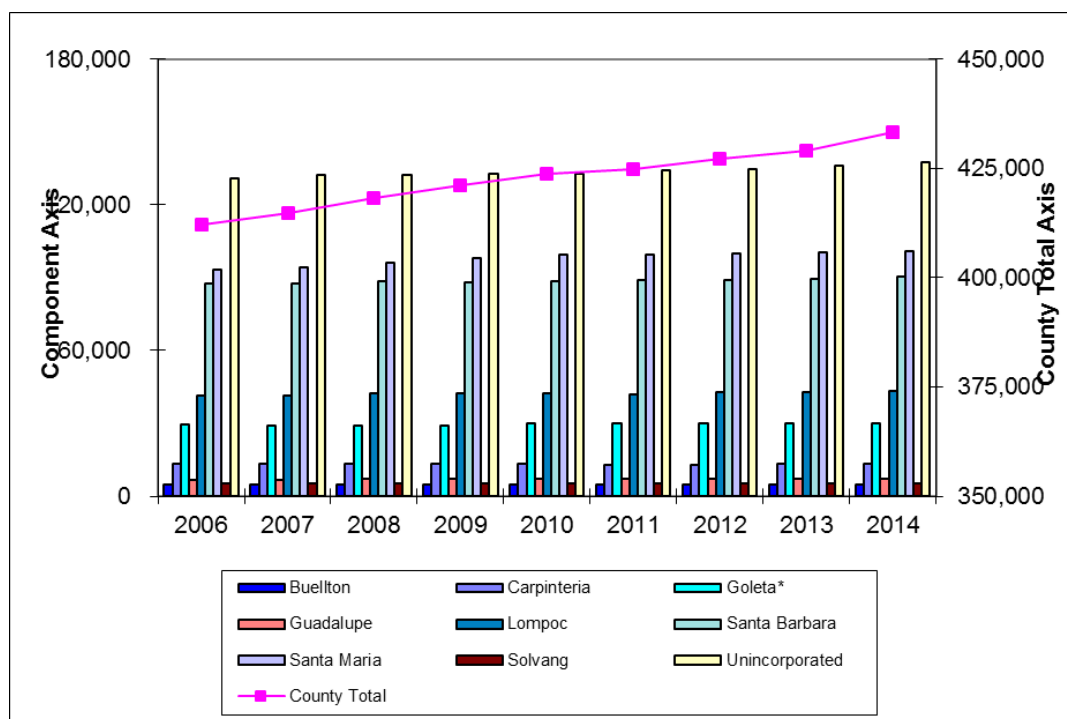
2014-2015 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2014 and 2015. Sacramento, California, May 2015

Smog Data:

Santa Barbara County Air Pollution Control District Monitoring Data.

Santa Barbara County Population by City - Last Ten Calendar Years



Santa Barbara County (January 1,)										
City	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Buellton	4,525	4,653	4,695	4,744	4,843	4,854	4,858	4,863	4,893	4,931
Carpinteria	13,258	13,102	13,121	13,136	13,129	13,041	13,076	13,099	13,442	13,547
Goleta*	29,298	29,137	29,273	29,266	29,789	29,887	29,930	29,962	30,202	30,765
Guadalupe	6,704	6,751	6,958	7,018	7,118	7,080	7,097	7,100	7,144	7,205
Lompoc	41,352	41,505	42,437	42,385	42,560	42,063	42,854	42,730	43,314	43,479
Santa Barbara	87,702	87,619	88,337	88,265	88,733	88,827	89,082	89,681	90,385	91,088
Santa Maria	93,385	94,408	95,934	98,163	99,589	99,582	100,199	100,306	101,103	102,087
Solvang	5,203	5,179	5,221	5,241	5,265	5,264	5,281	5,292	5,363	5,489
Unincorporated	130,844	132,396	132,333	132,979	132,714	134,134	134,890	136,167	137,552	139,052
County Total	412,271	414,750	418,309	421,197	423,740	424,732	427,267	429,200	433,398	437,643

* Goleta incorporated in 2003.

Note:

Population figures are at January 1 of the years listed.

Sources:

2001-2010 Data:

State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, August 2011

2011-2012 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State with Annual Percent Change — January 1, 2011 and 2012. Sacramento, California, May 2012

2012-2013 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2012 and 2013. Sacramento, California, May 2013.

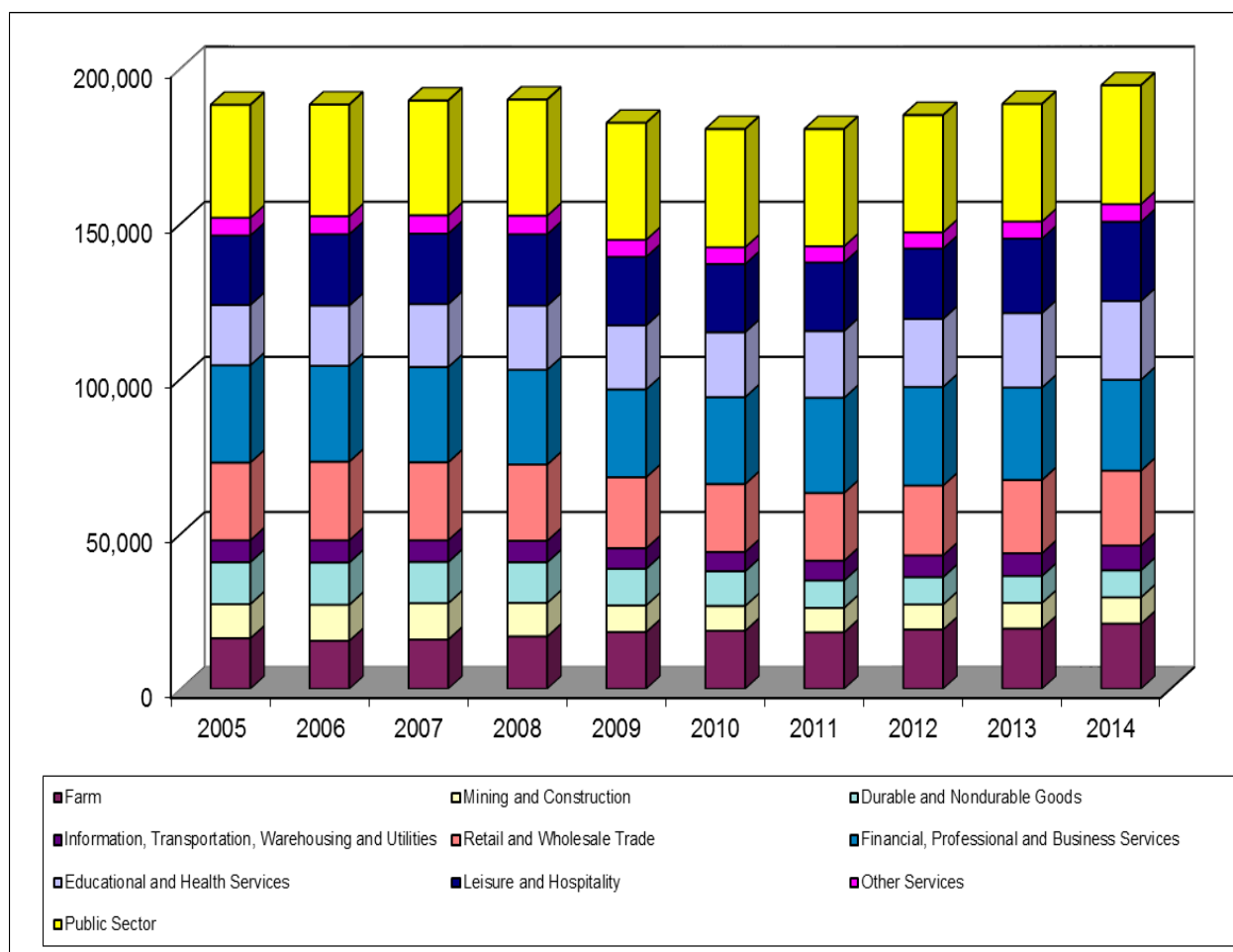
2013-2014 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2013 and 2014. Sacramento, California, May 2014.

2014-2015 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2014 and 2015. Sacramento, California, May 2015

Santa Barbara County Civilian Employment - Last Ten Calendar Years



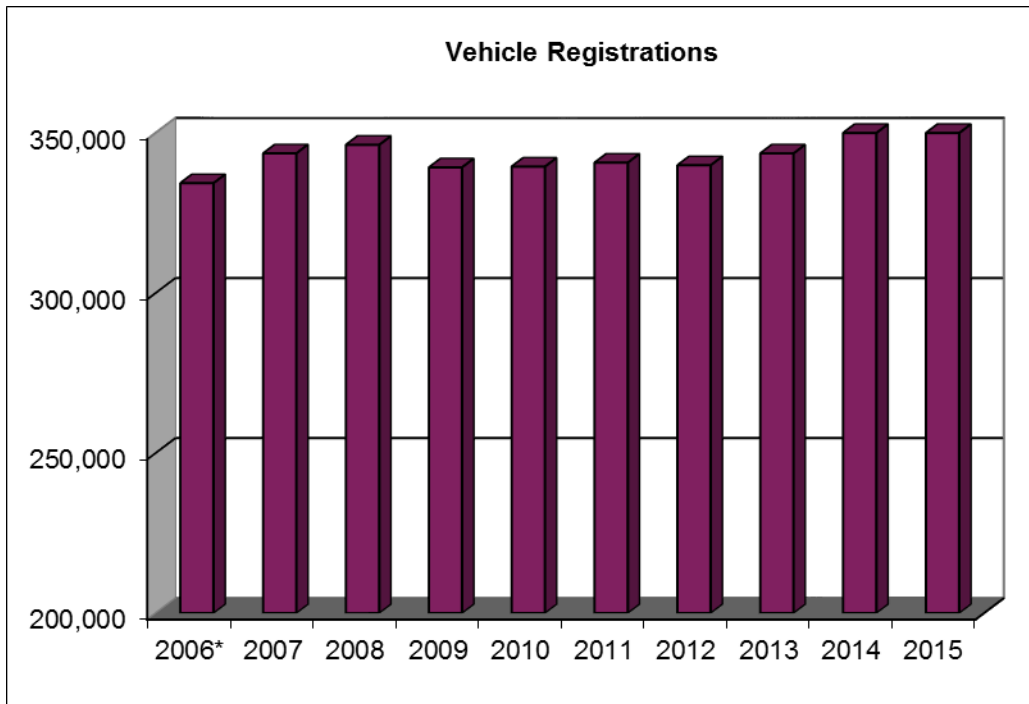
Year	Farm	Mining and Construction	Durable and Nondurable Goods	Information, Transportation, Warehousing and Utilities	Retail and Wholesale Trade	Financial, Professional and Business Services	Educational and Health Services	Leisure and Hospitality	Other Services	Public Sector	Total Wage and Salary
2005	16,300	11,000	13,500	7,100	25,000	31,400	19,400	22,400	5,700	36,400	188,200
2006	15,500	11,600	13,600	7,200	25,300	30,900	19,400	23,000	5,800	36,000	188,300
2007	15,900	11,700	13,300	7,000	25,100	30,700	20,300	22,700	5,900	37,000	189,600
2008	16,900	10,800	13,100	6,900	24,600	30,500	20,700	23,000	6,000	37,400	189,900
2009	18,300	8,600	11,800	6,600	22,900	28,300	20,600	22,100	5,500	37,700	182,400
2010	18,700	8,000	11,200	6,200	21,900	28,000	20,900	22,000	5,400	38,100	180,400
2011	18,200	7,900	8,800	6,400	21,800	30,700	21,500	22,100	5,200	37,800	180,400
2012	19,100	8,100	8,800	7,000	22,500	31,800	21,900	22,700	5,200	37,800	184,900
2013	19,400	8,300	8,700	7,300	23,600	29,800	24,000	24,000	5,500	37,900	188,500
2014	21,000	8,500	8,700	8,000	24,100	29,300	25,400	25,500	5,700	38,300	194,500

Note: 2015 Data was not available
at time of report issuance

Source:

California Employment Development Department (EDD)

**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
2006*	334,324	1,995,966
2007	343,633	2,051,539
2008	346,298	2,067,453
2009	339,244	2,025,336
2010	339,496	2,026,839
2011	340,725	2,034,178
2012	339,915	2,029,342
2013	343,609	2,051,399
2014	354,704	2,117,633
2015	358,959	2,143,037

* Adopted additional \$2 DMV registration fee.

Source:

Santa Barbara County Air Pollution District Audited 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 & Cities Included:</i>	Santa Barbara County and the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang
<i>Population:</i>	433,398 (as of January 1, 2014)
<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 highway 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>	354,704 (in Fiscal Year 2013-14)
<i>Average Total Daily Miles Traveled:</i>	10.1 million (from a 2005 study)
<i>Average Daily Vehicle Miles Traveled:</i>	31.9 (from a 2000 study)
<i>Average Trip Length:</i>	9.2 (from a 2000 study)
<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, Paint Spray Booths, and Agricultural Water Pump Engines
<i>Permitted or Registered Stationary Facilities:</i>	1,101 Small, Medium, and Large
<i>Number of Air Monitoring Stations:</i>	18
<i>Full-time Positions for 2013-14:</i>	52.25 are authorized and 46.00 are funded.
<i>Full-time Positions for 2014-15:</i>	52.25 are authorized and 47.00 are funded.
<i>Adopted 2014-15 Budget:</i>	\$9,710,695
<i>Key Federal, State, and Local Air Agencies:</i>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board) and 35 local air pollution control districts in California.