

Agenda Date: October 21, 2004
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Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Terry Dressler, Air Pollution Control Officer

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

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

RECOMMENDATIONS:

1. Adopt a resolution (Attachment A, including Table 1) to transfer, and designate, monies from trust funds 1961, 1962, and 1963 to operating fund 1960 to comply with Government Accounting Standards Board Pronouncement No. 34.
2. Adopt budget revision requests for budget years 2003-04 and 2004-05 to properly account for the activity in these new designations in fund 1960. (Requires 4/5 approval.)

DISCUSSION:

APCD staff is recommending that your Board transfer certain monies between trust funds as part of the implementation of new accounting standards. Furthermore, staff recommends the establishment of certain designations to provide reserve funds to mitigate year to year revenue fluctuation and to cover unforeseen expenses.

Background

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

Fund 1960 – APCD Operating:

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

Fund 1961 – APCD Deposits Trust:

Prior to 1987, the APCD established Fund 1961 to hold deposits of restricted funds paid by various permit holders under cost reimbursement provisions of its fee rule (Rule 210). Among the permit holder deposits in Fund 1961 are deposits held for specific projects such as upgrading and maintaining air monitoring and data acquisition systems. As APCD developed its innovative technologies program, revenues paid to the APCD for the purpose of funding the program were also held in Fund 1961. Over the years, Fund 1961 came to hold various categorical deposits and some non-categorical revenues from increment fees, a special fee for new large sources of air pollution. APCD also used Fund 1961 to hold subvention funds from the California Air Resources Board, unclaimed deposits reimbursements, and interest that accrued to the deposits and revenues held in the fund. Beginning in FY 01/02, APCD began to transfer some of the interest earned in Fund 1961 to Fund 1960; however, the bulk of the interest earned (over nearly 15 years) remains in Fund 1961.

Fund 1962 – APCD Data Acquisition System:

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

Fund 1963 – Trust & Capital Reserves:

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

Purpose of the Resolution and Budget Revisions

In March of 2004, APCD began discussions with the Santa Barbara County Auditor-Controller regarding the disposition and management of the diverse holdings in Fund 1961, and the holdings in funds 1962 and 1963. At that time, the Auditor-Controller's Office advised us that, as part of the mandatory implementation of the new Government Accounting Standards Board (GASB) Pronouncement No. 34, some of the holdings in the APCD trust funds would be required to be managed as designations in Fund 1960, the APCD operating fund. In turn, APCD staff requested the assistance of the Auditor-Controller in determining which of the trust funds, and related holdings, might need to be combined within the operating fund in order to comply with the new governmental accounting standard (reporting model).

Attachment A (Board Resolution):

As a result of this review, the Auditor-Controller determined that certain monies that APCD had collected in prior years, and set aside in trust funds, should have been recorded as revenue in the respective years they were collected. Both the Auditor-Controller and our outside auditors, Nasif, Hicks, Harris, & Co., agree that these monies should be combined within our operating fund and set up in specific designations in order to segregate and restrict the use of money for the purposes for which they were collected. At the same time, APCD staff believes that it would be fiscally prudent to set up a set of contingency designations to provide reserve funds to mitigate the effects of year to year revenue fluctuations, and to cover unforeseen expenses such as insurance deductibles. We would also recommend that the Board designate funds to be used to pay the promissory note held by the County of Santa Barbara for leasehold improvements to the Casa Nueva building. The attached resolution accomplishes this goal.

Fiscal Year 2003-04 Budget Revision Request:

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

Fiscal Year 2004-05 Budget Revision Request:

The attached request incorporates the new reporting model, and related revenue & appropriations structure, mandated by GASB Pronouncement No. 34. Revenues collected in the current year, but not intended to be used within the year must be designated for future years. In turn, revenues collected in a prior year, but intended for the current year must be released from designations. This revision of the budget will not increase or decrease the budget adopted by your Board in June.

ATTACHED:

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

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

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

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

ATTACHMENT A

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

In the Matter of Transferring Monies from) APCD Resolution No. 04 - ____
APCD Trust Funds 1961, 1962, and 1963 to)
APCD Operating Fund 1960, and related)
Designations and Budget Revisions.)

RECITALS

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

NOW, THEREFORE, IT IS HEREBY RESOLVED as follows:

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

PASSED AND ADOPTED by the Santa Barbara County Air Pollution Control District Board, County of Santa Barbara, State of California, this 21st, day of October 2004, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Clerk of the Board

By: _____
Deputy

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

APPROVED AS TO FORM

STEPHEN SHANE STARK
COUNTY COUNSEL

By: _____
Deputy

Attorneys for the Santa Barbara
County Air Pollution Control District

APPROVED AS TO ACCOUNTING
FORM:

ROBERT W. GEIS, CPA
Auditor Controller

By: _____